

**THE EFFECT OF MICRO FINANCE INSTITUTIONS ON PEOPLE'S INCOMES IN
KANUNGU DISTRICT: A CASE OF KIHIIHI SAVINGS AND CREDIT
COOPERATIVE SOCIETY LIMITED**

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DECLARATION

I, Tunanukye Eric, hereby declare that this research is my original work and has never been submitted for any award of a degree in any university or any institution of higher learning. Errors and omissions in this work if any are entirely my own.

Signature.......... Date 13th Oct 2008.....

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APPROVAL

This research and the subsequent dissertation have been carried out under my supervision and it's now ready for submission.

Signature  Date 13th/10/2008

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DEDICATION

I dedicate this work to my beloved mother Mrs. Loy Magyembe, my beloved one Akanyetaba Susan, my brothers; Siyako Mackson, Habasa Henry, Katurebe Julius, my sister Sanyo Sophia, A. and my beloved brother Mr. Musinguzi Edward who through thick and thin ensured that I reach this great height. My sweat is your pride and my toil is meant to give lasting confidence and inspiration. God Bless you all.

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LIST OF ABRIVIATIONS AND ACRONYMES

BOU	-	Bank of Uganda
FINCA	-	Foundation for International Community Assistance
KSCCS	-	Kihiihi savings and Credit Cooperative Society
M F P E D	-	Ministry of Finance, Planning and Economic
MDI	-	Micro finance Deposit Taking Institutions
MDU	-	Uganda Microfinance Union
MFIs	-	Micro Finance Institutions
MFPED	-	Ministry of Finance for Planning and Economic Development
MOGLSD	-	Ministry Of Gender', Labor and Social Development
NGOs	-	Non Governmental Organizations
P M A	-	Plan for Modernization of Agriculture
PEAP	-	Poverty Eradication Action Plan
PRIDE	-	Promotion Rural Initiative for Development Enterprise
PWD	-	People with Disabilities
UMF	-	Uganda Micro Finance
UML	-	Uganda Microfinance Limited
UMU	-	Uganda Micro finance Union
UNDP	-	United Nation Development Programs

DEFINITION OF KEY TERMS

Micro Finance	-	Small funding institutions
Evaluation	-	Finding Out
Clients	-	Beneficiaries of the Scheme

ABSTRACT

This study was undertaken with aim of finding out the effects of microfinance institutions on people's incomes. Information gathering were done basing on primary source to get balanced information. For this to be achieved, the researcher following the background of the study, used secondary data by reviewing literature of other peoples on the topics related MFIs; and also used primary data to get current issues at hand, where he used questionnaire and interview guide to get relevant information. Purposive, Quota and snowball were used to in order to get generalized information Presentation, analysis and interpretation of data was done by the use of tables as they are indicated

The institutions offer short loans to people; gives loans advice to people, train people on how to use the loans. Improved standard of eating habits, children go to good schools, health people and community, and improved housing. Other sources of incomes of clients of KSCCS included coffee growing, animal keeping, and commercial tree planting.

The findings indicated positive impact on peoples' income as is indicated by; the improved health community, improved meals; children go to good schools and many other indicators of positive change on peoples' livelihood. All categories of poor men, women, and the youth qualify for the loan after forming groups of more than five people; or if a collateral security is presented for the case of individual loaning

The work is organized in a logical order from chapter one to chapter five. Chapter one contains the background of the study; problem statement; objective of the study; scope of the study; significance of the study; research question; limitations of the study and a conceptual frame work. Chapter two contains the review of related literature, chapter three the methodology employed in data collection process, chapter four contains the presentation, analysis and interpretation of data and lastly chapter five containing summary; conclusion; recommendations and area for further study.

CHAPTER ONE

INTRODUCTION

1.0 Background to the Study

Micro financing refers to the provision of financial services (including credit, deposit, and insurance) to low income clients [Negeeb, 2002]. The industry picked momentum in the early 1990s following the liberalization of the financial sector. Micro Finance Institutions (MFIs) consisted of money lenders, micro finance agencies, Non-Governmental Organizations (NGOs), rural farmer's schemes that provided credit facilities to low income households and micro entrepreneurs. [MFPED, 2002]

In order for MFIs to effectively fulfill their role of intermediation and to grow in a sustainable manner, prudential regulation and bank supervision of the MFIs hence become necessary [BoU, 2004]. In 2003, Parliament of Uganda passed the Micro finance Deposit Taking Institutions (MDIs) Act providing a regulatory framework for MFIs. On 30th June 2005, PRIDE micro finance limited and Uganda Micro finance Union(UMU) together with FINCA-Uganda which was licensed on 25th October 2005 making a total of three MDIs in Uganda offering secure savings, products to the economically poor, [Fabian & Wavamuno, 2005].

