THE IMPACT OF MICROFINANCE ON POVERTY ERADICATION AND ECONOMIC DEVELOPMENT AMONG YOUTH IN UGANDA:
A CASE STUDY OF SUMMIT CAPITAL MICROFINANCE, KABALAGALA BRANCH

BY
MULINDA AZEDI
1163-05014-07200
BBA-FA

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OCTOBER, 2019
DECLARATION

IMULINDA AZEDI, hereby declare that the work presented in this research report was based on my own research, except where otherwise acknowledged and had never been submitted to any University or any Institution of higher learning for a Degree or Diploma.

Signature: ................ Date: 15th/10/2019

MULINDA AZEDI
APPROVAL

This is to certify that this research report was carried out under my supervision as university supervisor.

Signature................................................ Date........................................

Madam Mudondo Erina
DEDICATION

I dedicate this research report to my Mother Namususwa Rashida, my elder brother Dr. Malinda Asuman and my boss Mr. Muhumuza Arthur who have been there for me from day one and supportive towards my education in financial terms.

May God bless them abundantly!
ACKNOWLEDGEMENT

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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>MDIs</td>
<td>Microfinance Deposit-taking Institutions</td>
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<tr>
<td>MFI</td>
<td>Microfinance Institutions</td>
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<td>NGOs</td>
<td>Non-Government Organizations</td>
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<td>SACCOs</td>
<td>Savings and Credit Cooperative Organizations</td>
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<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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ABSTRACT

The purpose of the study was to investigate the impact of microfinance on poverty eradication and economic development among youth in Uganda. The study was based on the following 3 objectives; (i) to assess the services offered by microfinance towards poverty eradication and economic development among youth in Uganda; (ii) to examine the level of poverty eradication and economic development in Kabalagala; and (iii) to establish the impact of microfinance on poverty eradication and economic development among youth in Uganda. The study employed a cross-sectional research design and a sample size of 100 respondents from a target population of 133 was used for the study. In regard to services offered by microfinance towards poverty eradication and economic development among youth in Kabalagala, the study found that services offered by microfinance among youth in kabalagala was rated high with average mean (mean = 3.87) and were membership services, saving services and loan services which were all rated high by average mean of 3.88, 3.92 and 3.82 respectively. Study findings revealed that it is not complicated to become a member of the microfinance (mean = 3.64); share value is affordable (mean = 4.09); requirements to open account are easy to fulfill (mean = 3.84); saving policies for microfinance are well set (mean = 3.85); members get their savings on demand (mean = 3.93); minimum liquidity are maintained to serve members (mean = 4.03); microfinance offers loans to members at affordable interest rates (mean = 4.05); loan repayment period is long enough (mean = 3.67); and collateral required is affordable (mean = 3.94). In regard to the impact of microfinance on poverty eradication and economic development in Kabalagala; the study found out that the Pearson’s r data analysis of correlation revealed a +0.858 and thus, the findings revealed that there is a positive statistical significance impact between microfinance and poverty eradication and economic development among youth in Kabalagala. The study concluded that; microfinance have positively contributed to the poverty eradication and economic development among youth in Uganda. The study showed that microfinance services or activities mainly membership, credit and saving products have a positive contribution to poverty eradication and economic development among youth in Uganda. The study recommended that; Microfinance should encourage its members to improve on their current level of education by engaging in adult education or life-long learning as this will have the potency to increase their level of income; Microfinance should seek long term capital from local market which will enable them to grant larger volume of loan and to greater number of people who will improve their outreach level; again microfinance should design appropriate products that are flexible enough to meet the different needs of the poor for both production and consumption. The government should subsidize loans for poor people to make the loans more affordable for clients, keep assisting microfinance in saving mobilization to increase loanable fund, assist microfinance in training members on loan utilization, saving culture and business.
CHAPTER ONE
INTRODUCTION

1.0 Introduction

This chapter focused on the background to the study, statement of the problem, purpose of the study, specific objectives of the study, research questions, scope of the study and significance of the study.

1.1 Background to the study

The biggest problem of the present era is poverty, where a large chunk of population lives below the poverty line. As per the World Bank (2016) Report 'hundreds of millions of people still live on less than $1.90 a day, the current bench-mark for extreme poverty'. Thus, it is evident that this section of population has no financial access and lives in extreme poverty.

Poverty may be defined as a state or a condition in which a person or community lacks the financial resources and essentials to enjoy a minimum standard of life and well-being that is considered acceptable in society. In simple words, 'being poor is unable to subsist...that is being unable to eat, drink, and have shelter and clothing' (Cranfield, Prickle&Hurtle, 2007). There has been a hot discussion throughout the world for the mitigation of poverty, and poverty eradication has been recognized as a key goal of development throughout the world. In this regard, microfinance has been outlined as the first and foremost tool for poverty eradication all over the globe. It is generally believed that microfinance programs will raise incomes and broaden financial markets by principally providing credit, among other services, to small-scale entrepreneurs (Aghion & Morduch, 2000). Poverty arises out of a number of reasons but insufficient household income due to unemployment or meager source of earning is its main determinant. Moreover, there are very few sources available to provide financial access to this large chunk of poverty-ridden population. A lot of research studies do support the fact that banks have not been able to provide the financial services such as loans to
the clients with little income or less creditworthiness. This is so because banks incur high costs in managing an account and it does not depend upon the amount of money being borrowed. There is a break-even point for banks below which they incur loss. Unluckily, this section is below that break-even point and it is because of this fact that banks have not been able to provide the financial access to these potential customers. This creates dependence in poor on moneylenders, relatives and other informal sources that charge high rates of interest. Although these informal sources charge high interest rates, but they are very fast, convenient and flexible with respect to the needs of the poor.

In order to overcome these issues, numerous worthy initiatives have been taken from time to time to provide financial services to this inaccessible section of the society. Various formal financial institutions have been working for decades. As per Rural Poverty Report 2009, in the 1800s, microfinance began to emerge in Europe through People’s Banks, credit unions and Savings and Credit Cooperatives. In Indonesia, the Indonesian People’s Credit Bank started its working in 1895. After this, experiments were being carried out in few rural parts of Latin America in the early 1900s.

It is worthwhile to note here that the concept of microfinance institutions (MFIs) specific to the poor is not an old one. After the Second World War and until the 1970s, the poor groups were not targeted by development finance. However, this concept originated only with the realization that a large amount of foreign trade for large projects was not able to reduce the poverty (Khawari, 2004). This created a need for target group orientation, so as to target the poor and make the credit available to them at ease.

