THE CONTRIBUTION OF MICROFINANCE INSTITUTIONS ON WOMEN EMPOWERMENT: A CASE STUDY OF LETSHEGO MICROFINANCE, RUKUNGIRI BRANCH.

BY

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2015/AUG/BSWSA/B20925/DAY

A DISSERTATION SUBMITTED TO THE SCHOOL OF SOCIAL SCIENCES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF BACHELORS OF SOCIAL WORKS AND SOCIAL ADMINISTRATION OF NKUMBA UNIVERSITY.

OCTOBER, 2018
DECLARATION

I, Kyankwanzi Rodgers, hereby declare that this dissertation is my own original work and has not been submitted to any University or Institution of Higher Learning for the Award of a Degree.

Signature

Date 28/09/2018
APPROVAL

This is to certify that this dissertation has been submitted with my approval as university supervisor.

MR. NKURUNZIZA GEOFFREY

(Supervisor)
DEDICATION

This piece of work is dedicated to Mr Barigye Gideon and Mrs Barigye Winnie, Mr Kyagaba Sharif, Mrs Edith Kyagaba, Nkumba University Staff and last but not least to my supervisor Mr. Nkurunziza Geoffrey, who greatly encouraged and supported me tirelessly during the production of this dissertation.
ACKNOWLEDGEMENT

I am specifically delighted to mention the following; the family of Barigye Gideon and Kyagaba Shalif, Nkumba staff who have been my rock through the times. My friends especially Nimrod, Gilbert, Natasha, Bill, Grace, Robert, Banko Don and Henry Mwebaze, who has patiently endured the challenging, times and borne with all the times we have gone through together, with a constant cheer; all of you have always encouraged me greatly. My special thanks also go to my supervisor, Mr. Nkurunzinza Geoffrey, for his encouragement, patience, good and professional guidance. I would also like to thank, my classmates and my lecturers at the University, who have been a source of continuous encouragement and growth. I am also indebted to all the people whose guidance made this study a success. I would like to thank them here as I will not be able to mention all of them by name. Their contributions will always be in my memory.
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<td>Gross Domestic Product</td>
</tr>
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<td>LMF</td>
<td>Letshego Microfinance Uganda Limited</td>
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<td>MDGS</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>MFI</td>
<td>Microfinance Institution</td>
</tr>
<tr>
<td>MoFPED</td>
<td>Ministry of Finance Planning and Economic Development</td>
</tr>
<tr>
<td>NDP</td>
<td>National Development Plan</td>
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<tr>
<td>SDGS</td>
<td>Sustainable Development Goals</td>
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<td>SMEs</td>
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ABSTRACT

The study was to establish the role of Micro-Finance Institutions on women empowerment using a case study of Letshego Microfinance, Rukungiri Branch. The objectives of the study were; to identify the contribution of microfinance in household asset accumulation, to find out the role of microfinance in generating self-employment and to establish the effect of microfinance in generating household savings.

This study majorly employed a pre and post comparative study. Through this kind of study, I was able to collect information about the LMF clients prior to borrowing and after borrowing.

The findings show that the majority of the respondents were able to build assets to fight poverty as a result of access to microfinance as the usage of group guarantee in subsequent borrowings in favour of household assets and Kibanja/Untitled land reduced drastically.

In conclusion; microfinance access therefore plays an important role in attainment of the SDG 1 of alleviating poverty in all its forms as most of the respondents acknowledged it basing on their status before and after accessing microcredit. The borrowers were able to build assets as a result of borrowing, increase household incomes and self-employment. However, the study also found out that contrary to the popular belief that microfinance increases savings, It does not, as those who mostly saved were through forced/compulsory/mandatory savings in order to access credit as opposed to voluntarily saving.

There is need to incorporate the microfinance strategy to support other strategies to fight poverty. This strategy facilitates access to financial services in rural areas and encourages savings and their use as source of investment capital for rural enterprises.

The study recommends further research to be carried out on how government can subsidize MFIs so that they are able to extend microcredit to borrowers at affordable rates. This is important if the first SDG of alleviating poverty through access to microfinance is to be achieved.
CHAPTER ONE

1.0 Introduction

This chapter presents the background of the study subdivided into historical, conceptual, Theoretical and contextual perspectives, statement of the problem, purpose of the study, objectives of the study, research questions, area of study, conceptual framework, and significance of the study and justification of study. The study will examine the role of microfinance institutions on women empowerment. A Case study of Letshego Microfinance, Rukungiri Branch.

1.1 Background to the study

1.1.1 Historical perspective

The Sustainable Development Goals (SDGs) were adopted by the United Nations’ at a summit meeting in New York in September, 2015 as a successor to United Nations’ previous road map, the Millennium Development Goals (MDGs) that were adopted in September, 2000. The SDGs lay out a sweeping vision for improving the lives of people all over the world over the next 15 years to 2030. The SDGs became official on January 1, 2016 (United Nations, 2015).

Whereas the MDGs were aimed mainly at developing countries, and met with widely varying degrees of success, the new global goals are more ambitious, and are meant to apply to every country. The 17 goals are accompanied by 169 specific targets and hundreds of indicators meant to advance the goals in concrete ways. Most are meant to be achieved by 2030, while others have shorter deadlines (United Nations, 2015). Just like the MDGs that had halving extreme poverty and hunger as goal number one, the SDGs equally have ending poverty in all its forms everywhere as global goal number one. This intention to eradicate, not just reduce poverty, represents a major leap forward in terms of ambition compared with the MDGs (United Nations, 2013).

Sustainable financial services from formal providers can contribute to poverty reduction and economic and social development. This role was recognized by the Open Working Group proposal for the SDGs which made access to financial services a component in several of its...
targets such as SDG 1, 2, 5, 8 and 9. The General Assembly has already decided that this proposal is the main basis for the post-2015 intergovernmental process (UNCTAD, 2015).

The primary goal of SDGs remains the eradication of poverty. The United Nations Secretary-General Ban Ki-Moon declared in his report “The Road to Dignity” about the SDGs in December 2014 that no sustainable development goal or target can be considered accomplished as long as this is not true for all social groups (Ki-moon, 2015).

Despite changes in development paradigms in the last half of the 20th century, the promise to bring wellbeing to all human beings remained unfulfilled. As it stands, more than 1.2 billion people in the world are living on less than US$1.25 a day, and close to 1 billion people suffering from hunger (World Bank, 2010). This is so in spite of massive progress in reducing poverty in some parts of the world over the past couple of decades (Montalvo & Martin, 2009).

According to Mosley & Rock (2004), Sub-Saharan Africa, is one of the regions worst affected by poverty and there is general consensus that poverty remains a major policy challenge in this region. Basing on current evidence from the World Bank, sub-Saharan Africa will likely miss the target for eradicating poverty by 2030. Three percent of Africans in 2030 are expected to be poor simply because their country growth rates lag behind regional performance. These individuals start between 70 cents and $1.25 and remain there two decades later (World Bank, 2000).

In the Ugandan perspective, the country is still among the developing countries of the world that are hit hardest by poverty as it still appears on the list of 50 poorest countries (UNDP, 2013). However, more recent evidence from the Ministry of Finance, Planning and Economic Development (Poverty Status Report, 2014) which comes on the heels of two major development processes; the National Development Plan 2016-2020 (NDPII) and the global Post-2015 Development Agenda shows that poverty levels have declined in Uganda from 24.5 percent in 2009/10 to 19.7 percent in 2012/13. In spite of this however, the number of poor people in the Northern region increased from 29 percent to nearly 38 percent between 1992/93 to 2009/2010 with deeper levels of poverty too (UBOS-National Household Survey, 2012/13). Even with the significant reduction in poverty over the last 20 years, the majority of the population remains vulnerable. In 2012/13 more than half of the non-poor population was classified as insecure, living below twice the poverty line. The percentage of the non-
poor insecure instead increased from 13.2 million representing 42.9 percent to 14.7 million representing 43.3 percent (Poverty Status Report, 2014).

Microfinance has received extensive recognition as a strategy for poverty alleviation and for economic empowerment in fighting poverty, particularly in rural areas, where most of the world's poorest people live (United Nations 2006). Indeed, the SDGs acknowledge access to financial services as a driver for the post-2015 development agenda of eradicating poverty as well as ensuring economic and social development around the world (UNCTAD 2015).

The Ugandan government addresses rural poverty through its National Development Plan (NDP) which stipulates the country’s medium term strategic direction, development priorities and implementation strategies. In addition, it details Uganda's current development status, challenges and opportunities. In line with the National Vision Framework, six (6) five-year NDPs was implemented and so far two NDPs have been produced. The first NDP (NDPI) was for the period 2010/11 – 2014/2015 and the second NDP (NDPII) is from 2015/16 – 2019/2020 (MFPED, 2012). NDP I replaced the Poverty Eradication Action Plan (PEAP) that had focused mainly on reducing the poverty but was unable to elicit the necessary stimuli for socioeconomic transformation due to its emphasis on social services and less on productive sectors of the economy. NDP is the first in a series of six NDPs that will have to be implemented in order to realise the 30 year Vision of 2040.

1.1.2 Conceptual Perspective

Microfinance, according to Otero (1999:8) is “the provision of financial services to low-income poor and very poor self-employed people”. These financial services according to Ledgerwood (1999) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet (2001:339) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

Women empowerment is difficult to define. Globally, women's empowerment as a notion is complex for there is considerable variation in its conceptualization (Rabbani, 2015). Moreover, Sardenberg (Nov. 2012) noted that most definitions link empowerment with the power and freedoms used to achieve desired outcomes. Women empowerment therefore is
multidimensional in nature and exists at various levels such as education and employment status.

According to Sardenberg, (2012) women empowerment refers to the lifting of women's overall position in society and their ability to influence and control at interpersonal level. It is the process of increasing the capacity of women to make strategic life choices and transforming them into desired outcomes. Generally the word empowerment is used to refer to a person’s ability to take control over own life, setting own agendas, gaining skills, building self-confidence, solving problems, and developing self-reliance (Schalkwyk, June 2000). In agreement, Nabanoba (2017) said empowerment refers to the process of becoming stronger and more confident, especially in controlling one’s life and claiming ones rights. It may also refer to activities from individual self-assertion to collective resistances, protests and mobilizations that challenge basic power relations.

Microfinance institutions (Micro-Finance Institutions) are organizations that provide savings and/or credit facilities to micro and small scale business people. MFIs provide financial services to poor people who have experienced difficulties obtaining these services from most formal financial institutions because their businesses, savings levels and credit needs are all small. Micro-Finance Institutions in Uganda include two banks, several companies limited by shares and a large number of NGOs, companies limited by guarantee, cooperatives and credit unions.

1.1.3 Theoretical perspective

The study was guided by the following theory.

The Classic Microfinance Theory of Change. This theory of change as advanced by Chris Dunford states that a poor person goes to a microfinance provider and takes a loan (or saves the same amount) to start or expand a microenterprise which yields enough net revenue to repay the loan with major interest and still have sufficient profit to increase personal or household income enough to raise the person’s standard of living.

The theory notes that there are three key steps a poor person must take to make this theory true: These include;

1. Take a loan from (or save with) a microfinance institution (or similar entity)
2. Invest the money in a viable business and;

3. Manage the business to yield major return on the investment

Although the classic microfinance theory of change is applicable to the study as LMF borrowers take loans or save, invest in their businesses so as to create assets, increase household incomes, create self-employment and increase household savings, it does not apply to a whole lot of poor borrowers because so many choose not to participate even when they can.

1.1.4 Contextual perspective

This Directory provides information on the Micro-Finance Institutions that have received support from the USAID-funded PRESTO Project's Center for Microenterprise Finance. Contact information is also presented on the Government's Poverty Alleviation Project, the Uganda Cooperative Alliance and the Uganda Cooperative Savings and Credit Union. These institutions can provide more information on the smaller NGOs, cooperatives and credit unions in their respective programs, BOU (March 2014).