It is in the same spirit that Kihiihi savings and credit cooperative society was started early 2003 by the people themselves under the chairmanship of Mr. Bakehena Brunal, who later died and Adam Shaban picked from there up to present. People started the institution with the aim of eradicating poverty by creating jobs for themselves in business activities using their own loans from their own village bank. (Kihiihi savings and credit cooperative society)

Poverty is a dynamic situation of socio-economic, cultural, political or other privation which affects individual households or communities, often resulting into lack of basic necessities of life; a feeling of powerlessness and helplessness or social exclusion

[MSEPU, 2002]. between 1999/2000 and 2002/2003, the incidence of poverty increased in rural areas than in urban areas, in terms of the absolute number of people living in poverty with rural areas experiencing an increase from 7.0 million people in 1999/2000 to 8.5 million people in 2002/2003, while the corresponding figures for urban areas, rose from 0.3 to 0.4 millions [Background to the Budget, 2004/2005].

According to the pillars of the Poverty Eradication Action Plan (PEAP), the ability of poor people to raise their income depends on a stable and growing income, good governance and security, health and education status of the poor [PEAP, 2002]. While actions within the pillars provide the enabling environment, the incomes of the poor do not increase automatically. This is why the third pillar of the PEAP sets a series of action aimed at directly increasing the ability of the poor to raise their incomes, [PEAP, 2002].

1.1 Statement of the Problem

Beginning with the year 1997, the Government of Uganda developed a Poverty Eradication Action Plan with strategies drawn to increase the growth of the economy by removing bottlenecks to private sector activities and facilitating the expansion of rural economy through modernization of agriculture. Lack of financial services mainly at the micro/sectoral level was identified as a major factor inhibiting the private sector from playing its role of promoting growth under the poverty eradication strategy. Consequently, further development of micro finance services became important policy intervention recommended in all these plans, [BoU, 2004]. The concrete results of all these policy intervention evidenced the springing up of several microfinance institutions; Kihiihi Savings and Credit Cooperative Society inclusive.

Despite the operation of MFIs in Uganda over 27% Ugandans are still living below the poverty line, [Background to the Budget 2006/2007]. It's on that background that this research became inevitable. The study was therefore investigating the impact of Micro Finance Institutions on people's income in Kanungu District.

1.2 Objectives of the Study

The objectives of the study were; to investigate the effect of Micro Finance Institutions on the local people's income in Kanungu District; Specific objective of this study were; to establish the nature of clients served by Kihiihi Savings and Credit Cooperative Society; to find out the pre-qualifications for accessing Kihiihi Savings and Credit Cooperative Society financial services; to establish the effect of Kihiihi Savings and Credit Cooperative Society financial services on the local people's incomes

1.3 Scope of the Study

The study focused on the effect of micro finance institutions on people's income. The study only restricted itself to clients of Kihiihi savings and credit cooperative society limited. KSCCS is located on Amama road Kihiihi Town Council in Kanungu District. And it serves three sub counties of Kihiihi, Kanyantorogo and Nyamirama. The study assessed the effects of the activities of Kihiihi savings and credit cooperative society on the livelihoods of its clients for the period 2003-2008

1.4 Significance of the Study

The management of MFIs may benefit from the awareness created in addressing the hindrance of their services to reach the poor and know exactly how to handle their clients. It may lead to enhancement of competition among MFIs in serving their clients.

Policy makers may find the study useful for formulating appropriate policies and programs that may benefit the poor in the drive to eradicate poverty.

To academicians, it will be useful in expanding the knowledge and pave way for further research on the same area of study.

To the researcher, the study enables him fulfill the partial requirements for the award of a Bachelor's degree of Public Administration of Kampala International University. (KIU)

1.5 Research Questions

The guiding questions for this research were;

1. What is the nature of clients served by Kihiihi Savings and Credit Cooperative Society?
2. What are the pre-qualifications for accessing Kihiihi Savings and Credit Cooperative Society financial services?
3. What has been the effect of Kihiihi Savings and Credit Cooperative Society financial services on the local people's incomes?