In Bangladesh, Muhammad Yunus, a Bangladeshi banker and economist, had initiated in the 1970s an experimental credit program for the poor which later turned out to be the Grameen Bank (GB) in 1983. For this initiative, the Nobel Prize for Peace was awarded to Professor Younis and the GB in 2006. The GB has now millions of borrowers where 95 per cent of the clients are youth with repayment rates as high as 99 per cent.
To achieve meaningful poverty reduction strategy, access to financial services is vital for the development of the private and informal sectors of the national economy; and in the development discourse, microfinance is considered a vital tool especially for sectors that hardly meet the requirements of mainstream financial services. In Uganda, which is not different from what is happening in the rest of Africa, financial services are largely underdeveloped, lacking in depth, highly inefficient, concentrated in the urban areas and dominated by a few, often foreign-owned commercial banks. In effect microfinance institutions (MFIs) became to be viewed as the most obvious vehicles for delivering financial services to the poor. As a consequence, interest in microfinance has soared in the recent decade and the instrument is now seen as one of the most promising tools to tackle poverty in the developing world.

Essentially, MFIs lend to customers who have low incomes and, at least anecdotally, have helped many of those trapped in the most extreme form of poverty better their lives by loaning them amounts of money that many others would consider a paltry sum. They also provide borrowers with access to education, credit, basic savings accounts and insurance. In particular, credit, savings and insurance services in the rural areas are generally non-existent, and of those that do, many work imperfectly (Morduch, 1995).

In Uganda, the optimism over the role and the movement of microfinance as a poverty reduction intervention is increasingly becoming stronger than ever before. The country is generally seen as one with the most vibrant and successful microfinance industry in Africa; a number of MFIs in the country have experienced strong growth and are now reaching a considerable number of clients (Foundation for Sustainable Development Report, 2012). However, while the practices of microfinance services for the poor have grown immensely especially in developing countries, the reality on the ground provides conflicting evidence and shows that rather than improving the conditions of the poor, most of the so-called beneficiaries are left in debts and some end up losing their assets in the process.

It is notable also that the most existing literature on MFIs focused on the outreach of their services, with little attempt to explore why these communities remain in poverty.
The current paper tries to fill this gap in the literature and to show whether providing financial services to groups that traditionally could not access them helps these people or only puts them further in debt is still up for debate.

1.2 Statement to the problem

Microfinance services have progressively increased over the last decades in Uganda. Despite their increase in numbers, there is no evidence regarding the ability of micro credit to sustainably reduce poverty among poor youth. Also it is not clear whether the provision of credit will nod the poor into vicious circle of productivity and prosperity (Omari and Mtatifikolo, 1996). In Uganda more and more funds are still put into similar micro credit programmes but poverty has remained widespread especially among youths. A number of anti-poverty programme/policies have been implemented over the past two decades, but the key ones include among others; Bonna Bagaggawale (Prosperity for all), Entandikwa Credit Scheme and promotion of formation of SACCOs to improve on savings and credit services to poor youth but poverty is still persisting in among youth. Therefore, this called for the need to undertake a comprehensive study in order to come up with alternative answers as to the extent to which the youth have benefited from linking with microfinance since their establishment in early 1990s.

1.3 Purpose of the study

The purpose of the study wasto investigatethe impact of microfinance on poverty eradication and economic development among youth in Uganda.

1.4 Research objectives

(i). To assess the services offered by microfinance towards poverty eradication and economic development among youth in Kabalagala.

(ii). To examine the level of poverty eradication and economic development in Kabalagala.

(iii). To establish the impact of microfinance on poverty eradication and economic development among youth in Kabalagala.
1.5 Research questions

(i). What are the services offered by summit capital microfinance towards poverty eradication and economic development among youth in Kabalagala?

(ii). What is the level of poverty eradication and economic development in Kabalagala?

(iii). What is the impact of summit capital microfinance on poverty eradication and economic development among youth in Kabalagala?

1.6 Scope of the study

1.6.1 Geographical scope

The study was conducted in Kabalagala in the central of Uganda, Kampala district along Gabba road.

1.6.2 Content scope

This study covered microfinance and poverty eradication and economic development.

1.6.3 Time scope

This study was conducted from July, 2019 to October, 2019.

1.7 Significance of the study

The significance of this study cannot be over emphasized. Poverty is pervasive in our economy and attempts to alleviate it have not yielded the desired results. Therefore, it is necessary to review the severity of poverty in the country with a view to assessing how microfinance institutions could help to improve the living standard. It is also necessary to understand how microfinance institutions could contribute to economic development of the nation, by enhancing the productive capabilities and welfare of a largely distressed/vulnerable segment of the society.

Studying on the impact of microfinance on poverty eradication and economic development in Uganda has benefits to various categories namely the researcher, the
management of Microfinance, the government of Uganda and the public. The
significance of this study for these categories is explained below:

For the researcher, this study will help the researcher to improve the knowledge and
skills acquired in finance and accounting.

For the management of Microfinance the findings of this study will show the effect of
microfinance on poverty eradication among youth, further ways to mobilize saving and
improve members living standard, and thereby the management will refer to this
research in making decisions for superior performance.

For the government of Uganda, this study will show the impact of Microfinance on
member’s economic wellbeing, and will show clearly the extent to which, the
government initiative of advocating and supporting Microfinance Sector is significant, as
contribution of Microfinance towards economic development through an increase of
revenues among the population.

For the general public, the study will show the importance of Microfinance to its
members’ economic wellbeing and this may motivate members to have positive
attitudes towards microfinance.

1.8 Definitions of variables

**Microfinance:** it is an economic development approach that involves providing
financial services, to low-income clients, where the market fails to provide appropriate
services. The services provided by the Microfinance Institutions include credit, saving
and insurance services. Many microfinance institutions also provide social
intermediation services such as training and education, organizational support, health
and skills in line with their development objectives.

**Poverty eradication:** is a term that describes the promotion of economic growth that
will permanently lift as many people as possible over a poverty line.
Saving: means consuming less out of a given amount of resources in the present in order to consume more in the future. Saving, therefore, is the decision to defer consumption and to store this deferred consumption in some form of asset.

Credit: is a contractual agreement in which a borrower receives something of value now and agrees to repay the lender at some date in the future, generally with interest.

2.2 Conceptual framework

Figure 2.1: Conceptual framework of microfinance and poverty eradication and economic development

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Intervening variables</th>
<th>Dependent Variable</th>
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<tbody>
<tr>
<td>Microfinance</td>
<td></td>
<td>Poverty eradication &amp; economic development</td>
</tr>
<tr>
<td>Membership</td>
<td></td>
<td>• Savings</td>
</tr>
<tr>
<td>(education and training, Ownership)</td>
<td>Family size</td>
<td>• Pooling resources for investment</td>
</tr>
<tr>
<td>Saving services</td>
<td>Education level</td>
<td>• Access to loans for investment</td>
</tr>
<tr>
<td>Loan/credit services</td>
<td>Government programs</td>
<td>• Income from own business</td>
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<td>• Literacy</td>
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<td>• Managing natural resources</td>
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Source: Dhakal & Nepal, 2016

Membership (education and training, ownership), saving services and loan/credit services were used in the study as a proxy for microfinance contributing to poverty eradication & economic development.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focused on views of previous authors, which among others covered the theoretical review, microfinance and poverty eradication and economic development.