Letshego Microfinance Uganda, (also Letshego Microfinance Uganda Limited (LMUL)), whose official name is Letshego Uganda Limited, is a Tier IV microfinance institution in Uganda. LMUL is a microfinance company that offers SME loans, mortgage loans, and education loans, among other forms of lending. The company also offers savings accounts.

As of December 2013, LMUL's assets were valued at UGX:91 billion (US$36.4 million) and it had a loan portfolio of UGX:58 billion ($23.2 million). Total customer deposits stood at UGX:43 billion ($17.2 million). At that time, the institution had 32 branches. The institution was founded in 2005 as Micro Provident Uganda Limited. In 2012, the business re-branded to Letshego Uganda Limited. In 2013, Letshego Holdings Limited acquired control of Micro Africa Limited, a Kenya-based microfinance institution with subsidiaries in Kenya, Rwanda, Uganda, and South Sudan. The two operations in Uganda were merged to form Letshego Microfinance Uganda Limited. LMUL's headquarters are located at 9 Wampewo Avenue on Kololo Hill, a business and residential neighborhood within the city of Kampala, Uganda's capital. This is approximately 3 kilometres (2 mi) north-east of the city center. The coordinates of the institution's headquarters are 00°19'23.0"N, 32°35'47.0"E (Latitude:0.323056; Longitude:32.596389). The company is majority owned by Letshego
Holdings Limited, a publicly traded holding company of financial services subsidiaries in Botswana, Burundi, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Tanzania, and Uganda.

According to MFR (2011), evidence indicates that interest rates in some leading Micro-Finance Institutions in Uganda have been falling from about 5% a month prior to 2000 to around 3% a month currently, and some are shifting from a flat rate to declining balance as a basis for charges and improving the lending terms. However SME are still uncomfortable with such credit extended to them (Komunitas, 2005) despite the improved interest rates and terms. Key issues may be that SMEs over-borrow from more than one Micro-Finance Institutions, and at times beyond their ability to repay. This creates lack of adequate financial resources to meet their working capital needs and at times affects the relationship with the Micro-Finance Institutions due to failure to pay on time. Since SMEs are a major economic sector in Uganda and estimated to contribute over 30% of GDP, over 30% of employment and over 80% of manufactured output (Kayongo, 2005), there is therefore need to investigate whether there is a relationship between the MFI credit terms and the performance of SMEs.

1.2 Statement of the problem

According to Kanyam (2011), “Microfinance has widely and arguably been seen as one of the most important means for enhancing the lives of the women and therefore a major tool for women empowerment and socio-economic development”. However, while there is a lot of literature on microfinance at the international level with many success stories, many MFIs in Uganda despite providing similar products seem not to benefit the poor households. This is corroborated by evidence from the Poverty Status Report (2014) which shows that the percentage of the vulnerable people instead increased from 42.9 percent to 43.3 percent. The above statistics seem to point to a disconnect between the role of MFIs and women. Could it therefore be that the products offered by these MFIs do not benefit the poor and thus not women empowerment? This research therefore aims at evaluating the role of microfinance on women empowerment using a case study of Letshego Microfinance, Rukungiri Branch.

1.3 Purpose of the study

The purpose of the study was to establish the role of Micro-Finance Institutions on women empowerment using a case study of Letshego Microfinance, Rukungiri Branch.
1.4 Study Objectives

i. To identify the contribution of microfinance in household asset accumulation by women in Letshego Microfinance.

ii. To find out the role of microfinance in generating self-employment by women in Letshego Microfinance.

iii. To establish the effect of microfinance in generating household savings by women in Letshego Microfinance.

1.5 Research Questions

i. What is the contribution of microfinance to household asset accumulation by women in Letshego Microfinance?

ii. What role does microfinance play in generating self-employment by women in Letshego Microfinance?

iii. What is the effect of microfinance in generating household savings by women in Letshego Microfinance?

1.6 Scope of the study

The scope of the study was in three parts namely; geographical scope, conceptual scope, and time scope.

Geographical scope

Geographically, the study covered Letshego Microfinance, Rukungiri Branch

Conceptual scope

The study was limited to role of Micro-Finance Institutions as an independent variable, and MFI-SME relationships as intervening variables as well as SME Performance as the dependent variable.

Time scope

The study covered the period between “2014 to date”. This period was selected to enable the researcher come up with coherent information from the respondents as it will enable respondents give responses that is typical of their opinion from the observations made over this period.
1.7 Significance of the study

The findings of the study shall be of utmost importance to a number of stakeholders in the following ways:

**Management of Pride Micro-Finance**

The management shall use the findings of this study as ground to negotiate appropriate credit terms that would not constrain their performance.

**The management of microfinance support center**

The study shall help to match the variable nature of trade operators, multiple streams with appropriate repayment amounts and cycles which shall improve the trader’s capacity to repay and borrow over the long term and thereby reduce risk of borrowing for them.

**Policy makers (MoFPED)**

This study shall generate data and information on MFI credit terms and how they affect performance of SMEs in Uganda. The Micro-Finance Institutions can use this to come up with acceptable terms to their clients.

**The owners of SMEs**

The SMEs can also use the findings of this study as ground to negotiate appropriate credit terms that will not constrain their performance.

**Other researchers**

The study shall also add to the existing literature on credit terms and performance of SMEs. The findings shall be used as a reference as far as further studies are concerned and spark off further research in credit terms and performance of the SME Sector.
1.8 **Organization of the Study**

This dissertation was arranged in five chapters.

**Chapter one**

This chapter introduces the research topic and explains the research problem. The objectives of the study and the guiding questions that formed the basis of the questionnaires and interviews are also expounded and then the scope of the study. The chapter introduces the topic of microfinance credit terms and its performance of SMEs. The chapter also presents the significance of the study, organization of the study and the conclusion of the chapter.

**Chapter two**

This chapter contains a discussion of the literature specific to the research topic and research objectives and questions. The literature from the developed world, Africa and Uganda was reviewed. The chapter discusses the statements made about microfinance credit terms and its types, benefits, conceptual framework and the conclusion of the chapter.

**Chapter three**

This consists of a detailed discussion of the methodology of the research. It discusses how the research was carried out and the methods used to collect, analyze and record the data. It also discusses the major challenges faced during the data collection as well as the ways in which the challenges are handled, and ethical considerations.

The chapter also looks at how the respondents are selected and the specific type of research instrument used on particular respondents. The justification for the methodology to be used also was presented in the chapter and the conclusion of the chapter.

**Chapter four**

This chapter discusses the findings from the study as guided by the research questions and objectives and the conclusion of the chapter.

**Chapter five**

This chapter presents the conclusions and recommendations from the study for consideration by the Uganda government, the microfinance institutions and the microfinance beneficiaries.
The conclusions are featured in the summaries and those that are established during the research in relation to the objectives and guiding questions of the research. The recommendations are construed from the findings and provided important policy implications for the stakeholders.

1.9 Conceptual Frame work

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
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<tr>
<td><strong>Role of Microfinance</strong></td>
<td><strong>WomenEmpowerment</strong></td>
</tr>
<tr>
<td>i. Micro loans</td>
<td>i. Asset accumulation by households</td>
</tr>
<tr>
<td>ii. Savings</td>
<td>ii. Increase in household incomes</td>
</tr>
<tr>
<td>iii. Micro Insurance</td>
<td>iii. self employment</td>
</tr>
<tr>
<td>iv.</td>
<td>iv. household savings</td>
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</tbody>
</table>

**Confounding Variables**

- Political climate
- Economic climate
- Culture

Source: Johnson, S. (2003) and Modified by the Researcher

The independent variables for this study include micro loans, deposits (savings) and micro insurance. Access to these products form a fundamental basis upon which many of the other essential interventions depend. Accordingly, provision of micro loans to households usually within groups acts as capital investment and enables income generation through self-employment” (Weber, 2006:50).

Micro-insurance helps the poor women by reducing their vulnerability to unexpected shocks like illness or death. Those who suffer a sudden loss covered by insurance are better off because they are able to reduce the impact of that loss, protect their assets, and reduce their need to sell assets that they have accumulated.
Access to micro loans, savings and insurance also allows poor households to protect, diversify, and increase their sources of household incomes, the essential path out of poverty.

Further, entrepreneurial skills and training are necessary to run a successful microenterprise that translates into household asset accumulation, incomes, employment and savings.

Business skills that borrowers attain through training before being granted loans for instance, is an innovative step towards business discipline (Mawa 2008). Besides, product design and targeting is vital in the attainment of SDG 1 by households as these well-designed programmes are more likely to reach the poorest positively.

The interaction of the aforementioned independent, dependent and confounding variables affect the overall attainment of the SDG1 which is to end poverty in all its forms, everywhere.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature relevant to the effect of microfinance on the SDG 1 of alleviating poverty in all its forms. The first section presents the products namely micro loans (credit), savings (deposits) and micro insurance that are offered by the MFIs to borrowers. The second section presents the role of MFIs in poverty alleviation through household asset accumulation, increased household incomes, savings and self-employment. The third section presents the external factors like entrepreneurial /business skills, training and product design that also influence the attainment of the SDG 1.

2.2 Products provided by MFIs to borrowers

The products provided by MFIs include: micro loans, micro insurance and deposits (savings). The micro loans can be in group form or individual lending and are classified into working capital/business loans, education loans, consumption loans, salary loans, home improvement loans/housing loans and agricultural loans.

The working capital loans for microenterprises were among the first microcredit products to be disbursed in Uganda and they also make up the vast majority of the loan portfolio. Working capital loans (often termed microenterprise loans) are provided to either start or expand enterprises with the assumption that additional business revenue was used to repay both principle and interest at predetermined intervals. Working capital loans are, for the most part, used for cash flow management to support productive investment. The micro loans are mainly used for businesses like grocery stores, retail shops, restaurants, kiosks, trade in charcoal, tomatoes, bread, groundnuts and fish, tailoring, poultry production, grain milling, mushroom growing, operating hair salons, making and selling handicrafts, brick-making and brewing local beer (Kasi, 2003). The micro insurance policy covers the outstanding loan balance in case of death, credit and life insurance and group personal accident policy acts as portfolio insurance. The deposits act as cheap sources of funds for MFIs.

Education loans are used by borrowers to finance primary or secondary education of mostly their siblings. These loans can have more flexible repayment schedules and collateral
requirements to accommodate students’ lack of agreements, financial and operating, with some variations.

Many households face cash management challenges related to both daily consumption and larger expenditures for lifecycle events such as marriages and funerals, or to address emergencies or education needs. These needs are often best addressed through savings, but if not available or if cash flows are insufficient, consumption loans with appropriate loan amounts and repayment terms can be useful. The primary purpose of these loans is to help households to smooth cash flows so that daily consumption becomes less dependent on income, particularly when income is erratic (Frankiewicz and Churchill 2011). Consumption loans may not be available if providers are used to assessing microenterprise.

Salary loans are made to clients with a regular source of income through salaried employment. The borrower’s salary provides collateral for the loan, and repayments are usually debited directly through the employer at the time of payroll. Salary loans may or may not be required to be used for specific investments or purchases and are often used for consumption. Salary loans, however, are relatively rare for low- and very low-income populations because most do not have salaried employment.

Housing loans have become more popular in the last decade as providers acknowledge the need for adequate shelter and the value of building assets. Housing loans differ from traditional mortgages in that mortgage finance refers to long term loans to purchase real estate where the property acts as collateral. Mortgages are generally offered by commercial banks and mortgage companies at market interest rates; however, up to 80 percent of the global population cannot access conventional mortgage finance because of affordability issues, informal incomes, lack of clear land ownership, insufficiently deep financial markets, and/or weak housing finance institutions (Daphnis and Ferguson 2004). The World Bank estimates that only 3 percent of the population of Africa can afford a mortgage (Centre for Affordable Housing Finance in Africa 2011).