1.6 Limitations of the Study

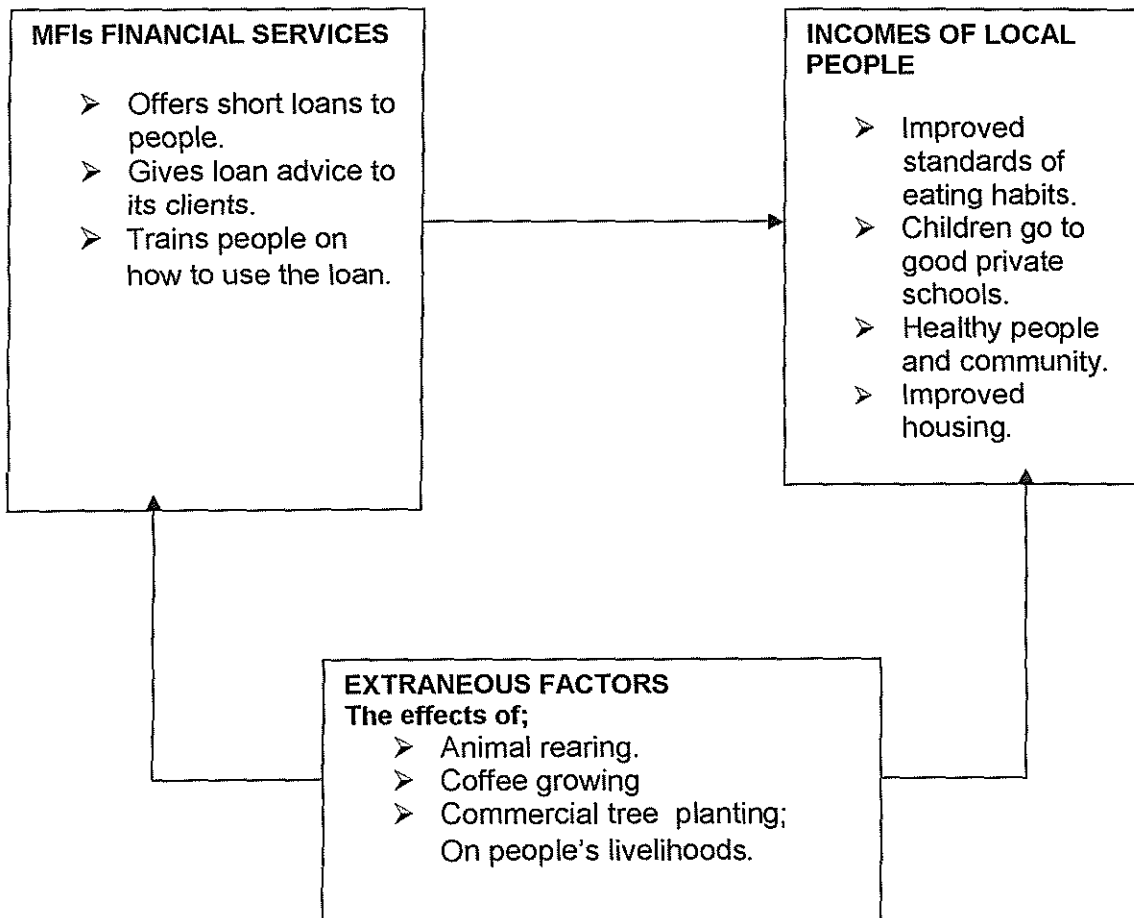
Other sources of income like animal raring, commercial tree planting and even black markets which are common in the area may bring inaccuracies in the findings. Incomes as a result of the above may not be measured and at the end of it all, be combined with that of KSCCS limited, hence unreliable results.

Activities of other commercial financial lending in the place can also lead to confusions as their effects were not measured.

To avoid inaccurate results the researcher dealt strictly with clients of Kihiihi Savings and Credit Cooperative Society limited.

1.7 Conceptual Framework

This shows financial services offered by the microfinance institution and their effects on the incomes of its clients. The effect of other sources of income (as extraneous factors) is also considered.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents a review of related existing knowledge from literature on Micro financing and poverty.

2.1 The Concept of Micro finance

Micro finance as practiced by the industry is defined as the provision of savings, loan and other financial services such as insurance and money transfers to the economically active poor segment of the population and micro enterprises in a sound and sustainable manner which allows for the institution to serve clients or customers in the long term [Hansen 2002]. Micro finance Deposit taking institutions licensed so far include; PRIDE micro finance limited, Uganda Microfinance Limited and FINCA Uganda. In November 2003, the parliament of Uganda passed the MDI Bill becoming an Act after Presidential Assent in 2003 providing a regulatory framework for MFIs to collect and intermediate savings from the public. Since then, the Ugandan financial sector comprises of four tiers [Kilabo, 2005].