2.1 Theoretical framework

There are many approaches to fighting poverty and various studies on poverty reduction have adopted different theoretical underpinnings in order to find a workable solution to their subject matter. The theories that support this study included;

2.1.1 Social capital theory

The notion of social capital which is mainly used by the poor without collateral in microfinance lending is a key aspect of the current debate on poverty reduction. Ismawan (2009) articulated that ‘the effort to alleviate poverty traditionally has used and was based on natural capital, physical or produced capital and human capital’. He goes on to say that together they constitute the wealth of nations and form the basis of economic prosperity. His criticism is that the three types of capital determine only partially the effort to keep poverty at a minimal level but forgets to recognize the way in which the poor interact and organize themselves to generate growth and development. The missing link is social capital.

Rakodi (2008:) explains it (social capital) in terms of “the rules, norms, obligations, reciprocity and trust embedded in social relations, social structures, and society’s institutional arrangements, which enable its members to achieve their individual and community objectives. For social interaction to be termed “capital”, it must be persistent, giving rise to stocks (for example, of trust or knowledge) on which people can draw, even if the social interaction itself is not permanent. The collective resources are built up through interaction with other people outside the families. It includes trust
as the main component, co-operative behavior, helpful networks, and willingness to give and take and to participate in issues of common concern.

There is of course a link between individuals and their communities, the growing realization is that individuals are shaped by their community, and communities are as a consequence shaped by their individual members. Bradshaw (2006) argues that it is ‘The strength of the growing interest in social capital by social scientists following Putnam (2010) points to this interdependence where individuals through association memberships create communities characterized by more trust and reciprocity, and in these communities with more social capital thousands of small activities are possible that contribute to reversing the spiral of decent into poverty. It is no wonder that communities with strong social capital (or similarly entrepreneurial communities described by Flora and Flora have been shown to be more resilient to adversity and thus protect their residents from the spiral into poverty that less civic communities experience when facing similar challenges’.

Baas (2009) Portrayed Social capital as the social cohesion, common identification with forms of governance, cultural expression and social behavior that makes society is more cohesive and more than a sum of individuals- in short, to social order that promotes a conducive environment for development and solidarity. He argues that social capital plays an important role in encouraging solidarity in overcoming market failures through collective action and common pooling of resources. However, in spite of perceived importance of social capital, serious questions need to be asked about what sorts of norms, networks and associations are to be promoted, in whose interests, and how they can best contribute to empowerment, particularly for the poorest youths.

Social capital is used as security in the group credit lending methodology. It is considered by many as the best way to reach the poorest who qualify for microfinance, and evidence indicates that group credit procedures are indeed easier to target at clients taking very small loans. Another potential advantage why social capital has become popular to the rural poor is that the association or trust is neither bought nor sold but freely shared. Social capital is also seen as simultaneously contributing to
financial sustainability, poverty targeting and youths's empowerment. The assumption underlying the paradigm is that social capital is inherently positive and beneficial and can be used by program without external intervention to build or increase it. However, group credit has come under criticism in that the group may share joint liability in the event of one group member’s inability to repay is supposed to be covered by others in the group.

2.1.2 Cumulative and cyclical interdependencies

This work adopts the theoretical model of cumulative and cyclical interdependencies as its framework because the theory looks at individuals and their community as caught in a spiral of opportunity and problems, hence individual and community resources are mutually dependent. This theory originated from the works of Myrdal (2008) who coined it as “interlocking, circular, interdependence within a process of cumulative causation”. Myrdal argued that personal and community wellbeing are closely linked in a cascade of negative consequences, and that closure of a factory or other crises can lead to a cascade of personal and community problems including migration of people from a community. Thus, the interdependence of factors creating poverty actually accelerates once a cycle of decline starts.

For example, at the community level, a lack of employment opportunities leads to out migration, closing retail stores and declining local tax revenue which lead to deterioration of schools and lead to poorly trained workers, resulting in firms not being able to utilize technology fully, which in turn leads back to a greater lack of employment. This cycle also repeats itself at the individual level.

The lack of employment leads to lack of consumption and spending due to inadequate incomes, and to inadequate savings, which means that individuals can not invest in training, and individuals also lacks the ability to invest in businesses, or to start their own businesses, which leads to lack of expansion, erosion of market and disinvestment, all of which feedback to inadequate opportunities. It is conceivable that Health
problems and the inability to afford preventive medicine, a good diet, and healthy living environments become reasons the poor fall further behind.

As a theory of poverty, the cyclical theory shows how multiple problems cumulate, and it allows speculation that if one of the linkages in the spiral was broken, the cycle would not continue. The problem is that the linkages are hard to break because each is reinforced by other parts of the spiraling system. A key piece of this approach to helping people in their poverty reduction struggles is that there is no way access to financial services alone can help communities pull out of poverty without addressing other factors that contribute to poverty. It is suffice to note that poverty is an extremely complex and multi-dimensional phenomenon, thus, interventions aimed at reducing poverty should equally be complex.

The study will be based upon social capital because the driving concept behind the theory of social capital is that a person's position within a particular group provides certain benefits that work to their advantage. From the perspective of the social scientists, social capital emphasizes commonality to strengthen communities. Therefore, youths in different groups provide different benefits towards the poverty eradication and economic development.

2.2 Concept of microfinance

Microfinance is a broad term that describes banking and financial services provided by poverty-focused financial institutions (often referred to as microfinance institutions or "MFIs") to poor populations that are not being served by mainstream financial organizations. Microfinance institutions are legally registered entities which work to develop products and deliver methods to meet the diverse financial needs of low-income people. MFIs take many forms and include savings and loan cooperatives, local or international NGOs, village banks and programs set-up by international institutions. Commercial banks support microfinance operations directly (by providing financing or equity investment to existing MFIs) and indirectly (by creating branches or a range of microfinance products and services). Since its inception in the 1970s, microfinance has
been based on the principal that the working poor, particularly youths, need alternatives to what had previously been the only source of borrowed funds, namely informal lenders who charge excessive interest.

MFIs primarily provide small loans to their clients (although some MFIs also offer additional services, including micro-deposit and micro-insurance products). Unlike commercial banks, MFIs use methodologies such as group lending and liability, pre-loan savings requirements, and they gradually increase in loan sizes to evaluate clients’ credit worthiness. Creditworthiness standard is based on the performance of a group of borrowers by initially extending a loan to an individual and then lending money to additional members of the group if that individual proves to be a reliable borrower. In effect, MFIs create incentives for each individual within the group to repay their loans, as the failure to do so will jeopardize the ability of the rest of the group to obtain credit. Others lend directly to individuals without tying credit to group performance. In a nutshell, Microfinance is the provision of tiny loans to the poor to help them establish or expand an income-generating activity, and thereby escape from poverty.