However, the microcredit approach to poverty reduction is “the provision of small (micro) loans to individuals, usually within groups, as capital investment leads to poverty reduction since it enables households to generate income through self-employment” (Weber, 2006:50). Armendáriz & Morduch (2010) agree with Weber and state that small loans without collateral help the poor to build up assets; save and buy insurance.
In addition, microfinance institutions encourage compulsory savings which is critical in poverty eradication. The build-up of savings can be seen as one of microfinance’s most promising contributions to reducing the vulnerability of the poor and is another tool in the anti-poverty arsenal (Diop, Hillenkamp & Servet, 2007). Poor households also push money into savings for reserves, squeeze money out of creditors whenever possible, run sophisticated savings clubs, and use micro financing wherever available (Collins et al, 2009).

Many MFIs have come to provide valuable savings services to their participants and the classical Grameen model had mandatory savings that seemed “like a way for the bank to acquire relatively cheap capital and to secure a form of collateral from borrowers” (Armendáriz & Morduch, 2005:149).

Further, MFIs also provide micro insurance services to the borrowers. These new financial products seek to help the poor by reducing their vulnerability to unexpected shocks like illness or death. Those who suffer a sudden loss covered by insurance are better off because they are able to reduce the impact of that loss, protect their assets, and reduce their need to sell assets and to borrow (Goldberg & Palladini, 2010).

There is need by MFIs in Uganda to provide client-friendly products and practices. These MFIs also need to be client-centered. They need not only to provide products like micro loans for the sake of lending but should also consider clients’ needs on the front end. Meeting clients’ needs begins with an analysis of client economics. According to Datar et al (2008), too few academics or practitioners have studied how clients use their loans. For example, MFIs award many of their smallest loans to traders and service providers who use the loans to purchase inventory. But no one seems to know how these clients use their inventory to generate profits. Do they sell it gradually over the six month loan cycle, or do they replenish their inventory every two days? How do they decide how much to mark up their inventory? Will their markups be enough to cover the loan payments and meet household needs? In some cases, MFIs make inventory loans to clients who are unlikely to use them for inventory. What does a produce vendor with sales of $20 per day do with a $200 loan?

It is important to point out that when standardized loans are mismatched with client needs, clients may borrow more than they need (over funding), pay higher than necessary costs, or make poor choices, like skimping on quality or selling out inventory stocks to meet an unforgiving payment cycle. And so understanding how clients use financial products can help MFIs tailor their financial products. This is what MFIs in Uganda need to do.
2.3 Role of Microfinance in Poverty alleviation

First and foremost, microfinance fights poverty through helping borrowers generate household incomes. Bebczuk and Haimovich (2007), show that less than 10 percent of poor households surveyed in Latin America have access to credit. Nonetheless, the authors’ exploratory statistics prove credit is indeed positively correlated to an increase in household income. In support of the findings of Bebczuk and Haimovich, Hickson (2002) carried out a study on the slum dwellers in Dhaka and found out that the better-off households utilized micro finance services more extensively than the poorer households.

Empirical evidence from impact assessment studies has indicated that on a LMF loan of $75, an average client with an average business earns a gross margin of $15 per week, which is $2.50 per day. After subtracting the weekly payment of loan principle, interest and savings, the client is left with a net margin of about $1.50 per day. The will therefore generate an extra $9 per week, $36 per month and $140 per 4-month loan cycle. If it is assumed that the client remains in the program for one year, which is 3 loan-cycles, she will earn $420. This would have already propelled the client above the average GDP per capita of $320 currently for Uganda (Kasi, 2003).

Besides, there is robust evidence that poor households who have access to financial services do better over time in terms of economic well-being than poor households who do not have access to such services. According to Yunus (2003), five percent of the Grameen Bank’s clients graduated out of poverty each year by participating in microfinance programmes and, more importantly, households were able to sustain these gains overtime and members had incomes which were 43 per cent higher than incomes of non-members in villages not served by the Grameen Bank and 28 per cent higher in villages served by the Grameen Bank.

Although credit is important in generating household incomes, studies by Hulme and Mosley (2007) do not agree that it is the only one factor in the generation of household income or output. They state that there are other complementary factors like the recipient’s entrepreneurial skills that are crucial for making credit more productive. Although there is a lot of literature on the contribution of microfinance in generating household incomes in Uganda, there is little literature on the contribution of other complementary factors that make credit more productive that this research will attempt to address. The Private Sector Foundation has not done much in as far providing entrepreneurial skills to the borrowers.
In addition, through accessing credit from microfinance, borrowers are also able to accumulate assets. These Assets be it physical, human, social (including political) and environmental play a central role in poverty alleviation. An increase in assets means a decrease in poverty, that is, there is a negative relationship between asset ownership and poverty alleviation. Armendariz & Morduch (2010) note that through initiatives in Latin America and South Asia starting in the 1970s, 65 million poor people around the world were able to receive small loans without collateral and accumulated household assets which is an essential path out of poverty. Microfinance promotes asset-building among the poor households by avoiding distress through unplanned sales of assets and replacement of existing productive assets destroyed in natural disasters (Adjei et al, 2009).

Harris (2002) also agrees to the findings of Armendariz & Morduch that microfinance is a key intervention in helping poor families in developing countries move out of poverty. It can enhance access to capital and at the same time help to develop entrepreneurial capacity, and this enhanced capacity can contribute to poverty eradication which is the first Social Development Goal.

Zhan and Sherraden (2003) are also in support of microfinance having an impact on asset accumulation by households. They describe the importance of assets as follows;

Assets are important because they can bring security, especially in times of hardship or economic stress, such as unemployment, illness, or family breakup. Assets also increase power and control: Most people use income for day-today necessities; by contrast, assets often bring income, power, and independence.

Zhan & Sherraden (2003) further argue that asset accumulation through microfinance plays a critical role in economic and social well-being and that assets are at the core of households’ survival strategies. Assets help the poor to meet their needs in future, enhance wealth improvement and reduce exposure to external shocks. Asset accumulation is therefore made possible by allowing the poor to have access to financial resources (i.e. microfinance) and that changes (in terms of asset position of the poor) are induced by improved access to financial resources.

Furthermore, microfinance also plays an important role in poverty reduction through asset based livelihoods. The linkage between microfinance and the sustainable livelihoods (SL) leads to what Moser and Dani (2008) refers to as asset accession, asset valorisation and asset
transformation. Asset accession means that the poor, due to microfinance, will have an increased access to assets. Asset valorisation refers to the increase in the returns from assets that will help the poor to manage their livelihoods. Asset transformation then refers to microfinance activities that transform the status and value of assets. The analysis of survey data by Moser and Dani (2008) established a positive and significant relationship between microfinance and assets. This implies that microfinance members have a potential to accumulate more assets than non-members so this could be enhanced by a microfinance-livelihoods linkage.

The result of the findings by Moser and Dani (2008), further suggest that microfinance members are about 35 percent better-off than non-members in terms of asset ownership. In other words, microfinance members are more likely to own more assets than non-members.

The results stated above by Moser and Dani (2008) locate well in the large body of literature by Johnson and Rogaly (2002). They are also in congruence with results from other empirical studies e.g. Adjei, Arun and Hossain (2009) in Ghana. There is limited literature in Uganda on the extent of household asset accumulation by borrowers. There is therefore need to evaluate the progress of asset accumulation by borrowers from entry to and after borrowing which this research will attempt to address.

Savings is the portion of income not spent, or deferred consumption. Without savings, unexpected events can become large financial burdens. Therefore, savings helps an individual or family become financially secure. Methods of saving include putting money aside in, for example, a deposit account, a pension account, an investment fund.

The demand for savings services is diverse and robust. A small amount of savings in a secure place can provide resources to manage consumption needs, smooth irregular income, cover expenditures for health and education, or provide the capital necessary to invest in household assets or new tools and operations that improve productivity and contribute to higher incomes. Savings also help to manage shocks through providing resources during times of crisis. In recent years the volume of demand and consumer preference for safe and convenient savings services has been increasingly acknowledged, outdating a previous, widely held view that the poor do not save. “The poor need savings services that allow them to deposit small, variable amounts frequently and to access larger sums in the short, medium, or long term (Collins et al, 2009). Like everyone else, they demand a portfolio of savings
product that offer differing terms of access and generate differing returns”. In some cases, poor people need highly liquid services, for example, to cope with emergencies or to take advantage of an investment opportunity. For other purposes, they prefer illiquid options to protect their savings and instil discipline, particularly

According to Kundu (2008), poor households try to save for many different reasons. The financial savings are typically used as buffer stocks to smooth consumption during and after economic shocks. Savings also help low income rural households to mitigate vulnerability. They can also be used to facilitate large lumpy expenditures in emergency situations, including both personal emergencies (e.g. sickness, injury, sudden widowhood, loss of employment, Low income households also use savings as working capital for income generating activities.

A recent study based on data from developing countries has shown that low income households experiencing difficulties and fluctuations in their life need accumulated savings to smooth income over economic shocks (Collins et al, 2009). In principle, the compulsory saving scheme in a microfinance program is necessary to allow the participants to build up assets and to develop a saving discipline.

DeSilva (2012) agrees with the proponents of microfinance having a positive impact on savings mobilization. He notes that in Sri Lanka participation in a microfinance program had a positive impact both on per capita income and on personal savings generation among low income households. On the other hand however, Khalily (2004) after analysing a rural household survey in Bangladesh did not find any positive impact of microfinance programs on personal savings. He notes that savings alone have only a minor developmental impact: the protection against shocks might allow children to remain in school or income-earners to get medical treatment and minimize time away from work, but it is slow to create any significant wealth in itself unless credit is also available. MFIs that focus on savings more than credit tend to reach a smaller proportion of the poorest, have a lower and slower impact on poverty reduction, and are therefore less conducive to reaching the SDG target dates. The available literature however shows the contribution of mandatory/compulsory savings in income smoothing, building up assets and buffer stocks but does not show whether this can happen with voluntary savings.
Lastly, microfinance helps borrowers in creating self-employment. According to Pangannava (2008), microfinance through the Self Help Group programme is the right approach to create self-employment opportunities to supplement the income and assets of the rural poor. Indeed Knight and Farhad (2008) are in total agreement with this assertion. They note that by getting loans the client becomes self-employed and protects him-self / her-self from the external threats. By getting employment they become raised from the poverty line and the poverty decreases.

However, Pollin (2007:2), notes that much as microfinance provides self-employment, ‘the micro enterprises run by poor people cannot be broadly successful simply because they have increased opportunities to borrow money. For large numbers of micro enterprises to be successful, they also need access to decent roads and affordable means of moving their products to markets. They need marketing support to reach customers’. There is literature on the contribution of microfinance in creating self-employment to borrowers in Uganda but little has been written about the change in the absolute number from say welfare to self-employment that this research will attempt to address.

According to Datar et al (2008), leaving poverty does not depend on repaying one’s loans. But it does depend on creating a successful business. Yet too few MFIs focus on helping their clients use their loans to create successful businesses. Some that have shifted to a client-centered approach appear to have had more success.

MFIs also provide business skills to the borrowers through training. Mawa (2008) conducted a research study on microfinance and concluded that microfinance is an innovative step towards business discipline and poverty alleviation. The author noted that microfinance facilities provided to the people help them to use and develop their business skills acquired through various training cycles and enable them to earn money through micro enterprises. The entrepreneurial skills and ability are necessary to run a successful microenterprise that translates into asset accumulation, increased incomes, employment and savings for households.

Through reviewing the above literature, there is need by MFIs in Uganda to go deeper than just mere giving their clients more training to financial literacy and money management so that they can better meet both their business and personal needs. At present, MFIs in Uganda do very little of this. Beyond financial services, most MFIs offer basic loan repayment
training. Generally the training is limited to emphasizing the importance of repaying the loan and of applying the loan to the business, rather than spending it on personal needs. Yet clients often face health emergencies and family crises, and also want to spend some of the loan proceeds on education.

There is also need by MFIs in Uganda to be innovative by for example teaching their clients how to identify their customers, market their products, and perform basic accounting. This can enhance their ability and capacity to increase their profits, reinvest more profits into their businesses, and maintain better records.