The prevailing literature on micro finance in Uganda indicates a rapid growth and development of the young and vibrant industry. Association of Micro Finance Institutions in Uganda (AMFIU), 2002 statistics showed that there were over 500 MFIs operating in about 52 out of the 56 districts in the country (Lascelles, 2003).

2.2 Objectives of Micro Finance Institutions

MFIs as development organizations, services the financial needs of the underserved observed markets as a means of meeting development objectives which according to (Ledgerwood, 1999) include:-

- Poverty reduction;

- Empowering women and other disadvantaged populations/groups;
- To create employment opportunities;
- To help existing businesses grow and diversify their activities;
- To encourage the development of business and;
- To develop a potential financial sector to the existing formal ones.

2.3 The Nature of Clients Served by Micro Finance Institutions

The institution gives loans to men and women, the youth and the old in rural areas and urban dwellers who can do some profitable businesses.

2.4 Services offered by Micro Finance Institutions

Micro Finance Institutions sometimes offer skill-based training to augment productivity or organizational support and consciousness-raising training to empower the poor. Since access to flexible, convenient and affordable financial services empower and equip the poor to make their own choice and build their way out of poverty in a sustainable and self determined way Uganda has and still continues to benefit from a number of "Entandikwa" credit scheme. [Nkote, Bwire & Luganda, 2006]

2.4.1 Credit provisions

Through viable MFIs, the target group or clients are able to access credit; lack of access to credit is generally seen as a serious constraint to self employment and enterprises. This was revealed in a nine year campaign launched to reach 100 million world poorest families by the year 2005 in order to eradicate poverty [Annan, 1997]. Hansen (2000) indicates that, loans are made for productive purposes which include consumption, housing and medical payment. Business loans are also provided which enable clients develop new enterprises and increases on their incomes leading to poverty Eradication. The employer-guaranteed loan product target individuals who are employed by the formal sector. The program extends loans based on their employment history and gross monthly salary. Micro corporate loans and back to school fee loan are extended too [UMU, 2004] while a majority of MFIs mainly employ the group lending methodology approach especially for small loans usually repayable over 4-6 months. A good number

of MFIs have introduced individual loan products to cater for clients who need larger loans for growing business. [Nannyonjo & Nsubuga 2004] Micro finance institutions sowed in Masindi are pilot testing loans targeting small scale business holders and farmers in Masindi and Nakasongola. The loan product has been designed through series of meeting and decisions with farmers in the area to ensure that the terms and conditions suit the borrowers. [Lene, 2003]

2.4.2 Capacity Building and Training

Capacity building components is aimed at addressing weaknesses associated with delivery of credit services to the poor especially among members of group. This enables the poor to be in managing their various activities, [Baguma, 2005].

Training organizations can provide their services to group based clients for a fee. These training programs can help business persons develop better skills and their businesses by assisting them to improve their earnings and envision better ways to grow in their business skills. Both the client's earnings and capacity to utilize large loans are increased and all parties stand to benefit from such linkages, [McCord, 1998].

2.4.3 Insurance services

Several MFIs are providing insurance cover, thus helping to safe guard micro-business clients from certain calamities. Some MFIs act as agents for formal insurers providing life and disability insurance. These include; health insurance programs, fire and theft policies and others. In these ways, MFIs can provide micro-business clients with efficient access to formal sector financial products formally denied to them, [McCord, 1998]

According to Ledgerwood (1999), members are required to contribute a percentage of the loan amount to an insurance fund in case of death of the client, this fund is used to repay the loan and provide the deceased clients family with the means to cover, for instance burial costs. Insurance funds can also be used for consumption and medical payments, which reduce poverty

2.4.4 Social services

Health care; credit is extended to health care providers to boost their health care provision services. The loan is given to both groups and individuals with interest rate of 3.5% per month on declining balance, (UMU, 2004). According to Ledgerwood (1999), micro finance services include health care, literacy training and education. So MFIs provide accounting principals. This help them to minimize loses and thus promote viable businesses leading to increased incomes hence poverty eradication.

2.4.5 Savings Mobilization

According to Hansen (2002), voluntary savings are provided to both borrowers and non-borrowers who can deposit and withdrew depending on their needs. These savings services offer advantage like consumption smoothing for clients and stable source of funds for the MFIs. These savings can be accessed for consumption, investment and medical payments, which help in increasing incomes thus poverty eradication. The most important services that MFIs provide to the people working and living in poverty, is savings services. Micro- business people or the poor are known to have a liquidity preference. This means that they have difficulty in retaining a pool of cash because of the multiple demands on their incomes. There fore, System through which these in poverty can protect their savings are protected by MFIs which are critical to poverty eradication. The response of most MFIs clients is uniformly positive saying that after working with MFIs for a while. The best thing about the MFIs is that, it teaches them to save. (Mc cord 1998)