Microfinance has been a growing industry mostly with respect to the provision of microloans. But microfinance is not now restricted to microloans only; it includes various financial services such as savings, insurance and money transfers. Thus, microfinance is providing several financial services such as credit, savings, insurance and fund transfers to the poor section of the society. Robinson (2009) defines ‘microfinance as a small-scale financial service primarily credit and savings provided to people who farm, fish or herd’. As per Professor Younis, founder of the Bangladesh GB,

Micro-credit is something which is not going to disappear because this is a need of the people, whatever name you give it, you have to have those financial facilities coming to them because it is totally unfair to deny half the population of the world financial services.

Microfinance is thus a tool that fulfils the needs of the society living below the poverty line. Generally speaking, microfinance works through either joint liability or group
lending or individual-based lending. Individual-based lending is one-to-one lending and the joint liability lending approach provides loans in groups. In joint liability lending, loan repayment is the responsibility of the entire group. Non-repayment by the group means that all group members will have no access for loans in future. Thus, group lending ensures efficient individual screening and monitoring by the group members them-selves. This generates the importance of social collateral in microfinance.

2.3 Concept of poverty

The definition of what is meant by poverty and how it is measured and who constitute the poor are fiercely contested issues. In the poverty debate, stands the question whether poverty is largely about material needs or whether or it is about a much broader set of needs that permit well-being. According to SIDA, poverty has a multiple and complex causes. The poor are not just deprived of basic resources. They lack access to information that is vital to their lives and livelihoods, information about market prices for the goods they produce, about health, about the structure and services of public institutions, and about their rights. They lack political visibility and voice in the institutions and power relations that shape their lives. They lack access to knowledge, education and skills development that could improve their livelihoods. They often lack access to markets and institutions, both governmental and societal that could provide them with needed resources and services. They lack access to and information about income-earning opportunities” (see, SIDA: November 2005:14: ICTs for Poverty Eradication). In a nut shell poverty can be seen as a situation in which individual is an unable because of economic, social, political and psychological incapacitation, to provide himself and his family the barest basic necessities of life.

2.4 Concept of poverty eradication

The term poverty eradication was first conceived as a procedure or process of transforming the poor from one level to the other across a given threshold of income or consumption (Jazairy et al., 1999). Poverty eradication strategy is one of the means that were considered for adoption in the new paradigm of a sustained development as

The strategy has initially received a global attention in order to replace the failed “trickle-down effect” approach for reducing poverty amongst Third World Countries (Mtatifikolo, 2009). This was based on the assumption that governments should concentrate on growth policies; and the result of growth would trickle down to the poor through primary and secondary incomes. According to Ravallion and Datt (2008), the links among poverty, economic growth and income distribution have been studied quite extensively on economic development. Absolute poverty can be alleviated if at least two conditions are met. First, if economic growth and/or mean income rise on a sustained basis. Second, if economic growth is neutral with respect to income distribution or reduce income inequality. Generally, poverty cannot be reduced if economic growth does not occur. However, the persistence of poverty of a substantial population can dampen the prospects for economic growth.

Furthermore, it has been reported that the initial distribution of income and wealth can greatly affect the prospects for economic growth and eradication of mass poverty (Ravallion and Datty, 2007). There is substantial evidence that a very unequal distribution of income is not conducive for either economic growth or poverty reduction. Current experience of economic growth has shown that if developing countries put in place incentive structures and complementary investments to ensure that better health and education lead to higher incomes, then the poor benefit doubly through increased consumption and higher future incomes.

2.5 Economic development

Economic development is considered as a process by which policy makers' work to improve the conditions of a developing state. Development economics covers the financial expansion, economic growth and improvements in the general well being of
the people, usually referred as social development. Therefore, economic development is an amalgamation of socio-economic improvements. Debate on growth and development has been in the limelight especially in the developing countries and research proves that in certain circumstances growth without development leads us towards poor social conditions. It is important to understand that for a country to do well, all the sectors need proper and equal effort at a national level. Disparities in the sectors takes countries towards coordination failures and poor values of social and economic indicators such as GDP, employment, investment, trade, balance of payments, literacy rate, health facilities, infant mortality, population and access to credit. In developing regions around the globe including Latin America, Asia and Sub-Saharan Africa, it is generally observed that socio-economic state of affairs is pitiable.

2.6 Microfinance industry of Uganda

The microfinance sector of Uganda is often heralded as the most vibrant and successful in Africa. The strong state of the microfinance industry has been attributed to several factors, including the government’s enabling environment, macro-economic stability, the weakness of the formal financial sector, sound donor commitment, strong capacity builders, stakeholder co-ordination and the healthy competition. It is however a relatively new industry in Uganda even though access to finance has been identified as a key development strategy since the 1960s. The first true microfinance institutions (MFIs) did not appear until the early 1990s. Microfinance first appeared in Uganda in the 1980s as a socially motivated bid by the non-governmental organization (NGO) sector to eradicate poverty and increase access to financial services for the rural poor. A number of NGOs and aid bodies developed microfinance departments and a few specialized MFIs started operations offering microcredit collateralized by compulsory savings. In the early 1990s some of the NGO microfinance projects split off to become standalone MFIs. These organizations grew quickly in size and number, helping to counteract the gap left by the closure of several large banks in the 1990s. The late 1990s and early 2000s witnessed a plethora of fully sponsored training and technical assistance for MFIs, and the adoption of sustainability
and profitability alongside the original social mission of the MFIs. Microfinance in Uganda is now no longer seen as just a social service but also a long term commercially viable enterprise. This dual mission has prompted MFIs to increase their outreach and client numbers have grown accordingly.

A combination of both formal and semi-formal institutions provide microfinance services in Uganda, including commercial banks, credit institutions, microfinance deposit-taking institutions (MDIs), savings and credit cooperative organizations (SACCOs), non-government organizations (NGOs) and money lenders.

### 2.7 Services offered by microfinance

According to Bailey (2001) cited by Ahimbisibwe, (2006:24) microfinance offer various products to their members including shares, savings, emergency loans, loans, life and loan insurance, fixed deposits, educational savings, housing loans, funeral insurance benefits of microfinance to members.

Ahimbisibwe, (2006:25) further showed the following benefits that microfinance have to members: members are encouraged to save since microfinance are readily accessible, interest rate on saving and lending is better than elsewhere a fact sounds idealistic. Members are taught how to handle their finances in responsible manner this could be true only when they effectively economically patronize their microfinance, loans are insured, so if a member dies, the outstanding balance is settled, however, it is not practice across board. Besides; other micro-finance also do insure loans for their clients, savings are mobilized and turn into loans necessary for members to finance their activities, regular social interaction between members, promote autonomy and economic independence among members. Microfinance also promotes self-responsibility, democracy, equality, equity, openness, social responsibility, and caring for others, microfinance develop communities where they are operating and promote civic education among members.