Besides, product design and targeting done by MFIs is vital in household asset accumulation, increased incomes, employment and savings. A well-designed microfinance programme is unlikely to have a positive impact on the poorest unless it specifically seeks to reach them through appropriate product design and targeting (Wright 2000).

The MFIs in Uganda can also do better in serving their clients by measuring whether their loans are actually moving people out of poverty or not other than just fleecing them through high interest rates and loan recycles. Grameen Bank for example does this with its poverty index. The index includes socioeconomic indicators such as whether school age children are attending school and whether family members are free from treatable health problems. Such metrics can show whether loan officers, branches, and MFIs are achieving their social goals. They can also be used as a basis for rewards and resource allocation decisions.

MFIs have all but ignored how clients use loans and other resources to build profitable businesses. Many of them hold the view that giving poor people access to financial services alone will relieve poverty. Others know that increasing access to financial services is not enough to alleviate indigence, but think that providing other services and products is too far from their mission or too challenging and costly. The background of their senior staff members is often banking, and so they rightly believe that their core competence is banking services, not health and human services. And so most MFIs leave education, training, value chain support, and so forth to other organizations, and instead stick to their institution-centered niches. Beyond direct microfinance operations, many other activities important in the microfinance system (for example, training, product development, and technical advice) are often subsidized.
To make microfinance work for more people, more often, in more places, MFIs need to think clearly about how their practices will bring about the changes they seek. This may mean making fewer microfinance loans and incurring more costs to support the loans they’ve already made. The benefit, of course, is the building of sustainable businesses. The challenge is finding ways to provide these additional services efficiently. In our current research, we are designing and testing these client-centered practices. We hope that our results will ultimately lead to the broader application of effective and cost-efficient client-centered microfinance programs.

There is no consideration by MFIs of the burdens their clients bear when accessing financial services. Tangible costs include those of obtaining information about the services, applying for the loan, getting transportation to make loan payments, and tracking the debt. Intangible costs include the stress of getting temporary loans from other sources, the familial discord that arises from shifts in balances of power, and the time spent learning about lending – and away from business, family, and other activities. There is therefore need for MFIs to recognize these difficulties, and allow groups to shift from a weekly payment and meeting schedule to a biweekly or monthly schedule once they have proven their ability to repay the loans. The organization also holds its training sessions on a monthly basis, which reduces clients’ traveling time.

Besides, outreach and sustainability are critical areas that have been ignored by MFIs in Uganda. One reason for low outreach is the traditional microfinance business model itself, which is based on generating revenue from primarily productive loans and other fee-based services to cover costs. Yet in microfinance, costs are high, and the revenue base is relatively low. This is especially true for the rural poor whose limited investment opportunities and capacity for debt translate into lower revenue for MFIs and banks who may lack the incentives, information, and sometimes ability to mitigate perceived risks of operating beyond urban markets or with very poor clients. Thus it is important to focus on lowering costs both for institutions to provide services and for clients to use them. Many microfinance operations continue to receive subsidies (Wiesner and Quien 2010).

In conclusion, there is ample evidence to support the positive impact of microfinance on poverty reduction as it relates to a number of the SDGs. In particular, there is overwhelming evidence substantiating a beneficial effect on increases to household incomes, asset accumulation, self-employment and on household income smoothing. Microfinance is an
instrument that, under the right conditions, fits the needs of a broad range of the population—including the poorest—those in the bottom half of people living below the poverty line. Empirical indications are that the poorest can benefit from microfinance from both an economic and social well-being point-of-view, without jeopardizing the financial sustainability of the MFI. While there are many biases presented in the literature against extending microfinance to the poorest, there is little empirical evidence to support this position. However, if microfinance is to be used, specific targeting of the poorest was necessary. There is also evidence to support the premise that it is possible for a microfinance institution to serve the poorest and also achieve financial sustainability.
CHAPTER THREE
METHODOLOGY

3.1 Introduction

This chapter presents the methods and procedures that were used in the study. It presents the research design, the area of study, study population, sample size and sampling procedure, data collection methods, data management and analysis as well as anticipated problems and ethical considerations.

3.2 Study design

This study majorly employed a pre and post comparative study. Through this kind of study, I was able to collect information about the LMF clients prior to borrowing and after borrowing. This therefore allowed me to measure change in regard to asset accumulation, household incomes, savings and self-employment after borrowers accessed micro loans from LMF.

3.3 Area and Population of Study

The study was carried out at Letshego Microfinance Uganda Limited, Rukungiri Branch. This area was chosen because it is the epitome of MFIs and their activities and is therefore very representative as it has virtually every tribe in Uganda. The study population consisted of clients who among others previously belonged to the poor and hungry households; who virtually had no businesses to talk about, could not afford a decent meal, send their children to school or even afford an average accommodation before borrowing and their status after accessing loans from LMF. The study population also included some of the LMF staff involved in the appraisal of clients and some staff of the Microfinance Support Centre. This population was therefore appropriate for evaluating the effect of microfinance on the sustainable development goal of ending poverty in all its forms, everywhere in Rukungiri District.

3.4 Sampling Procedure

3.4.1 Qualitative sampling procedure

Purposeful/deliberate sampling was used as a qualitative sampling procedure. Purposeful sampling according to Patton (1990:169) is a strategy in which particular settings, persons or
events are deliberately selected for the important information they can provide that cannot be gotten as well from other choices. Deliberate sampling enabled me to select previously poor households before borrowing. This sampling technique was used to achieve representativeness of individuals selected. A small sample that was systematically selected provided far more confidence that the conclusions adequately represented the average members of the population.

3.4.2 Quantitative sampling procedure

Simple random sampling technique was used so that each individual in the study population had an equal chance of being selected in the sample and thus reducing bias. This technique was used because the study population was homogeneous characterized among others with low household incomes, lack of assets, poor savings, no self-employment, poor housing and hunger.

3.5 Data Collection methods

Data was collected using a mixed methods approach/research which draws from the strengths and minimizes the weaknesses of both the quantitative and qualitative approaches. Mixed methods research helps bridge the schism between quantitative and qualitative research (Onwuegbuzie & Leech, 2004a)

3.5.1 Quantitative data collection method

Surveying was used as a data collection method and the tool used was a structured questionnaire.

a) Structured Questionnaires

These were administered to selected respondents using face-to-face interviews. In total, Forty (41) microfinance borrowers and twenty (20) appraising staff from LMF were randomly selected. According to Robson (2002), this type of questionnaire is a quick means of collecting data from a targeted population since it has definite and concrete questions. The researcher was able to translate the questions and fill in the responses from the borrowers. The use of the structured questionnaires saved the researcher time and money. Respondents were also more truthful while responding to the questionnaires regarding controversial issues
in particular due to the fact that their responses were anonymous. The main drawback however, was that majority of the people who received questionnaires did not return them.

3.5.2 Qualitative Data collection Methods

The study adopted a qualitative method which is a flexible approach that seeks to generate and analyse holistic data on microfinance and poverty alleviation using sufficiently rigorous, trustworthy and ethical methods and techniques. Data collection was by means of interviewing key informants and desktop reviews of key documents. The study utilized secondary and primary sources of data.

a) Key informant Interviews

Key Informants are experts who hold special positions or have greater knowledge and experience of what is being investigated than the average person. These interviews provide information on key issues and the informants express their experiences in their own words. This was by far the best method of collecting reliable statistical information since it allowed the investigator to control the selection of items from which information was collected and also made the time of data collection very definite. The interviewer also secured answers to more difficult or personalized questions which would otherwise be left unanswered. Key informant interviews have a small sample but provide more information. Five (5) key informants were interviewed from the Microfinance Support Centre.

b) Desktop reviews of key documents

Key documents about the effect of microfinance on the sustainable development goal of ending poverty in all its forms everywhere were reviewed. This was to make the findings of this study in line with existing literature and since there was available literature about the study in form of journals, working papers and newsletters, the researcher used the findings of those studies to arrive at meaningful discussions, conclusions and recommendations for this study.

3.6. Quality control

Quality control of data was guaranteed through maintaining validity and reliability of the instruments.
3.6.1 Validity

This process ensured that questions being asked had a strong relationship with the area of study.

3.6.2 Reliability

Reliability refers to the ability of a research tool to accurately, correctly, truthfully, meaningfully; and rightfully gather data for which it is intended. The measurements should be accurate and consistent when repeated (Oso and Onen 2008). The researcher piloted the questionnaire on a small number of selected respondents who were not part of the borrowers of LMF Uganda. Support from the academic supervisor was sought and pre-testing the final questionnaire and interview schedules were done and adjusted to match the different attributes of the variables and their indicators.

3.7 Data Analysis and Management

Data analysis involved staying as close to the data as possible from initial collection right through to the drawing of final conclusions. It involved the critical examination of collected data so as to generate meaningful information. Quantitative data was analyzed statistically. This was descriptive so as to summarize the data or inferential to draw conclusions that extended beyond the immediate data. Qualitative data on the other hand was analyzed thematically. This involved analysis of words, concepts, literary devices, and/or nonverbal cues. Collected data through the use of structured questionnaires and interview schedules were assembled, organized, edited and checked for completeness, accuracy and uniformity at the end of each session. The completed questionnaires were kept safely by the researcher.

Data management on the other hand involved familiarizing myself with appropriate software; developing a data management system; systematically organizing the data; conducting a preliminary screening and entering the data into a computer program.

3.7.1 Quantitative Data Analysis

Filled in responses to the structured questionnaires were entered into the computer data entry package of Statistical Package for Social Sciences (SPSS). This was followed by cleaning of data and exporting it to a computer data analysis package where descriptive and inferential statistics were generated. The data was then transferred into tabulated frequency distributions
addressing specific objectives of this study. This enabled cross tabulations among variables for example socio demographics like age, marital status, gender, assets, incomes, savings and employment.

3.7.2 Qualitative Data Analysis

Data from key informant interviews and desk top reviews was analyzed using content analysis to generate categories and explanations and then transcribed. Analysis was done thematically according to the set objectives of the study. Common themes and patterns were identified from the different interviews and synthesized.

3.8 Ethical Considerations

The proposal was submitted to the Department of Social sciences for review and was subsequently approved. The researcher got an introductory letter from the Department of Social Sciences, Nkumba University that was presented to the Head of Human Resources at LMF Uganda to get clearance to talk to their staff and also a green light for their staff to accompany the researcher to LMF borrowers. The introductory letter was also presented to the respective Local Council Chairpersons where the rural microfinance borrowers are domiciled. The same letter was also presented to the respondents in order to create assurance that the information they provided was meant for study purposes and the respondents were then introduced to the research topic. Consent to participate in the study was also obtained from each respondent. Confidentiality was observed throughout the study period and the respondents were assured that the study was strictly for academic purposes and their responses and the information collected was confidential. The questionnaires were also coded making it difficult to trace them back to an individual.

3.9 Limitations of the Study

This section tackled the problems that the researcher encountered during the study and how they were mitigated. The first problem encountered was related to financing the research. This affected the time for completion.
The second problem was that of the respondents who had shifted and the researcher had to replace them with those that had not been selected.

Thirdly, the people within the study area were from many ethnic groups and hence spoke different languages. This was however solved by using English for those who knew it and Luganda for those who did not know English. Those who did not know either English or Luganda were left out.
CHAPTER FOUR
FINDINGS OF THE STUDY, INTERPRETATION AND DISCUSSION

4.0 Introduction

This chapter presents data obtained from microfinance borrowers prior to and after borrowing and from key informants and desktop reviews of key documents on the effect of microfinance on poverty alleviation focusing on asset accumulation, increased household savings, incomes and self-employment.

Data was collected from microfinance borrowers, loan appraising officers and staff of the Microfinance Support Centre using both quantitative and qualitative means. Structured questionnaires were administered to selected respondents using face to face interviews and key informants were also interviewed about the effect of microfinance on poverty alleviation.