2.5 Effects of the Activities of Micro finance institutions

In its original form, micro finance business was considered as a "charity". As a result, the performance of the scheme was adversely affected by very poor loan recovery, inefficiency and high management costs which consequently led to under performance or collapse. (Nannyongo Nsubuga 2004)

2.5.1 Social Effects

The basic objective of most micro finance institutions established in developing countries is to alleviate and marginalize groups in the society such as the poor, youth, small scale farmers and entrepreneurs by providing them access to financial services and to develop a parallel finance sector. (Marcellina 1997)

The greatest contribution of MFIs to poverty eradication is that, it empowers the poor by giving them both increased confidence and financial means thus, playing a large role in control of their own destinies. (BOU 2000)

2.5.2 Empowerment of Women

Women whether poor or not, suffer discrimination in the market. Therefore, they are good target for micro finance services trickling down into the community and this has led to their empowerment by increasing their income and control over their income, enhancing their knowledge and increasing their participation in household decision making. (Kabeer, 1996)

2.5.3 Micro Finance and Youth Empowerment

There are remarkable changes in the situation of women occurring to micro finance intervention. Women have had their voices strengthened, they have managed to set up their businesses and run them, they are no longer dependents on their husbands and their leadership as their business skills been enhanced.(Paul Monsly,996) This implies that the youth in this regard are empowered.

They have gained confidence that can them to stand in public and speak. Some of them have managed to join politics and have been elected on local councils. Now they can attend and speak freely in village meetings. Most of them can no long be confined in the kitchen as the trend used to be. (Esaiaasson, p.et al, 2003) this implies that the youth in this regard are empowered.

However there is much discussion as to what empowerment of youth comprises and what relationship exist between microfinance and youth empowerment. There are still

arguments which are not conclusive as to whether microfinance can break the structural subordinate position of youth given the existing socio economic, cultural settings and mindset of society (Esaiaassion, P.et al, 2003) this implies that the youth in this regard empowered.

This line of argument calls for a more detailed study since to some conservative societies in Uganda; it is unheard of for women to ascend from a subordinate position to superordinate as women are still considered subordinate to men. These prejudices still exist in society and greatly compromise the promotion of empowerment of both the women and the youth. (Colman David et al, 1985)

It is true that changes in resource can lead to individual youth to enjoy, but the danger is that they leave intact the structures of inequality and discrimination. It may not help to improve the youth economic welfare without empowering them. In view of this analysis, one can argue that empowerment cannot be assumed to be an automatic outcome of microfinance programs, especially give social-cultural settings and mind set of some societies in Uganda. (Colman David et al, 1985) this implies that the youth in this regard are empowered.

2.5.4 Economic Effects

According to the MOG (1999).The geographical distribution of most MFIs are centered in urban areas and large trading centers but in real terms are supposed to target the rural and urban poor, hence the justification for their incorporation and existence.

It is evidently clear that it is only this kind of institutional set up that can be able to give a helping hand to the financial hand to the financially handicapped rural and urban in order to eradicate poverty. (MOG 1999)

MFIs have contributed to social economic development by serving over one million people to start business and have promoted the savings culture that was dying away slowly and the introduction of programs aimed at enabling people with

disabilities(PWDs) to access loans so that they can start their own income generating activities. (Baguma 2006)

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter contains the research design, and description of the area and population of study, sampling procedures and design, procedures of data collection and the procedures for data analysis.

3.1 Research Design

The researcher used a case study design because it was a good form of qualitative analysis and involved a complete observation of social unit such as families, or cultural groups, individuals about the impact of micro finance institutions on their monthly income. The study collected and made use of both qualitative and quantitative data. Above all the study was a descriptive survey.

3.2 Study Area and Population

The study included the management of Kihiihi savings and credit cooperative society limited, and its clients around the sub counties of Nyamirama, Kanyantorogo, and the survey population researcher interviewed 110 was approximately 110 people (respondents)

3.3 Sampling Design

The research employed the combined methods and advantages of purposive, quota and snowball sampling in selecting the sample. The researcher used these methods because they allow the researcher get knowledgeable people in the population. Secondly, the methods are simple and easy to use and therefore save the time.

The size of the sample was determined according to the population of the study of Kanungu. The respondents from the whole population and this included; two (2) administrator, three (3) credit officers, one hundred and fifty five (155) clients/(house holds). This was done to get adequate representatives of the sample of population under study.