While the benefits of being a member of microfinance are among others: time minimization, cost of transport minimization, risk minimization, wealth accumulation,
building collateral and guarantors for loan, building easy accessible financial institution, i.e. Safe place for savings and loan within his/her village, building bargaining power to negotiate with financial institutions to get long term investment loans, ability to get knowledge on how to utilize his/her resources in a wise manner that increases their income, get interest and dividend on their savings and share, in general, they will able to escape from the line of poverty and build self-confidence.

2.8 Contributions of youth groups on poverty eradication and economic development

2.8.1 Savings

Youth group savings contribute significantly in development. According to Shivakumar (2009) pointed out that most youth save and these small savings generate the requisite resources which can wean people away from certain money lenders who are there to exploit some of the youth in the society. According to Shivakumar (2009) the savings youth make depend on the lifestyle and the willingness to volunteer on the savings represent the key for profitable progress. Moreover, there is also a clear notion that vulnerable people can really save significantly through collective efforts. Through savings the youth groups have the ability to bring youth into the conventional economic development paving the way for sustainable development (Shivakumar, 2009).

2.8.2 Pooling resources for investment

According to Karl (2008) youth contribution as a multifaceted process, involves the pooling of resources to achieve collective strength, countervailing power and entailing and the improving manual, technological skills, organizational, managerial and planning capacities. In addition, there are the analytical reflective abilities of the neighbouring youth.

According to Rajeswari and Sumangala (1999) youth help in pooling skills and small resource available to them for development of their communities. This has paved the way for a full utilization of capital and also it has mobilized youth human capabilities.
According to Gurumoorthy (2009), youth's groups play an important role in providing labour in the activities and programmes in the rural areas. The existence of the youth groups improves a continuous and sustainable development of the beneficiaries and their communities. Moreover, the groups provide non-financial services such as addressing environmental problems, health, literacy and also shapes most of the youth to be responsible citizens of a country for achieving social and their economic status. It has also added knowledge and skills and more significantly, more information to rural youth (Johnson, 2007).

2.8.3 Access to loans for investment

According to Dokey (2009) the youth groups are currently being accepted in the society as a system of credit delivery that is used for meeting the credit needs. The needs are particularly experienced among the people who are the poorest of the poor who generally comprise small scale farmers, landless, labourers who work in farms, artisans, youth folk and other micro entrepreneurs. In this regard, the youth groups are considered as a support system to the exiting collective operations. The objectives of the youth groups are to introduce the habit of thrift, savings, banking and so on, and also availing loans and repaying the same over a given period of time.

2.8.4 Income from own business

Suman (2007) contend that the process of youthgroups in economic development and poverty eradication is multidimensional which enables youth to realize their full potential and empowers them in many spheres of life.

2.8.5 Literacy

Veluraj (2008) contend that unless youthgroups have helped in economic development issues like reducing literacy, health and population explosion that were unresolved problems affecting developing countries. Therefore, youth groups are mostly encouraged to come and work together as a group to get bigger loans for economic activities and also help in collective bargaining in marketing of products, purchasing of
raw products and materials. Due to this enormous movement, there is audible improvement in the economic status of the rural youth (Tandom, 2011).

2.8.6 Managing natural resources

Bachtel (2007) observed that youth, particularly those living in the rural areas of third world countries such as Uganda, play a major role in managing natural resources. In addition, their tasks in agriculture and animal husbandry as well as in the household make them the daily managers of the living environment (Bilgin, 2008). According to Abbot (2007) rural youth contribute to sustainable national development through their work of managing small scale farming, providing the much needed nation's food supply.

2.9 Empirical evidence of the impact of microfinance and poverty reduction

Empirical evidences and surveys give mixed results on the performance of MFIs. In some cases debacle stories have been reported, yet there have been success stories. In other cases the reasons for failures or successes have not been well documented. In terms of impact evaluations and specifically the role of microfinance in the process of poverty reduction, the work of Bateman (2011), has been extremely helpful in conceptualizing the debate. These authors were interested in what earlier impact evaluations revealed, pushing forward the idea that individual microfinance programmes have most often been judged on the basis of impact evaluations. They established that though most early impact evaluations were positive, they were very thin in terms of robust evidence, pointing out that very often, the 'evidence' consisted of anecdotes from successful MFI clients, while less successful clients were ignored. Within this genre, the work of Khandker (2003) a widely cited study is very helpful in assessing the impact of MFIs. Khandker (2003) examined three major MFIs in Bangladesh namely; BRAC, Grameen Bank and RD-12. He established that up 5% of the participants were able to lift their families out of poverty every year by borrowing from one of these MFIs. This work is complemented and expanded by Littlefield et al., (2003) and Goldberg (2005). Summarizing the literature available at the time (Littlefied et al., 2003), cited evaluation findings of higher incomes among microfinance programme participants than
among non-participants. Similarly, Goldberg (2005) found that most impact evaluation studies reported a positive impact on poverty and income.

In contrast to the above, researchers using randomized control trials (RCT), in 2007, reported that microfinance had little or no impact (Bateman et. al., 2011). According to Straus (2010), Esther Duflo and colleagues analyzed 5,000 households in Morocco over two years. Their findings found the effect of microfinance on consumption to be negative and insignificant, with no impact on new business creation, education or youths’s empowerment.

Others [Karlan and Zinman (2009) and Banerjee et al., (2009)] found almost no impact from a number of large-scale microfinance programmes. On the other hand, Roodman and Morduch (2009) using a different approach reworking on the original data of Pitt and Khandker they came to a new conclusion; there was little to confirm that microfinance was having any real role in poverty reduction. They concluded that: ‘strikingly, 30 years into the microfinance movement, there was little solid evidence that microfinance improves the lives of clients in a measurable ways’. As a matter of fact, in 2010, the six leading microfinance advocacy bodies confirmed that it is difficult for studies to demonstrate the impact of microfinance quantitatively for methodological reasons (Implicitly conceding the lack of robust quantitative evidence), and fell back on anecdotal evidence, citing carefully selected anecdotes and uplifting case studies from individuals (ACCION International et al., 2010).

Uganda Bureau of Statistics 2011/12 National Panel Survey report released in 2013 puts the national poverty levels at 32.2 while in the eastern region poverty surpass the national average at 33.1 per cent. Poverty situation in this region (Busoga) of the country is manifested in various forms such as inaccessibility to education and inadequate education facilities (Strategic plan, 2015). The average dropout rate of 30% is attributed to poverty in various parts of the region and the high dropout rate is exacerbated by child labour in the sugar cane plantations. Poverty in the area was worsened by an outbreak of a jigger infestation in 2013 that left an unspecified number of locals effectively out of action, unable to fend for a living. The impact of microfinance
and/or microcredit schemes on poverty reduction is still largely unknown. Therefore, the key question is whether providing financial services to groups that traditionally could not access them, helps these people out of poverty or only puts them further in debt is still up for debate.