4.1 Contribution of microfinance in household asset accumulation

The study was interested in finding out the contribution of microfinance in household asset accumulation. Out of the 20 respondents (appraising staff) who were interviewed, 40 percent said that their clients pledged group guarantee in the first loan cycle whereas 25 percent pledged household assets in the first loan cycle with 35 percent pledging untitled land as collateral during the same period.
Table 1: Collateral pledged during first and subsequent borrowings

<table>
<thead>
<tr>
<th>Collateral pledged during first loan cycle (staff interviews)</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group guarantee</td>
<td>8</td>
<td>40</td>
</tr>
<tr>
<td>Household assets</td>
<td>5</td>
<td>25</td>
</tr>
<tr>
<td>Kibanja/Untitled land</td>
<td>7</td>
<td>35</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100</strong></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Collateral pledged during first loan cycle by borrowers</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Group guarantee</td>
<td>34</td>
<td>83.0</td>
</tr>
<tr>
<td>Household assets</td>
<td>1</td>
<td>2.4</td>
</tr>
<tr>
<td>Kibanja/Untitled land</td>
<td>6</td>
<td>14.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>100.0</strong></td>
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</tbody>
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<table>
<thead>
<tr>
<th>Collateral pledged during subsequent borrowings (staff interviews)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Group guarantee</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td>Household assets</td>
<td>10</td>
<td>50.0</td>
</tr>
<tr>
<td>Kibanja/Untitled land</td>
<td>8</td>
<td>40.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
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<tr>
<th>Collateral pledged during subsequent borrowings – borrowers</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Group guarantee</td>
<td>7</td>
<td>17.1</td>
</tr>
<tr>
<td>Household assets</td>
<td>20</td>
<td>48.8</td>
</tr>
<tr>
<td>Kibanja/Untitled land</td>
<td>14</td>
<td>34.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Field Data (2018)

Similarly, out of the 41 borrowers who were interviewed, 83.0 percent used group guarantee as collateral to secure the first loan whereas only 2.4 percent used household assets and only 14.6 percent who used Kibanja/untitled land.
However, in subsequent borrowings, we observe the trend changing in favour of asset accumulation. Whereas the figures from the appraising staff in the first loan cycle show 40 percent of borrowers pledging group guarantee, the percentage of those using group guarantee dropped to only 10 percent whereas the percentage of household assets increased from 25 percent to 50 percent while those who pledged Kibanja/untitled land also experienced an increase to 40 percent from the previous 35 percent.

Similarly, by comparing the figures in Table 1 above, we also notice a further reduction in the usage of group guarantee in favour of household assets and Kibanja/Untitled land. The percentage of group borrowers fell from 83 percent in the first loan cycle to only 17.1 percent in subsequent borrowings whereas the percentage of borrowers who used household assets for borrowing increased drastically from 2.4 percent to 48.8 percent while the Kibanja owners also increased from 14.6 percent to 34.1 percent confirming that microfinance contributes to building of assets.

These findings are in congruence with the result of the findings by other authors for example Moser and Dani (2008) noted that microfinance members are about 35 percent better-off than non-members in terms of asset ownership. In other words, microfinance members are more likely to own more assets than non-members. The results of these findings also locate well in the large body of literature by Johnson and Rogaly (2002). They are also in congruence with results from other empirical studies e.g. Adjei, Arun and Hossain (2009) in Ghana and Sherraden (2003) who argues that asset accumulation is made possible by allowing the poor to have access to financial resources (i.e. microfinance) and that changes (in terms of asset position of the poor) are induced by improved access to financial resources. Therefore, the role of microfinance in asset accumulation and hence poverty alleviation cannot be underestimated.
4.2 Microfinance and self-employment generation

The study was also interested in finding out the role of microfinance in generating self-employment for borrowers. Before finding out this, borrowers were however asked whether they had had any form of self-employment before they started borrowing and the table below summarises the findings.

Table 2: Generation of self-employment

<table>
<thead>
<tr>
<th>Did you have any form of self-employment before borrowing</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>19</td>
<td>46.3</td>
</tr>
<tr>
<td>No</td>
<td>22</td>
<td>53.7</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Has microfinance created self-employment for you

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>32</td>
<td>78.0</td>
</tr>
<tr>
<td>No</td>
<td>9</td>
<td>22.0</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Benefits of self-employment

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Able to save money</td>
<td>4</td>
<td>9.8</td>
</tr>
<tr>
<td>Able to acquire household assets</td>
<td>19</td>
<td>46.3</td>
</tr>
<tr>
<td>Able to increase household incomes</td>
<td>18</td>
<td>43.9</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Data (2018)

Out of the 41 respondents interviewed, 46.3 percent acknowledged that they had had self-employment before they started borrowing as opposed to 53.7 percent who said they did not have any form of self-employment. However, when the same respondents were asked whether microfinance had created any self-employment for them, 78 percent of the respondents agreed that microfinance created self-employment for them compared to only 22 percent who disagreed. These findings agree with Knight and Farhad (2008), who note that by getting loans, the client becomes self-employed and protects him-self / her-self from the external threats. By getting employment they become raised from the poverty line and the poverty decreases.
The study findings also revealed that when borrowers are self-employed only 9.8 percent of them are able to save, 46.3 percent are able to acquire household assets while 43.9 percent are able to increase household incomes. These are the multiplier effects of self-employment to wellbeing enjoyed by the borrowers. Even after creating self-employment as seen in the table above, the percentage of savers is still very minimal.

4.3 Microfinance and household savings

The study was also carried out to find the effect of microfinance in generating household savings. Saving in the interest of my study is any income not spent or consumption that is deferred. The methods of saving include putting money aside in for example, a deposit account, a pension account or an investment fund. Because one cannot predict what will happen in the future, money should be saved to pay for unexpected events or emergencies.

For comparison purposes, the respondents were first of all asked if they had carried out any form of saving before they started borrowing and the results are herewith tabulated.

Table 3: Form, type and encouragement to save

<table>
<thead>
<tr>
<th>Any form of saving before borrowing</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>5</td>
<td>12.2</td>
</tr>
<tr>
<td>No</td>
<td>36</td>
<td>87.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Savings encouragement by borrowers</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>18</td>
<td>43.9</td>
</tr>
<tr>
<td>No</td>
<td>23</td>
<td>56.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of saving</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Forced/compulsory savings</td>
<td>10</td>
<td>55.6</td>
</tr>
<tr>
<td>Voluntary savings</td>
<td>8</td>
<td>44.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Field Data (2018)
Of the 41 respondents, 87.8 percent said they had not participated in household savings compared to only 12.2 percent who had saved. Also asked if borrowing had encouraged them to save, 56.1 percent of the respondents said they had not been encouraged to save while 43.9 percent acknowledged that indeed borrowing had encouraged them to save as shown in table 3 above. It should be noted that of the 18 respondents who said borrowing had encouraged them to save, 55.6 percent of those were through forced/compulsory/mandatory savings while only 44.4 percent voluntarily saved. The findings of this study do not therefore agree with the findings of the authors like Diop et al. (2007) who note that these compulsory savings are critical in poverty eradication. The compulsory savings are just a “source of relatively cheap capital for the bank and to secure a form of collateral from borrowers” (Armendáriz & Morduch, 2005:149) and not for poverty eradication.

Although saving is important for the poor in managing their liquidity (Collins et al.2009), most people have difficulty meeting their savings objectives, particularly the poor as their income streams provide them with few abilities to commit to savings plans. A “higher propensity to save results in a lower propensity to consume” The question that begs to be asked is, how can one save and invest when incomes that come to the individuals pocket and revenues the state generates is not enough for current expenses, as it were. How can one save when revenues and resources available to the person merely cater for the basic necessities? For many, it becomes seemingly impossible to save. Those who attempt first consume and then save what is left as opposed to saving first and then consume what is left after saving. This is by far the main reason why the saving culture is very poor among the borrowers in Rukungiri District.

Just like the non-poor (as the experts call them), the poor have to pay for everyday expenses like food and shelter, unexpected health care costs, education, weddings and funerals. It is important to note that they are they have to do so with irregular, unreliable and small incomes. This in addition to the above, makes it extremely hard for the poor borrowers to save.

A number of people among the poor borrowers belong to burial societies, a kind of informal insurance for funeral expenses and daughters’ marriages which are a big deal and involve a feast, decorations, music and dowry which all take up money meant for savings.
In Uganda also, the lack of financial skills and literacy has contributed to a poor savings culture. The majority of the poor in Uganda are illiterate and with no financial skills that are vital in savings.

Access to basic banking services in Uganda remains limited. Lack of access is particularly acute in rural areas. Such limited access has potentially had important repercussions on people’s lives and ability to save.

Further, products may have complicated procedures and requirements that are difficult for poor people to meet, such as minimum balances or formal identification; intimidating banking facilities and procedures can potentially make poor savers feel disrespected (Frankiewicz and Churchill 2011).

Lack of banking access has also made it difficult for people to save up large sums or obtain credit for lumpy purchases such as start-up costs for a business, agricultural inputs, or even preventative health products like anti-malarial bed nets.

Banks have substantial account opening fees, minimum balance requirements, withdrawal fees and administrative requirements. The Village Bank does not pay interest on deposits; effectively, neither does the Commercial Bank. Such costs have as a result impeded households from saving either in formal banks or even in village banks.

A significant proportion of Ugandans do not save owing to the risk of embezzlement, unreliable services, and transaction fees with formal banking which are indeed high both the village and commercial bank, and the recent banking scandals involving fraud and bank closures has also impeded savings. This banking crisis in Uganda in which four commercial banks, holding over 12% of the nation’s deposits, collapsed over just 13 months in 1998 and 1999 (Habyarimana, 2005) has impeded savings greatly in Uganda.

4.4 Microfinance and increase in household incomes

The study also involved examining the extent to which microfinance increases household incomes. The respondents were first asked if their households were generating sufficient incomes before they started borrowing. Out of a total of 41 respondents, 17.1 percent said that their households were generating incomes good enough to support their families while the majority of them 82.9 percent did not generate sufficient incomes to support their
families. It is therefore evident that the majority of households did not have adequate incomes to support their families before they started borrowing as illustrated in Table 5 below.

**Table 4: Meals, school enrolment and accommodation**

<table>
<thead>
<tr>
<th>Income generation before borrowing</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>7</td>
<td>17.1</td>
</tr>
<tr>
<td>No</td>
<td>34</td>
<td>82.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Status of income after 12 months</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased</td>
<td>37</td>
<td>90.2</td>
</tr>
<tr>
<td>Remained the same</td>
<td>1</td>
<td>2.4</td>
</tr>
<tr>
<td>Do not know</td>
<td>3</td>
<td>7.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>99.9</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income increase as a result of borrowing</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>34</td>
<td>92.0</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>8.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of household meals before borrowing</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>11</td>
<td>26.8</td>
</tr>
<tr>
<td>Two</td>
<td>26</td>
<td>63.4</td>
</tr>
<tr>
<td>More than two</td>
<td>4</td>
<td>9.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increase in number of household meals</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>20</td>
<td>48.8</td>
</tr>
<tr>
<td>No</td>
<td>21</td>
<td>51.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>100.0</strong></td>
</tr>
<tr>
<td>Increase in household meals attributed to borrowing</td>
<td>18</td>
<td>90.0</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>----</td>
<td>------</td>
</tr>
<tr>
<td>Yes</td>
<td>2</td>
<td>10.0</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>15.0</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increase in quality of meals due to borrowing</th>
<th>39</th>
<th>95.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>2</td>
<td>4.9</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>7.3</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>School enrolment before borrowing</th>
<th>28</th>
<th>68.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>13</td>
<td>32.0</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>7.3</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>School attendance after borrowing</th>
<th>31</th>
<th>76.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>10</td>
<td>24.0</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>7.3</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Borrowing in relation to school attendance</th>
<th>28</th>
<th>90.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>3</td>
<td>9.7</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>9.7</td>
</tr>
<tr>
<td>Total</td>
<td>31</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Status of accommodation before borrowing</th>
<th>16</th>
<th>39.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned</td>
<td>22</td>
<td>53.7</td>
</tr>
<tr>
<td>Rented</td>
<td>3</td>
<td>7.3</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change of accommodation status after borrowing</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Kind of accommodation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Own residential house</td>
<td>7</td>
<td>29.2</td>
</tr>
<tr>
<td>Commercial house</td>
<td>8</td>
<td>33.3</td>
</tr>
<tr>
<td>Better rented house with burnt bricks</td>
<td>9</td>
<td>37.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field Data (2018)

However, after accessing microfinance, the number of respondents whose incomes increased after twelve months hit 37 out of the total 41 representing 90.2 percent while those who reported same income status was 1 (one) representing 2.4 percent whereas those who did not know whether their incomes increased or reduced over twelve months were only 3 (three) representing 7.3 percent as illustrated in Table 5 above. However, of the 37 respondents who reported an increase in their incomes, 34 respondents representing 92 percent attributed it to microfinance access while only 3 representing 8 percent did not attribute it to microfinance access.