Table 1: Sampling, data collection methods and types of samples

Approach	Sample selection	Data collection	Types of samples
Quantitative and Qualitative	Snowball	Structured interviews/ Interview Guide	<ul style="list-style-type: none"> ▪ 78 men ▪ 77 women Total of 155 people
Qualitative	Purposive and Quota	Questionnaires	1. 2 Administrators 2. 3 Credit officers. 3 Categories with 5 people.

3.4 Data collection Instruments

The techniques included;

(i) Questionnaires

The questionnaire checklist had both open ended and closed ended questions to allow respondents give their views.

(ii) Observation

This involved observation of the facts as he/she compares them with the respondent's views. Observation helped the researcher to get first hand information about the phenomenon under the study.

(iii) Interview Guide

The researcher used instrument which contained some questions to be answered by the respondents.

The questions required explanation answer and some were designed in such way that they could give brief answers from respondents.

3.5 Data processing and analysis

Data processing and analysis were basically done in three stages that is; Editing, coding and tabulation, this was done mainly to condense large quantities of data so as to facilitate easy interpretation and understanding of the study report. The task of processing data was done manually by the researcher and involved three stages.

1) Editing

This was done by the researcher during and at the end of each interview to detect and eliminate errors in the completed questionnaires. Editing was done to ensure that the data are accurate consistent with other factors gathered to facilitate coding and tabulation.

2) Tabulation

After coding, the researcher arranged the same data in a concise and logical order. Tabulation involved the processing of summarizing raw data and displaying the same data in simple form. This would bring out relevant conclusion.

3.6 Procedures of Data Collection

The researcher first visited the area of study with an introductory letter from the university seeking permission to carry out research on "the effects of Micro finance institutions on local people's income in Kanungu district."

After obtaining permission and informing the coordinator of the institutions, the purpose of the visit, the researcher started collecting the data by interviewing the selected respondents using the questionnaires, containing some questions, and observed the house hold situation.

The researcher started collecting information from the few administrators, of Kihiihi savings and credit cooperative Society about the locations of their clients and procedures followed to access KSCCS limited services, the restrictions/directions concerning the use of the loan acquired and later on their clients by using well formulated questionnaires. This allowed the researcher to get the information about the effects of KSCCS limited on peoples' incomes in Kanungu District.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

4.0 Introduction

This Chapter deals with the presentation and analysis of the findings of the study on the effects of Kihiihi savings and credit cooperative society limited on peoples' income.

4.1 Presentation of findings

4.1.1 Bio data of respondents

Table 2 showing total number of respondents used in the study by sub-county

Sub County	Number of respondents	Percentages
Nyamirama	36	32.7
Kihiihi	39	35.5
Kanyantorogo	35	31.8
Total	110	100

Source: Primary Data

The table 4.1 above shows the response of the clients per sub-county. It indicates that clients from Kihiihi responded in big numbers followed by Kanyantorogo and Nyamirama the last as it is shown by 35.5%, 32.7% and 31.8% respectively.

Sex of the respondents

Table 3: showing sex of the respondents

Gender	Male	Female	Total
Frequency	34	76	110
Percentage	31	69	100

Source: Primary Data

The table 4.2 above shows that females are mostly members of KSCCS limited; this may suggest that ladies are trusted in paying back the money at the time of paying

back. This is in favor of Kabeer's argument that women are good targets for microfinance services trickling down into communities. (Kabeer, 1996)

Respondents' marital status

Table 4: showing respondents' marital status

	Single	Married	Widowed	Divorced	Others	Total
Numbers	37	43	15	15	0	110
percentage	33	39	14	14	0	100

Source: Primary Data

The majority of 39% are married people, 2nd majority of 33% are single, widowed and divorced also make 14% each

Respondents' highest level of education

Table 5: showing respondents' highest level of education

Level of education	Frequency	Percentage
Below primary level	00	00
Tertiary	21	19
Secondary	80	73
Primary	09	07
Total	110	100

Source: Primary Data

The majority of clients attained secondary level as represented by 73% of the total respondents followed by those who went up to tertiary institutions with 19% and it shows that 7%attained primary level.

4.1.2 Nature of clients of Kihiihi savings and credit cooperative society ltd.

The institution gives loans to men and women; the youth, and the old who can do some profitable business as shown in the table bellow.

Table 6: showing the age of the respondents

Age	Age below 20	20-25	26-30	40- 45	46-50	Above 50	total
Frequency		12	68	16	13	01	110
Percentage		11	62	15	12	0.9	100

Source: Primary Data

The majority of the respondents in table 4.5 above are of the age group 26-30 with 68%. This suggests that the youth mostly benefit from KSCCS limited.