Chandarsekar & Parkash, (2010) ; Mayoux (2001) found in their study that the microfinance has a great impact and a positive contribution towards the youths empowerment, education of children, health facilities and other socioeconomic factors of the poor community. Hossain (2012) concluded in his study that microfinance reduced the poverty level from the Pakistan country. It was found that the people who borrowed loan from the bank had an increase in their income and their expenditure after utilizing the loan.

Imai et al., (2010) took the data of 99 countries and used regression analysis to check the impact of microfinance on poverty level. They found that microfinance scheme reduces the poverty level. Remenyi (1991) it deemed the provision of credit as the most powerful instrument against poverty. They concluded that small loans are helpful for the poor to make them economically independent.

Meyer (2002) also concluded similar results. His research in Asian countries concluded that as a whole microfinance positive effect on the education of the poor families and their income too but other results differ due the population and country size. Most of the studies show that microfinance scheme has a positive impact on poor’s life. Alhassan & Akudugu (2012) represented that microcredit programs can eliminate poverty but it was unable to show considerable effect on youths’s financial status due to specific limitations which do not allow the conversion of the structural basis of poverty.

Rahman (2010) reported that in Bangladesh all operating MF institutions do not care about the ethical and moral norms of the poor. Borrowed money is usually spent for their needs such as the marriage of their children and repairing of houses etc.
Therefore, proper supervision is needed to create the sense of ethical and moral values and also need to peruse them to use loans only for earning activities.

Abbas (2005) studied and empirically analyzed income generating and poverty reduction role of micro finance through regression and correlation methods. The empirical evidence showed that there is a positive impact of micro finance on income and consumption smoothening provided it is utilized in a rational way. The microfinance being utilized in the most appropriate manners to reduce the poverty in the community.

2.10A critique on interest-based microfinance

Microfinance has no doubt furnished the successful results in a few decades and fetched winning results with respect to poverty eradication. However, microfinance as an effective tool for poverty eradication is still questionable. It began with a righteous mission of supporting the poor by providing the financial access to them. But, unfortunately, the practice of microfinance moved far away from its main mission. A motive of commercialization coupled with exorbitant interest rates paved its way towards the rich and away from the poor.

Indubitably, it really brought wonders in various developing countries such as Bangladesh, Indonesia, India, Pakistan and Sub Saharan Africa, by providing the financial access to that section of society that was denied an access by the banks and other formal financial institutions. It helped in the poverty eradication to a large extent but in the upcoming scenario, it lost its social mission and moved towards profit maximization like the other prevailing businesses. A lot of corporate interference with the goal of profit maximization has washed away the image of microfinance in many developing countries like Uganda.

A lot of criticism on microfinance reveals that microfinance does not reach the poorest of the poor, or that the poorest are deliberately excluded from microfinance programmes (Simanowitz, 2002). The main reason is that the extreme poor often decide not to participate in microfinance programmes since they lack confidence or they value the loans to be too risky. Simultaneously, the core poor are not acceptable to
other group members as they consider them risky and non-creditworthy. Even the microfinance staffs hesitate in lending them as they consider them more risky (Hulme & Mosley, 1999). Finally, the way microfinance programmes are organised and set up may lead to the exclusion of the core poor.

Few critical results argue that group loans lead to high transaction costs. Most microfinance schemes have regular group meetings. During these meetings, information about the projects is exchanged and repayment problems are discussed. These group meetings often imply high transaction costs.

**High transaction costs**

Microfinance is an expensive business owing to high transaction and information costs. Recent research shows that most MFIs are not financially sustainable and require donor subsidies to meet the high costs. So the urgent task for the microfinance NGOs is to procure adequate funds to meet their growing demand of credit. The donor fund that has so far met largest part of the revolving loan fund is now declining and has resulted in dependence syndrome. It is also important to know what costs are involved in creating microfinance a winning tool to fight poverty.

**Exorbitant interest rates**

Microfinance suffered heavy criticism for charging high interest rates. Bangladesh that is famous for its Grameen model has been criticised on charging unexpectedly high rates of interest from the micro borrowers. That is why the poor cannot create a viable business and return the loan in time. Fernando (2009) has also argued regarding the charging of high interest rates. High interest rates have made the poor borrowers unable to pay interest as well as the borrowed amount in time, thus pushing them back into the curse of poverty. Rapid commercialisation has brought problems to microfinance sector as well. Group lending technologies, the foundation of many microfinance programmes, have also brought devastating results in the sector. This is not the end; the great Indian microfinance crisis has stunned the world of microfinance (Arunachalam, 2011).
Abusive loan-recovery practices

Another criticism is of abusive loan-recovery practices. The loan managers have a two-way responsibility of serving their clients and collecting their repayments and this has created a tremendous instability in the sector. Abusive recovery practices have brought down the morale of microfinance clients to a large extent and have shunned its image.

Issue of financial sustainability

Provision of microfinance is a pricey business due to high transaction and information costs. A lot number of microfinance programmes still depend on donor subsidies to meet the high costs, that is, they are not financially sustainable and have developed a dependence syndrome. This has again brought a decline in the economic and social upliftment of the poor.

To overcome such constraints, interest-free microfinance may be conceived as an alternative to interest-based microfinance to some extent. There are certain features of interest-free economy which help it to overcome the constraints faced by its conventional counterpart. The most important among these is that it aims at equity and justice in economy and rejects any kind of interest. Microfinance could be helpful in other ways such as improved revival rates and better organisational and borrower sustainability, as well as more effectively meeting microfinance’s core objective of poverty eradication, increased production and employment generation. With the onset of the current global financial crises, compliant microfinance (Interest-free microfinance) is seen to be the new opportunity to eliminate poverty. It is more concerned with the social projects, uplifting the human potential. This financial system rejects the concept of interest and rests on profit-sharing principles. It is based on equity and return to various factors of production. Simultaneously, microfinance can also offer a different model for millions of poor people who are currently not served by conventional microfinance. It is time for the Ugandan finance industry to adopt innovative and sound practices and prove that its models could work efficiently and could provide the micro-
entrepreneurs with an appropriate business idea and may discover a way out of poverty.
CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter described the procedures that were to be followed in conducting the study. These included research design, target population, sample size, sample techniques, data sources, data collection procedure, data presentation, analysis and ethical considerations.

3.1 Research design

This study employed a cross-sectional research design. The research design was preferred for the study since it provided quick, efficient and accurate means of accessing information about the population and it was more appropriate where there was a lack of secondary data. According to Kothari (2009), research design is the arrangement of conditions for collection, analysis and presentation of data in sequential frameworks to reach the intended end.