The increase in household incomes by borrowers has also been manifested in the number and quality of meals. Before the clients started borrowing, 26.8 percent of the respondents had one meal per day while 63.4 percent had two meals per day and only 9.8 percent had more than two meals per day. However, when the respondents were asked whether their household meals had increased as a result of borrowing, 48.8 percent of the respondents said their meals had increased whereas 51.2 percent did not report an increase in household meals. Of the 20 respondents who acknowledged increase in their household meals, 90.0 percent attributed the increase in the number of meals to borrowing from an MFI as incomes increased whereas only 10 percent did not attribute it to borrowing. When the respondents were also asked whether their quality of meals had increased as a result of borrowing, 95.1 percent attributed it to borrowing whereas only 4.9 percent did not.

Again, increase in household incomes was also manifested in the ability of household to take their children to school. When households were asked whether some of their school age
going children were unable to attend school before they started borrowing, 68 percent agreed whereas only 32 percent did not. However, due to increased incomes as a result of accessing microfinance, 76 percent of the respondents’ school age going children were able to attend school compared to only 24 percent who were not able to. Of the 31 respondents whose children were able to attend school, 90.3 percent attributed it to borrowing compared to only 9.7 percent who did not. Children of microfinance borrowers therefore reap the benefits, as there is an increased likelihood of full time school enrolment and lower dropout rates. Microfinance therefore makes a strong contribution to the realisation of the SDGs.

Lastly, the increase in incomes as a result of borrowing was also linked to improved accommodation of borrowers. Out of the total respondents interviewed, 39 percent owned accommodation before borrowing while 53.7 percent rented while 7.3 percent shared accommodation. However, 21 respondents representing 58.5 percent acknowledged change of accommodation status after borrowing compared to only 41.5 percent who did not. Likewise, of the 24 respondents who acknowledged change in accommodation status, 29.2 percent owned residential houses, while 33.3 percent owned commercial houses while 37.5 percent stayed in better rented houses with burnt bricks. The study findings therefore reveal that microfinance access leads to an increase in household incomes which is in line with a number of studies. For instance Yunus (2003) reported that Grameen members had incomes which were 43 per cent higher than incomes of non-members in villages not served by the Grameen Bank and 28 per cent higher in villages served by the Grameen Bank.

The socio-demographic factors such as gender, marital status, age and level of education of borrowers is also paramount in examining the effect of microfinance in the attainment of the SDG 1 of alleviating poverty. Looking at the socio-demographic table below, it is evident that the majority of LMF borrowers are female compared to males. Of the 41 respondents interviewed, 58.5 percent of them are females compared to only 41.5 percent who are males. This is not surprising given that LMF Uganda targets females with its belief that where poverty exists in all its form, women form the biggest part of the poor population mainly because of three main reasons; First, the cultural set up in Uganda has been such that women are considered inferior and having kitchens as the only area of operation for them. Second, women have been marginalized in terms of education and other opportunities and thirdly, women are considered subservient to men, and a weaker sex. According to Kasi (2003), in poverty stricken countries like Uganda, there are at least three factors that would cause a
difference in the lives of the people. These factors include, inter alia: good education, good nutrition and good health services. Despite the phenomenon outlined above, women are considered the pillars of families who ensure that children are educated, nourished and are healthy. Because of this, LMF saw it right and fitting to economically empower women so that poverty is flushed out of homesteads and lead to improvement in the quality of life. Female clients represent 85 percent of the poorest microfinance clients reached (Harris, 2007). LMF targets females more than males because it believes that once a woman is empowered, the whole nation would be empowered, as the saying goes: “educate a woman and educate a nation”. Therefore, targeting women borrowers makes sense from a public policy standpoint. The business case for focusing on female clients is substantial, as women clients register higher repayment rates. They also contribute larger portions of their income to household consumption than their male counterparts. There is thus a strong business and public policy case for targeting female borrowers.

Considering marital status, 43.9 percent of the borrowers are married and this is a category with a lot of responsibility that saving becomes difficult. 24.4 percent of the borrowers are also widowed as this category is also burdened with responsibility that they are not able to save while 26.8 percent of the borrowers are singles and are bent on asset accumulation and hence less savings.

The age bracket of the borrowers did not favour savings as well. The majority of borrowers in the age bracket of 26-33 forming 34.1 percent and age bracket 34-41 with 31.7 percent are equally an age bracket with more consumption than savings. On the level of education, the results were rather interesting. 41.5 percent of the respondents had reached secondary education. This was followed by primary level with 34.1 percent while post-secondary also had a higher percentage than those with no education as it constituted 14.6 compared to only 9.8 percent for borrowers with no education. These findings are contrary to the common belief that microfinance borrowers are illiterate.
Table 5: Socio-demographic factors

<table>
<thead>
<tr>
<th>Gender of borrowers</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>17</td>
<td>41.5</td>
</tr>
<tr>
<td>Female</td>
<td>24</td>
<td>58.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
<td>6</td>
<td>14.6</td>
</tr>
<tr>
<td>26-33</td>
<td>14</td>
<td>34.1</td>
</tr>
<tr>
<td>34-41</td>
<td>13</td>
<td>31.7</td>
</tr>
<tr>
<td>42-49</td>
<td>7</td>
<td>17.1</td>
</tr>
<tr>
<td>50+</td>
<td>1</td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Marital status</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>11</td>
<td>26.8</td>
</tr>
<tr>
<td>Married</td>
<td>18</td>
<td>43.9</td>
</tr>
<tr>
<td>Divorced</td>
<td>1</td>
<td>2.4</td>
</tr>
<tr>
<td>Separated</td>
<td>1</td>
<td>2.4</td>
</tr>
<tr>
<td>Widowed</td>
<td>10</td>
<td>24.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No education</td>
<td>4</td>
<td>9.8</td>
</tr>
<tr>
<td>Primary</td>
<td>14</td>
<td>34.1</td>
</tr>
<tr>
<td>Secondary</td>
<td>17</td>
<td>41.5</td>
</tr>
<tr>
<td>Post-Secondary</td>
<td>6</td>
<td>14.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Field Data (2018)
The confounding variables like the business management skills also played an important role in poverty alleviation as 95.1 percent of the respondents acknowledged the importance of the entrepreneurial training in book keeping, accounting and loan administration that was conducted by MFIs prior to granting of credit compared to only 4.9 percent who did not as seen in table 6 below.

Table 6: Kind of training

<table>
<thead>
<tr>
<th>Kind of training</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial/business training</td>
<td>39</td>
<td>95.1</td>
</tr>
<tr>
<td>None</td>
<td>2</td>
<td>4.9</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Data (2018)

The above findings are in agreement with the findings of Hulme and Mosley who note that credit is only one factor in the generation of household income or output but that there are other complementary factors, crucial for making credit more productive. Among them, the most important is recipient’s entrepreneurial skills. The borrowers of microfinance possibly also benefit from learning-by-doing and from self-esteem.

Micro insurance membership by borrowers also played a bigger role in contributing to poverty reduction. Of the 41 respondents interviewed, 27 of them representing 65.9 percent are members of LMF micro insurance scheme while 34.1 percent of them did not belong to the scheme. However, when the respondents were asked whether micro insurance benefited them or not, 58.5 percent responded in the affirmative while only 41.5 percent did not benefit. This is especially true given the fact that 24.4 percent of the respondents had borrowed twice while 51.2 percent of them had borrowed more than twice and this is the category that needs micro insurance and require protection from unforeseen sickness. It should be noted that of the 24 respondents who said micro insurance benefited them, 79.2 percent of them said that micro insurance protected them from unforeseen sickness whereas 12.5 percent said that they were able to access care more quickly while 8.3 percent said micro insurance was able to help them be able to leave the home without having to worry about one's family.
Table 7: Micro Insurance membership

<table>
<thead>
<tr>
<th>Are you a member of LMF Micro Insurance</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>27</td>
<td>65.9</td>
</tr>
<tr>
<td>No</td>
<td>14</td>
<td>34.1</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Has micro insurance benefited you as a borrower</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>24</td>
<td>58.5</td>
</tr>
<tr>
<td>No</td>
<td>17</td>
<td>41.5</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>If yes, what are some of the reasons for micro insurance</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protecting oneself from unforeseen sickness</td>
<td>19</td>
<td>79.20</td>
</tr>
<tr>
<td>Being able to access care more quickly</td>
<td>3</td>
<td>12.50</td>
</tr>
<tr>
<td>Not having to pay a lump sum after falling ill</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Being able to leave the home without having to worry about one's family</td>
<td>2</td>
<td>8.30</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Field Data (2018)

On the type of products offered by MFIs, the study findings revealed that 95 percent of the borrowers took up loans (micro credit) with only 10 percent taking up savings (deposits) while only 5 percent took up micro insurance as shown below. LMF Uganda recognized the importance and need to develop products that graduate with changing client needs as their businesses grow. They were able as a result to design and implement lending products to graduate village bank clients that require greater flexibility and larger loans.
It should be noted however that, the popularity of micro insurance is dependent on the number of times clients access loans from LMF. Where there are repeat borrowers, the more the number signing in for micro insurance reason being that at that level, they have accumulated some assets and are bread winners in their families and hence micro insurance comes in handy. This is the reason 79.2 percent of them stated that micro insurance protects them from unforeseen sickness while 8.30 said that micro insurance enables them to leave their homes without having to worry about one’s family. This would not be the case without microfinance.

To make businesses even more productive, some MFIs like LMF have targeted the health and happiness of the clients themselves, offering training in areas such as nutrition, health care, and domestic problem solving. These social services not only help clients profit from their loans, but also aid in the development of human capital – an important contributor to the alleviation of poverty.

The Bangladesh Rural Advancement Committee (BRAC) for instance makes the business case for improving the health of micro entrepreneurs. The Non-Governmental Organization (NGO) noticed that borrowers had a much harder time repaying their loans when they or their families fell ill. And so BRAC introduced its essential health care program – monthly community meetings about disease prevention, nutrition during pregnancy, local sources of essential vitamins, and other health topics. A health program organizer facilitates the meetings with the help of community health volunteers whom BRAC trains. BRAC volunteers also go door to door to deliver information about sexually transmitted diseases, reproductive health, and domestic violence. Since the program’s inception, childhood
malnutrition and mortality have declined more among BRAC member households than among nonmember households. The BRAC field staff strongly support the educational programs and believe that there is a strong correlation between clients’ participation in the programs and their successful use of credit.

Lack of affordable comprehensive insurance mechanisms to enable people to ward off economic, health and other related shocks, can lead to slippage into poverty at the occurrence of any such shocks. Vulnerability to shocks can therefore be a cause or symptom of poverty. In Uganda there are no effective state operated safety nets as mechanisms for mitigating risks of natural and man-made disasters. Furthermore, vulnerability and poverty per se can be exacerbated and perpetuated by insecurity of life and property. This is particularly important in the Ugandan context where the post independence era has been characterized by civil strife and political instability.

Data on the findings was also got from key informants from the Microfinance Support Centre through key informant interviews. When the key informants were asked why borrowers accessed credit, the table 8 below summarises the findings. It is important to note that two of the respondents representing 40 percent attributed the reason for borrowing for the need to acquire assets, 20 percent attributed it to the need to increase household incomes, while 40 percent also attributed the reasons for borrowing to the need to create business/self-employment while none attributed the need to borrowing to savings mobilization.