4.1.3 The Genesis of KSCCS limited

The institution started early 2003 by the community. People started the institution with the aim of eradicating poverty by creating jobs for themselves in business activities using their own loan from their own village bank.

4.1.4 Forms of collateral security required from clients

Generally the bank does not ask collateral for people in organized groups as it is required from clients to form groups for better and easy loan transactions, but people who would like to have individual loans, collateral security is inevitable for them. Collateral security like land tiles, car log books and other kinds of security is required.

4.1.5 How KSCCS Clients use their loans

Client use the loan extended to them in economically productive activities; this is because they are trained in how to use the loan extended to them productively by the bank authorities and because of the conditions and conditions attached to the loans given to them.

4.1.6 Client retention rate by KSCCS

The institution's retention rate is or has been high and the number keeps on increasing every year. The bank started with 150 member/clients, and then the number continued

to increase up to now where the clients are more than 700 people. There fore, a big increase has been observed with in the last 5 years of operation.

4.2 Analysis and interpretation of findings

.2.1 The nature of clients served by KSCCS limited

The findings of the study revealed that the institution serves many categories of poor people, for instance it gives loans to poor rural men, poor rural youth, poor rural women especially the widows, and it caters for the elderly who can do some small businesses like charcoal burning and other of the nature. This is in connection with Ministry Of Gender', Labor and Social Development (MOGLSD) report that it is only this kind of institution that can be able to give a helping hand to the financially hand capped rural and urban in order to eradicate poverty.(MOGLSD 1999)

4.2.2 Pre-qualification for accessing KSCCS financial services.

The study findings revealed that for KSCCS limited clients to qualify for the services, in *the first place, one needs to register in a group of more than five people who are above 18 years of age*; these group members will act as referees for each member who is taking loan and they are responsible for the loan given to each member in case one defaults. The findings further revealed that individual person can also access loan. For this, the individual has to present a collateral security like land title and other kind of collateral securities depending on the amount of the loan the client is wishing to borrow. This is in connection with Nsubuga's statement that majority of Micro finance institutions mainly employ the group lending methodology approach especially for small loans usually payable over 4-6 weeks (Nanyonjo and Nsubuga, 2004

4.2.3 Effects of KSCCS services on the local people's income

The effects of KSCCS limited on peoples' incomes; the study findings revealed that KSCCS limited provide some befits like long and short term loans, giving advice and offering training to their clients. As a result of the above services, life has changed; people can save for future; people can now afford to buy meat a least twice a week; can

take sugar in their tea daily; children can now go to good private schools; people can now go to good hospitals in case of a healthy problem. This is a big step a head compared to the past before the institution started.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter contains the summary of the findings of the study, conclusion and recommendations.

The findings match with the objectives of the study.

5.1 Summary

The objectives of the study were;

To investigate the effect of Micro Finance Institutions on the local people's income in Kanungu District; the specific objective of this study were;

to establish the nature of clients served by Kihiihi Savings and Credit Cooperative Society; to find out the pre-qualifications for accessing Kihiihi Savings and Credit Cooperative Society financial services; to establish the effect of Kihiihi Savings and Credit Cooperative Society financial services on the local people's incomes

For this to be achieved, the researcher following the background, used secondary data by reviewing literature of other peoples on the topics related MFIs; and also used primary data to get current issues at hand, where he used questionnaire and interview guide to get relevant information.

Purposive, Quota and snowball were used to in order to get generalized information on the nature, pre-qualification for KSCCS limited services and the effects on the peoples' income in Kanungu District

Presentation, analysis and interpretation of data was done by the use of tables as they are indicated by: table 4.1 showing total number of respondents used in the study by su-county, showing Kihiihi as the highest number of people who participated with 35.5%; table 4.2 showing sex of the respondents showing that female respondents most with 69%; table 4.3 showing respondents' marital status indicating that married people

participates most with 39% followed singles with 33%; table 4.4 showing respondent's highest level of education, indicating that those who attained secondary level participates most with 73% and table 4.5 showing the age of the respondents indicating that 26-30 with 62% does better.

Summary and conclusion were also done basing on the objectives of the study, recommendations and areas for further study were made basing on the researcher's findings of the study

5.2 Conclusions

In light of the findings above, micro financing has supported many people and has made a positive change to their lives. This is indicated by improved levels of health facilitation, feeding and general life.

The findings showed positive impact on peoples' income as is indicated by the improved health community, improved meals, children go to good schools and many other indicators of positive change on peoples' livelihood in Kanungu District.

All categories of poor men, women, and the youth qualify for the loan after forming groups of more than five people; or if a collateral security is presented for the case of individual loaning.