The study also used cross sectional survey design using both qualitative and quantitative tools. The quantitative research technique was used because of the desire to solicit and present data numerically whereas qualitative tool was used to collect qualitative data about the variable under study. The justification for using the descriptive cross sectional survey was that it provided a meaningful picture of events and explained people’s perception and behavior based on data gathered at a point in time.

3.2 Target population

The population for the study encompassed 133 youth who engaged in microfinance activities for at least two years and live in Kabalagala. Purposive (non probability method) was used to select respondents in order to avoid bias. The rationale of
choosing those youths was that they were the most group that was normally poor as compared to elder. Population refers to a large group of people possessing one or more characteristics in common on which a research study focuses (Creswell, 1998). The target population is the group of subjects from whom the researcher expects to draw conclusion about the research topic (Kothari, 2009).

3.3 Sample size

The researcher used Slovene's formula in determining the minimum sample size. According to this formula, the sample size was obtained using

\[ n = \frac{N}{1 + Ne^2} \]

Where, \( N \) is the target population, \( n \) is the sample size and \( e \) is the level of statistical significance and in this study is 0.05.

\[ n = \frac{133}{1 + 133(0.05)^2} = \frac{133}{0.75} \]

\[ n = 100 \]

Therefore, 100 respondents were selected for the study.

3.4 Sampling techniques

The researcher used purposive sampling to get the required information from the respondents. Purposive sampling technique is a sampling technique where the elements in the sample will be selected from the population because they conform to a certain characteristic that the researcher is looking for. This was based on the researcher's judgment in as far as the purpose for which the information was sought for. The
researcher used purposive research design because it was more representative sampling technique of typical conditions in the survey. The researcher further employed purposive sampling technique in selecting the participants from a variety of participants (Oso and Onen, 2005).

3.5 Data collection instruments

Data collection is a series of interrelated activities aimed at gathering information to answer emerging research problem/questions (Creswell, 1998). The researcher used questionnaires to collect data because of their ability to gather a lot of information. In this case, open ended semi structured questionnaires were used to collect information from the respondents. A questionnaire is a research instrument consisting of a series of questions prepared by the researcher for the purpose of gathering information from the respondents (Brink, 2006).

All questionnaires were prepared in English languages and then distributed to the youth respondents in Kabalagala. The same opportunity was used to share the theme of the study with them and then they filled all the questions accordingly as per their understanding. Since the questions were very clear, the respondents filled all the details themselves without the researcher’s interference (Appendix I).

3.6 Validity and reliability of the instrument

For the purpose of achieving validity and reliability, questionnaires were designed in such a way that they captured relevant information for the research objectives. Validity explains the accuracy and truth of the data in research, while reliability means that if the research is repeated by the respondents or independent observers with the same methods they will acquire the same results or data (Kothari, 2009). This supported the findings and ensured that the community accepted the results after being proved that it was true or it would have been rejected. The research instruments were pretested so as to ensure whether the questions were acceptable, answerable and well understood. The
pre-tested instruments helped to identify questions which may cause ambiguity and contradiction.

3.7 Data gathering procedures

An introductory letter was obtained from the College of Economics and Management to conduct the study. In addition, the questionnaires for actual distribution were prepared and coded accordingly.

The researcher requested respondents to answer the questionnaires as objectively as possible and not to leave any question unanswered. Furthermore, the researcher emphasized respondents to pick the questionnaires after three days from the date of distribution and all returned questionnaires were checked to see if all were fully answered.

After the collection of primary data through questionnaires, the researcher analyzed them and complete questionnaires were coded, edited, categorized and entered into a computer for the Statistical Package for Social Scientists (SPSS) for data processing and analysis.

3.8 Data analysis

Both qualitative and quantitative data analysis techniques were used to analyze data so as to minimize the weaknesses of one another. Data analysis is the process of systematically applying statistical and/or logical techniques to describe, illustrate, condense, recap, and evaluate data (Tobias, 2008). All the responses were coded well and grouped under specific objectives they had addressed. Data was analyzed using SPSS version 20 programme before carrying out an analysis. Researcher summarized independent and dependent variables collected data using descriptive statistics that was further tabulated by mean and standard deviation and interpretation was further assigned to identify the levels at which items vary from each other based on respondents’ opinions. One of the most important uses of data analysis is that it helps
in keeping human bias away from research conclusion with the help of proper statistical treatment (Brink, 2006).

Mean that was obtained using SPSS was interpreted as below;

Table 3.1: Mean interpretation guide

<table>
<thead>
<tr>
<th>Mean ranges</th>
<th>Response mode</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.21-5.00</td>
<td>Strongly agree</td>
<td>Very high</td>
</tr>
<tr>
<td>3.41-4.20</td>
<td>Agree</td>
<td>High</td>
</tr>
<tr>
<td>2.61-3.40</td>
<td>Not sure</td>
<td>Moderate</td>
</tr>
<tr>
<td>1.81-2.60</td>
<td>Disagree</td>
<td>Low</td>
</tr>
<tr>
<td>1.00-1.80</td>
<td>Strongly disagree</td>
<td>Very low</td>
</tr>
</tbody>
</table>

3.9 Ethical considerations

Ethical considerations in the conduct of this research were followed so as to prevent ethical dilemmas. In order to ensure it, the researcher secured an introductory letter from College of Economics and Management of Kampala International University that introduced her to the concerned respondents for permission to collect data for this study. The researcher acknowledged the authors quoted in this study through citations and referencing and the researcher presented the findings in a generalized manner. Informed consent was obtained from each respondent who participated and were free to drop out from the study at any stage without fear of retribution. To ensure confidentiality, anonymity, honesty, openness, and fair treatment, the list of their names for sampling purposes were kept safe. Casley (1998) defines ethics as the systematic thinking about the moral consequences of decisions. He states that the importance of ethics in research is that it promotes the aim of it, such as knowledge, truth, and avoidance of error for example prohibitions against fabricating, falsifying, or misrepresenting research data which promotes the truth and avoid error.
CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

The researcher presented, interpreted and analyzed the findings under this chapter. The researcher followed the objectives of the study to help in making a thorough analysis. The researcher used tables to present and analyze the findings.