**Table 8: Reasons for borrowing**

<table>
<thead>
<tr>
<th>Reasons for borrowing</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset accumulation</td>
<td>2</td>
<td>40</td>
</tr>
<tr>
<td>Increase household incomes</td>
<td>1</td>
<td>20</td>
</tr>
<tr>
<td>Create business</td>
<td>2</td>
<td>40</td>
</tr>
<tr>
<td>Savings mobilization</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Research Data (2018)
When the key informants were also requested to give some of the benefits that borrowers attain from accessing microfinance, again benefits such as asset accumulation, increased income that yields to better education for children, improved accommodation and better meals and business expansion propped up as illustrated in Table 8 above. These results are in agreement with the study findings. According to Datar et al (2008), leaving poverty does not depend on repaying one’s loans but leaving poverty rather depends on creating a successful business which a number of MFIs are trying to do. Some MFIs according to Datar et al (2008) have shifted to a client-centered approach and appear to have had more success. None of the key informants seemed to agree with the fact that borrowers benefit from increased household savings.

Standard of living in simple terms is the level of wealth, comfort, material goods, and necessities available to a certain socioeconomic class, in a certain geographic area. It includes income, quality and availability of employment. It was noted by key informants that access to microfinance by borrowers leads to increase in household incomes (wealth, comfort, material goods). These incomes enable the borrowers to move from everyday survival to planning for the future: they invest in education, better nutrition, housing, and health. These findings are in line with the research findings of Kasi (2003) who noted that as result of LMF clients accessing microfinance, many children who would have otherwise not got a chance to be educated are educated. As the saying goes, “the more you learn the more you earn”. LMF research conducted Kasi (2003) shows that about 70% of LMF Uganda clients have all of their school-age children enrolled in school, even before the Universal Primary Education scheme of Government was introduced.
Employment as a result of access to microfinance was also seen in grocery stores, retail shops, restaurants, kiosks, trade in charcoal, tomatoes, bread, groundnuts and fish, tailoring, poultry production, grain milling, mushroom growing, operating hair salons, making and selling handicrafts, brick-making and brewing local beer.

On how the government of Uganda can utilize microfinance to attain the sustainable development goal 1 of eradicating extreme poverty in all its forms in Uganda, the key informants noted the importance of accessing small amounts of credit at reasonable interest rates to the poor people. This they said; would give them an opportunity to set up their own small businesses where they can earn more, build their assets, and cushion themselves against external shocks.

Desktop reviews of key documents also revealed that microfinance plays a significant role in fighting poverty among borrowers which is in congruence with the study findings. Literature was got from Desktop reviews of key documents specifically journals, magazines, newspaper articles, Google scholar and brochures. Credit is considered to be an essential input to increase agricultural productivity, mainly land and labour. It is believed that credit boosts income levels, increases employment at the household level and thereby alleviates poverty. Credit enables poor people to overcome their liquidity constraints, and undertake some investments, especially in improved farm technology and inputs thereby leading to improved agricultural production (Adugna & Heidhues 2000, cited in Okurut, Banga & Mukungu, 2004)

According to Barnes, Morris & Gaile (1998), nearly 80 percent of households in Uganda experienced unanticipated, financially demanding events between 1997 and 1999, the two most common being medical expenses and death of a household member. In 1999 more than 80 percent reported medical expenses and 40 percent reported a death, likely associated with HIV/AIDS. The differences between clients and non clients in 1997 and 1999 were significant. Microfinance insurance service provided by MFIs was able to reduce vulnerability to these unexpected shocks such as death and illness as those who suffered a sudden loss covered by insurance were better off because they were able to reduce the impact of that loss, protect their assets, and reduce their need to sell assets and borrow (Goldberg & Palladini, 2010)
In addition, Barnes, Morris & Gaile (1998) also agree with the study findings that access to microfinance by borrowers leads to increase in value of durable assets purchased—mattress, radio, stove, clients, serving as a proxy measure of household wealth. The increase between 1997 and 1999 in the average value of asset purchases by clients was more than twice that of non-clients (Barnes, Morris & Gaile, 1998). These authors further noted that overall in every asset category studied, client households were more likely to have acquired the specific consumer-durable goods than non-client households. Overall, differences between client and non-client in each district were not statistically significant. The exception was for Kampala, where a significantly higher percentage of clients than non-clients acquired a television. Participation in the MFI programs was strongly associated with increased expenditures by clients solely or jointly with other household members on durable household assets.

On loan funds usage, three fourths of clients according to Barnes, Morris & Gaile (1998) used at least part of their loan funds on business enterprise. Additional uses of loan funds included other enterprises, loan repayment, school expenditures, and other services. This literature is also in alignment with the findings of the study on generation of self-employment by microfinance borrowers.

Accordingly, clients were significantly more likely than non-clients to have added new products or services, moved to new premises or sold in a new market location, reduced costs by buying in bulk, or increased the size of their stock over the last two years. Also clients were more likely to have increased sales volume in the past two years. There was a strong association between participation in a MFI program and changes in business enterprise which is in agreement with the findings of the study.
CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of the dissertation and goes beyond by presenting meaning to the findings and also utilized other literature related to microfinance and poverty elimination. The discussion based on the objectives of the study, logical conclusions and recommendations to the study.

5.1 Discussion

The findings show that the majority of the respondents were able to build assets to fight poverty as a result of access to microfinance as the usage of group guarantee in subsequent borrowings in favour of household assets and Kibanja/Untitled land reduced drastically. The percentage of group borrowers also declined in subsequent borrowings whereas the percentage of borrowers who used household assets for borrowing increased drastically while the Kibanja owners also increased. These findings mean that the more one accesses microcredit, the more he or she is able build assets progressively. Even those who did not have credible collateral to pledge as security in the initial loan cycle are able to do that in subsequent borrowings due to microfinance, underlining its importance..

Another implication is that command over resources can change the way people think and can expand an array of available opportunities as assets can provide a stake and position in society. Assets may have a wide range of positive personal and social effects on well-being beyond consumption. These effects may include greater future orientation, development of other assets, improved household stability, greater focus and specialization, a foundation for risk-taking, increased personal efficacy, increased social influence, increased political participation, and enhanced welfare of offspring”. (Zhan and Sherraden, 2003:193)

Besides, when the poor have lower assets, it impacts negatively on them because they are then excluded from the financial system. This is why they can hardly access financial resources from the traditional financial sector, they are actually marginalized.
Vulnerability is also reduced when the poor have assets. This can be through sale of assets for consumption smoothing and to react to emergencies such as sickness or death(s) in the family.

Okidi & Mugambe (2002) note that household characteristics such as asset levels, education and health much more than infrastructure and other community level factors have played significant roles in changes in household welfare. This was based on their preliminary analysis of panel households covered in both 1992 and 2000.

Further implication of these results can be seen in the report presented by the Commission on the Private Sector and Development that gives microfinance and financial sector development significant roles in the growth of the private sector and its contribution to poverty alleviation and economic justice. This report analyzes the many different channels through which financial sector deepening provides the impetus for private sector-led poverty reduction. It also presents a number of concrete examples that illustrate how reliable access to financial services for the poor can be achieved through innovation and strategic partnerships (Harris, 2007).

Diagne and Zeller (2001) argue that lack of adequate access to credit for the poor may have negative consequences for various household level outcomes including technology adoption, agricultural productivity, food security, nutrition, health and overall welfare. Access to credit therefore affects welfare outcomes thereby alleviating the capital constraints on agricultural households hence enabling poor households with little or no savings to acquire agricultural inputs.

To make businesses even more productive, some MFIs have targeted the health and happiness of the clients themselves, offering training in areas such as nutrition, health care, and domestic problem solving. These social services not only help clients profit from their loans, but also aid in the development of human capital – an important contributor to the alleviation of poverty.

On whether microfinance created self-employment, the findings showed that the microfinance borrowers created self-employment as a result of borrowing than before borrowing. The findings on self-employment creation imply that apart from the burdening loan repayment, borrowers of MFIs are able to create successful businesses which enables them escape poverty.
The study also involved examining the extent to which microfinance increases household incomes. The study findings show that households who borrowed were able to generate incomes good enough to support their families whereas those who did not borrow were not able to generate sufficient incomes to support their families. It is therefore evident that the majority of households did not have adequate incomes to support their families before they started borrowing. However, after accessing microfinance, there was a marked increment of borrowers whose incomes increased after twelve months. These findings mean that when family income rises due to microfinance borrowing, children eat and go to school, homes are improved and women gain status in society.

Credit is considered to be an essential input to increase agricultural productivity, mainly land and labour. It is believed that credit boosts income levels, increases employment at the household level and thereby alleviates poverty. Credit enables poor people to overcome their liquidity constraints, and undertake some investments, especially in improved farm technology and inputs thereby leading to improved agricultural production (Adugna & Heidhues 2000, cited in Okurut, Banga, and Mukungu 2004).

Importantly, the Group of 8 (G8) Declaration on expanding Access to Microfinance for Entrepreneurs in 2008 stressed microfinance’s contribution in the continuum of services needed to support the economic fabric of developing countries. They announced their support to far reaching initiatives in the upcoming years: “Entrepreneurs, no matter how small, need access to capital. Microfinance programs have provided small amounts of capital to entrepreneurs for many years -- benefiting women in particular. Sustainable microfinance can be a key component in creating sound financial market structures in the world's poorest countries. It is often the first step in launching SMEs, the beginning of what should be a continuum of credit access necessary to support the maturation of companies in developing countries.

The results of the findings on savings by borrowers were however interesting. The findings show that borrowers do not save voluntarily but rather save through compulsory/mandatory savings from the lending institutions. This means that borrowing does not contribute to increment in savings since those who save do not do so out of their wish but are simply forced to do so in order to access credit. These compulsory savings imply that financial institutions seem to be looking for cheap sources of funds and thus, the reason for compulsory savings.
These low savings by poor borrowers mean that volatility in cash flows from their businesses has an impact in them saving. This in addition to unplanned expenditures, unanticipated events such as illness or natural calamity, and the lack of a proper place to save all have implications on saving. This also implies that any opportunity for borrowers to save on a structured, regular basis were highly valued.

Another implication is that poor people often rank convenience, access, and security over interest earnings, with proximity to the microfinance institution being key. This probably explains why borrowers have persistently preferred saving in the informal sector to banks and microfinance institutions who have limited rural infrastructure and many find it difficult to serve small, often isolated savers profitably.

Further implication of the low savings by borrowers is that accessing savings services from formal institutions often requires time and high transaction costs such as transportation, identification, registration, and opportunity costs. Given the low and irregular incomes, poor people save in small amounts, making the transaction costs proportionately even higher.

The final meaning of these results of low saving by borrowers is that many choose to save in kind storing value in grain, animals, or jewellery or through savings clubs or deposit collectors found in the local community.

The findings on training mean that MFIs offer basic loan repayment training which is generally limited to repaying the loan and of applying the loan to the business, rather than spending it on personal needs. Yet clients often face health emergencies and family crises, and also want to spend some of the loan proceeds on education. And so MFIs need to give clients more training in financial literacy and money management so that they can better meet both their business and personal needs. At present, MFIs do very little of this.

It also means that if MFIs are serious about alleviating poverty, they must provide more training, support, and products tailored to poor clients. The success of microenterprises is critical both to alleviate poverty and to drive financial returns to the MFI. When microenterprises fail to make profits, clients must reduce their consumption, sell valuable assets, take on more debt from other sources, or default on their loans. MFIs also suffer, losing revenue and posting unfavourable returns.
These results also signify that although the ranks of micro entrepreneurs are swelling, MFIs must remember that their clients are often in business by necessity, rather than by choice. Most microfinance clients have no training, education, or role models in business, and therefore are unlikely to cultivate successful microenterprises on their own. They are not entrepreneurs in the traditional sense. If their communities had jobs and if their family situations permitted it, they would be employed. Yet the large-scale, labor intensive enterprises that generate stable employment will not arrive in most developing countries any time soon.