Prequalification for KSCCS limited services are convenient as it favors all categories of needy people. However some people still need reduction on the interest charged on this loan.

Men, women the old and the poor youth are well catered for in FMIs programs as it is actually meant for such vulnerable groups or categories of people in all communities where FMIs are involved. All these show effectiveness of the program.

5.3 Recommendations

Basing on the findings of the study, the following recommendations have been made to improve the services offered by KSCCS and also maximize on its benefits to the local people;

1. That interest rate per month (period) is too high and therefore should be reduced from 8% to at least 4% because low capital businesses do not have much profit, reduction of the interest from 8%-4% would attract more people into the business and allow the to get more profits.
2. The credit granted of 150000 (150000- 500000) for people without collateral security is not sufficient and therefore should be raised at least to (500000-1000000), this will give people moral of borrowing from KSCCS limited as they will now get good starting capital for there businesses.
3. The categories of the clients' should be maintained that way or even include any other category of people who would be having similar characteristics for example the children who are not school goers because of school fees and even the orphans with no guardians regardless of the age limit.

5.4 Areas of further study

The following areas should be subjected to research;

- The impact of loan size on effective utilization of credit. This is people who start with big loan end up failing to pay back at the time of repayment and showing nothing like positive change on peoples' income, therefore there is suspicion on loan size.
- Other financial institutions that contribute to poverty eradication in Uganda and how they work to eradicate poverty. It is believed that not only KSCCS limited that contributes to poverty eradication in Uganda.

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APPENDIX A

QUESTIONNAIRE(S)

Dear respondent,

I humbly request you to answer the following research questions on the topic "the impact of micro finance institutions on local people's income in Kanungu district"

A case study of Kihiihi Savings and Credit Co-operative Society Ltd

The information gathered is for academic purposes only and will be treated with maximum Confidentiality. Thank you for your cooperation.

Yours faithfully.....

TUNANUKYE ERIC

(A) PERSONAL INFORMATION OF RESPONDENTS;

1. What is your place of birth?

- a) Village (LC1).....
- b) Parish.....
- c) Sub county.....

2. What is your Age? Tick in the right box.

- a) Below 18 year
- b) 19 to 30 year
- c) 41 to 50 years
- d) 51 to 60years
- e) Above 60 years

3. SEX

- a) Male
- b) Female

4. What is your marital status?

- a) Single
- b) Married
- c) Widowed

d) Divorced

e) Others,

Specify.....
.....

5. Highest Level of Education

a) Primary School (7)

b) Ordinary Level

c) Advanced Level

d) Tertiary

e) Others

Specify.....

B INFORMATION CONCERNING KIHIIHI MICRO FINANCE SCHEME

a) When did Kihiihi savings and credit cooperative society start its financial operations?

.....
.....
.....

b) Who started the institution?

.....
..

c) Why was the bank started?

.....
.....

(d)What type of people does the institution give loan?

.....
.....

(e) What form collateral security is required from the clients in the process of securing loan?

.....
.....
(f) Do the clients use the loans extended to them in economically productive activities?
.....
.....

(g) What is your retention rate of clients per year?
.....
.....

(h) How large/small was the client's base by the time of commencement of your business?
.....
.....

(i) What is your current client base?
.....
.....

(j) What is the percentage of the pioneer client base in the current total client base?
.....
.....

INTERVIEW GUIDE

C. INFORMATION CONCERNING ECONOMIC IMPACTS OF MICRO FINANCE LOANS ON THE LOCAL PEOPLE

1. Does the institution require collateral security in order to secure loan?
2. If yes, what kind of collateral security is required from you?
3. Have you started any viable businesses?
4. If yes, like what kind of businesses?
5. How long are you supposed to stay with the principle before full repayment?
6. What are the procedures followed to secure loans?
7. What was your lively station before KSCCS Ltd intervened i.e.;
 - What secondary/ primary schools could your children attend?



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FACULTY OF SOCIAL SCIENCES

Date. 05th AUG. 2008

To..... THE MANAGER.....

KITHIM SAVINGS AND CREDIT.....

COOPERATIVE SOCIETY LIMITED.....

This is to introduce to you MR. TUNANUKYE ERIC.....
who is a bonafide student of Kampala International University. He/she is
working on a research project for a dissertation, which is a partial requirement
for the award of a degree. I here by request you, in the name of the University,
to accord him/her all the necessary assistance he/she may require for this
work..

I have the pleasure of thanking you in advance for your cooperation!

Yours sincerely,

Ms. Sidonia Angom
Associate Dean