Besides, lack of human and technical skills to exploit available income generating and life improving opportunities are both a cause and symptom of poverty (Okidi & Mugamba, 2002). With the bulk of Uganda’s population in both the business and subsistence sector lacking requisite skills and knowledge necessary for production of goods and services to compete favourably, the business skills training provided by MFIs come in handy as the life improving opportunities are a major constraint to poverty reduction.

5.2 Conclusion

In summary, the research found out that poor households who have access to financial services do better over time in terms of economic well-being than poor households who do not have access to such services. Microfinance access therefore plays an important role in attainment of the SDG 1 of alleviating poverty in all its forms as most of the respondents acknowledged it basing on their status before and after accessing microcredit. The borrowers were able to build assets as a result of borrowing, increase household incomes and self-employment. However, the study also found out that contrary to the popular belief that microfinance increases savings, It does not, as those who mostly saved were through forced/compulsory/mandatory savings in order to access credit as opposed to voluntarily saving.

The confounding variables like the business management skills also played an important role in poverty alleviation as a bigger percentage of the respondents acknowledged the importance of the entrepreneurial training that was conducted by MFIs prior to granting of credit.

When the key informants were also requested to give some of the benefits that borrowers attain from accessing microfinance, again benefits such as asset accumulation, increased income that yields to better education for children, improved accommodation and better
meals and business expansion propped up. None of the key informants seemed to agree with the fact that borrowers benefit from increased household savings.

Standard of living in simple terms is the level of wealth, comfort, material goods, and necessities available to a certain socioeconomic class, in a certain geographic area. It includes income, quality and availability of employment. It was noted by key informants that access to microfinance by borrowers leads to increase in household incomes (wealth, comfort, material goods). These incomes enable the borrowers to move from everyday survival to planning for the future: they invest in education, better nutrition, housing, and health. These findings are in line with the research findings of Kasi (2003) who noted that as result of LMF clients accessing microfinance, many children who would have otherwise not got a chance to be educated are educated. As the saying goes, “the more you learn the more you earn”.

Employment as a result of access to microfinance was also seen in grocery stores, retail shops, restaurants, kiosks, trade in charcoal, tomatoes, bread, groundnuts and fish, tailoring, poultry production, grain milling, mushroom growing, operating hair salons, making and selling handicrafts, brick-making and brewing local beer.

On how the government of Uganda can utilize microfinance to attain the sustainable development goal 1 of eradicating extreme poverty in all its forms in Uganda, the key informants underscored the importance of accessing small amounts of credit at reasonable interest rates to the poor people. This they said; would give them an opportunity to set up their own small businesses where they can earn more, build their assets, and cushion themselves against external shocks.

It is therefore evident that the results of the study especially on asset accumulation, household income and creation of self-employment were able to answer the research question of whether microfinance contributes to household asset accumulation, generation of household incomes and creation of self-employment. The results of the study were also able to point out that microfinance did not answer significantly the research question of contributing to household savings.
5.3 Recommendations

Consequently, the findings suggest a series of policy implications that should guide policy makers as regard to improving the effect of microfinance on the attainment of the sustainable development goal of eradicating poverty in Uganda.

There is therefore need to Increase funding to the microfinance sector so that MFIs are able to expand and cover rural areas where majority of Ugandans live. The importance of this sector was recognized by the Open Working Group proposal for the SDGs which made access to financial services a component in several of its targets such as SDG 1, 2, 5, 8 and 9 (UNCTAD 2015).

There is need to incorporate the microfinance strategy to support other strategies to fight poverty. This strategy facilitates access to financial services in rural areas and encourages savings and their use as source of investment capital for rural enterprises.

Lastly, there is also need by MFIs to create awareness of the importance of access of credit to potential borrowers for them to be able to tap into its benefits as information dissemination has been left to word of mouth by fellow borrowers.

5.4 Recommendations for further Research

Poverty remains a major policy challenge in Uganda with many dynamics involved in fighting it. There is therefore need for more research to be carried out on the effect of microfinance on the attainment of the SDG 1 of eradicating poverty in Uganda.

Today, everyone is living in a global village where new poverty innovations and policies keep being successfully applied. This calls for a need to compare notes with other partners especially in the Asian countries such as Bangladesh, Nepal such that successful policies and innovations on how microfinance fights poverty in those countries can be shared in order to have a seamless approach to fighting poverty.

There is therefore need for further research to be carried out on how government can subsidise MFIs so that they are able to extend microcredit to borrowers at affordable rates. This is important if the first SDG of alleviating poverty through access to microfinance is to be achieved.
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Okidi, J.A. & Mugambe, G.K. (2002). An Overview of Chronic Poverty and


APPENDICES:

APPENDIX 1: QUESTIONNAIRE

Notice of Informed consent

Dear respondent,

My name is Kyankwanzi Rogers. I would like to appreciate the fact that your answers are very important in this study. This is not a test and as such, there is no right or wrong answer. I therefore request you to provide answers to the questions sincerely as this will help in generating important information.

All responses was treated with utmost confidentiality and was strictly used for academic purposes only. Please read each question carefully and tick the appropriate box.

I thank you sincerely for your time and willingness to participate in this research.

1. General Information

Questionnaire number [ ]

<table>
<thead>
<tr>
<th>Classifying Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Enumerator:</td>
</tr>
<tr>
<td>Date of Interview:</td>
</tr>
</tbody>
</table>

2. Respondents background information

2.1 Name of respondent & Phone No.

2.2. Division

3. Gender

a) Male (  )
b) Female (  )

4. Age

a) 18-25 (  )
b) 26-33 (  )
c) 34-41 (  )
d) 42-49 ( )
e) 50+ ( )

5. Marital status

a) Single ( )
b) Married ( )
c) Divorced ( )
d) Separated ( )
e) Widowed ( )

6. Education

a) No education ( )
b) Primary ( )
c) Secondary ( )
d) Post secondary ( )

7. How did you know/learn about microfinance?

a) Through a borrowing friend
b) Visit by microfinance staff
c) Radio announcement

8. What is/are some of the reason(s) that influenced you to borrow?

a) Successful borrower ( )
b) Acquire household assets ( )
c) Self employment ( )
d) Increase savings ( )
e) Acquire land
9. How many times have you borrowed from a microfinance institution?
   a) Once (   )
   b) Twice (   )
   c) More than Twice (   )

10. How were you initially appraised in order to be granted a loan?
    a) As a group (   )
    b) an Individual (   )

11. What did you pledge as collateral in the first loan cycle?
    a) Group guarantee (   )
    b) Household assets (   )
    c) Kibanja/un titled land (   )

12. What did you pledge as collateral in subsequent borrowings?
    a) Group guarantee (   )
    b) Household assets (   )
    c) Kibanja/untitled land (   )

13. Have you or any group member ever graduated from group borrowing to individual borrowing?
    a) Yes (   )
    b) No (   )

14. What are some of the benefits you have gained as a result of borrowing?
    a) Increased incomes (   )
    b) Self employment (   )
    c) Increased savings (   )
    d) Asset accumulation (   )

15. How many meals were you having per day before you started borrowing?
    a) One (   )
    b) Two (   )
    c) More than Two (   )

16. Have the number of household meals increased as a result of borrowing?
    a) Yes (   )
    b) No (   )

17. If yes, is it in any way attributed to borrowing from a microfinance institution?
18. Has the quality of household meals in any way improved as a result of borrowing?
   a) Yes (   )
   b) No (   )

19. Were some of your school age going children unable to attend school before you started borrowing?
   a) Yes (   )
   b) No (   )

20. If yes, what was the cause(s)?
   a) Lack of school fees (   )
   b) Lack of scholastic materials (   )
   c) Lack of uniforms (   )
   d) Others (please specify)..........................................................

21. Are your children now able to attend school after borrowing?
   a) Yes (   )
   b) No (   )

22. If yes, is this related in any way to borrowing from microfinance?
   a) Yes (   )
   b) No. (   )

23. What is the status of your accommodation?
   a) Owned house (   )
   b) Rented (   )
   c) Sharing (   )
   d) Other (specify)..........................
24. What are the walls made of?
   a) Raw bricks ( )
   b) Burnt bricks ( )
   c) Mud and wattle ( )

25. Has the status of your accommodation changed as a result of borrowing?
   a) Yes ( )
   b) No ( )

26. If yes, how has this been expressed?
   a) Own residential house ( )
   b) Commercial house ( )
   c) Better rented house with burnt bricks ( )

27. Are household assets in any way an important resource in livelihood enhancement?
   a) Yes ( )
   b) No ( )

28. Has lack of household assets in any way impeded you from accessing finance from any microfinance institution?
   a) Yes ( )
   b) No ( )

29. Have your household assets accumulated as a result of borrowing?
   a) Yes ( )
   b) No ( )

30. If yes, can the assets you have accumulated qualify you to borrow a bigger loan now?
   a) Yes ( )
   b) In the near future ( )
   c) No ( )
31. What kind of assets do you now own as a result of borrowing?

   a) Kibanja /untitled land ( )
   b) Residential house ( )
   c) Commercial house ( )
   d) Household assets ( )

32. Was your household generating incomes good enough to support the family before you started borrowing?

   a) Yes
   b) No

33. What is the status of your household incomes in the past 12 months?

   a) Increased? ( )
   b) Remained the same? ( )
   c) Decreased? ( )
   d) Do not know ( )

34. Is the increase in household incomes as a result of borrowing?

   a) Yes ( )
   b) No ( )

35. If yes, how has this been beneficial to your household?

   a) Able to have better meals ( )
   b) Able to increase my savings ( )
   c) Able to acquire household assets ( )
   d) Able to pay school fees for my children ( )
   e) Better standard of living ( )

36. Were you saving some of your money before you started borrowing?

   a) Yes ( )
   b) No ( )
37. Has borrowing in any way encouraged you to save?
   a) Yes (   )
   b) No (   )

38. What kind of savings is it?
   a) Voluntary savings (   )
   b) Forced/Compulsory savings (   )
   c) Others (Please specify)..........................

39. How are savings important in your business operations?
   a) Smooth consumption (   )
   b) Mitigate vulnerability (   )
   c) Facilitate lumpy expenditures in emergency situations (   )
   d) Working capital for income generating activities (   )

40. Did you have any form of self-employment before you started borrowing?
   a) Yes
   b) No.

41. Has borrowing from the microfinance in any way created self-employment/business for you?
   c) Yes (   )
   d) No (   )

42. Are you able to support your family well as a result of this business/self-employment?
   a) Yes (   )
   b) No (   )

43. How has this self-employment been beneficial to you?
   a) Able to provide decent meals to my family (   )
   b) Able to pay school fees for my children (   )
   c) Able to save more money (   )
   d) Able to acquire household assets (   )
   e) Able to increase household incomes (   )
44. What kind of training have you benefitted from microfinance institutions?
   a) Entrepreneurial/ business training
   b) Other (Please specify)..............................................................

45. Are you a member of the LMF micro insurance scheme?
   a) Yes ( )
   b) No ( )

46. Has micro insurance benefitted you as a LMF borrower?
   a) Yes ( )
   b) No ( )

47. If yes, what are some of the reasons for subscribing to micro insurance?
   a) Protecting oneself from unforeseen sickness ( )
   b) Being able to access care more quickly ( )
   c) Not having to pay a lump sum after falling ill but rather being able to pay in small
      instalments beforehand ( )
   d) Being able to leave the home without having to worry about one’s family ( )

END

Thank you for your participation
APPENDIX 2: INTERVIEW SCHEDULE FOR KEY INFORMANT INTERVIEWS

1. Why do borrowers access microfinance?
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2. What are some of the benefits that borrowers gain as a result of accessing microfinance?
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3. What is the relationship between access to microfinance and improvement in the standard of living of borrowers?
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4. How can the government of Uganda utilize microfinance to attain the sustainable development goal 1 of eradicating extreme poverty in all its forms in Uganda?
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END

Thank you for your participation