4.1 Demographic factors of respondents

The demographic information of the respondents considered youths to be significant in terms of evaluating the impact of microfinance on poverty eradication and economic development among youths in Kabalagala. The bio data consisted of age (years), highest level of education, number of members in family and occupation for respondents.
### 4.1.1 Demographic information of the respondents

**Table 4.1: Demographic information of the respondents**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Measuring Group</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age (Years)</td>
<td>Below 25</td>
<td>09</td>
<td>09</td>
</tr>
<tr>
<td></td>
<td>25-35</td>
<td>59</td>
<td>59</td>
</tr>
<tr>
<td></td>
<td>35 and above</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td>Highest level of education</td>
<td>No education</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>PLE</td>
<td>09</td>
<td>09</td>
</tr>
<tr>
<td></td>
<td>UCE</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td></td>
<td>UACE</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Tertiary/University</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td>Number of members in family</td>
<td>2</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>2-5</td>
<td>39</td>
<td>39</td>
</tr>
<tr>
<td></td>
<td>5 and above</td>
<td>56</td>
<td>56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td>Occupation</td>
<td>Farmer</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Employed</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>Self employed</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Unemployed</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary Data, 2019
In terms of age, 59% of the respondents were in the age group of 25 to 35 years. 32% were above 35 years of age and remaining 9% were below 25 years of age. Which clearly suggest that the working population strongly rely upon microfinance for their financial needs.

The study also classified the respondents in terms of their educational attainment. Education would have a strong influence on the way in which they manage and live their daily lives and manage the household and business. From this survey, it was realized that most of the respondents had no formal education, i.e., 41% of the respondents were illiterate. Lack of education is one among the prime factors which stand as a hurdle in poverty eradication. However, 9% of the respondents had Primary Leaving Certificates (PLE), 23% of the respondents had Uganda Certificates of Education (UCE), 20% of the respondents had Uganda Advanced Certificate of Education (UACE) and 7% of the respondents had Tertiary/University certificates and this has been a cause of concern in eradicating poverty.

Analysis shows that only 5% of respondents had two or less members in their family, which indicates that respondents were either unmarried, or had no children. 39% had 2 to 5 members and remaining 56% had more than five members and therefore larger family sizes usually has higher expenses than a smaller family. As far as microfinance is concerned most of the business have are sole proprietorship or a family run business where family members contribute to this small-scale business as additional workers.

In terms of occupation 29% of the respondents were farmers and depend on agricultural for their livelihood, 48% of the respondents were employed, 18% of the respondents were self employed and 5% of the respondents still remain unemployed despite efforts of microfinance services to encourage some sort of self-employment options which will help in alleviating poverty.
4.1.2 Purpose of joining microfinance

Table 4.2: Purpose of joining microfinance

<table>
<thead>
<tr>
<th>Variables</th>
<th>Measuring Group</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose of joining</td>
<td>Savings</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>microfinance</td>
<td>Access to Credit</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td></td>
<td>Skill Development</td>
<td>02</td>
<td>02</td>
</tr>
<tr>
<td></td>
<td>Self-Employment</td>
<td>04</td>
<td>04</td>
</tr>
<tr>
<td></td>
<td>Income Generation</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary Data, 2019

Figure 4.1: Purpose of joining microfinance

Source: Primary Data, 2019
Table 4.2 and figure 4.1 shows that majority of the respondents 35% of them use microfinance as a credit lending mechanism for their financial needs, 29% of the respondents involve themselves in microfinance activities for savings, 30% of the respondents look at some kind of income generation and only 6% of the respondents have joined Microfinance activities for self-employment and skill development. Microfinance initiatives should focus more on skill development and self-employment for achieving poverty eradication.

4.1.3 Source of initial capital

Table 4.3: Source of initial capital

<table>
<thead>
<tr>
<th>Variables</th>
<th>Measuring Group</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source of Initial Capital</td>
<td>Personal Savings</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Relatives &amp; Friends</td>
<td>00</td>
<td>00</td>
</tr>
<tr>
<td></td>
<td>Loans from microfinance</td>
<td>61</td>
<td>61</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>07</td>
<td>07</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary Data, 2019
Table 4.3 and figure 4.2, shows the source of initial capital of the respondents. 61% of total respondents have taken loan from Microfinance. Rests of them depend on either personal savings or other financial sources to start their business. From the analysis it is evident that loans from Microfinance is the major source of initial capital and is playing a significant role in helping poor people to start their own business and in turn eradicate poverty form their lives.
4.1.4 Have you taken Loan from microfinance

Table 4.4: Have you taken Loan from microfinance

<table>
<thead>
<tr>
<th>Variables</th>
<th>Measuring Group</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taken loan from</td>
<td>Yes</td>
<td>94</td>
<td>94</td>
</tr>
<tr>
<td>Microfinance</td>
<td>No</td>
<td>06</td>
<td>06</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary Data, 2019

Figure 4.3: Loan taken from microfinance

Source: Primary Data, 2019
The data in the Table 4.4 and figure: 4.3 indicate the majority of the respondents i.e., 94% have taken loans from microfinance for their financial needs and only 6% of respondents have not availed any loans from the microfinance for their financial needs.

### 4.1.5 Amount of loan taken from microfinance

#### Table 4.5: Amount of loan taken from microfinance

<table>
<thead>
<tr>
<th>Variables</th>
<th>Measuring Group</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of loan taken from Microfinance(Ushs)</td>
<td>Less than 500,000</td>
<td>02</td>
<td>2.1</td>
</tr>
<tr>
<td></td>
<td>500,001–1,000,000</td>
<td>34</td>
<td>36.2</td>
</tr>
<tr>
<td></td>
<td>Greater than 1,000,000</td>
<td>58</td>
<td>61.7</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>94</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source:** Primary Data, 2019

#### Figure: 4.4: Amount of loan taken from microfinance

**Percentage (%)**

- Amount of loan taken from Microfinance(Ushs) Less than 500,000
- Amount of loan taken from Microfinance(Ushs) 500,001–1,000,000
- Amount of loan taken from Microfinance(Ushs) Greater than 1,000,000

**Source:** Primary Data, 2019
Amount of loan granted by the Microfinance are seen in Table 4.5 and figure 4.4, where it was analyzed that the loan granted by the Microfinance to households on three different scales. Majority of the loans granted i.e., 61.7% are Greater than 1,000,000 shillings which shows that majority of the households use microfinance for their medium term financial needs. About 36.2% of the respondents have availed a loan amounting between 500,001–1,000,000 shillings and only 2.1% of the respondents use these loans for their micro financial needs. It is evident from the above that the loans granted by the Microfinance are sufficient to start up a small scale business.

4.2 Descriptive statistics on research variables

The independent variable in this study was microfinance which was constructed into membership (education and training, ownership), saving services and loan/credit services and dependent variable was poverty eradication& economic development among youths in Kabalagala.

4.2.1 Descriptive statistics on services offered by Microfinance among youths in Kabalagala

Table 4.6: Descriptive statistics on services offered by Microfinance among youths in Kabalagala

<table>
<thead>
<tr>
<th>Membership services</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is not complicated to become a member of the microfinance</td>
<td>100</td>
<td>3.64</td>
<td>1.418</td>
<td>High</td>
</tr>
<tr>
<td>Share value is affordable</td>
<td>100</td>
<td>4.09</td>
<td>1.036</td>
<td>High</td>
</tr>
<tr>
<td>Requirements to open account are easy to fulfill</td>
<td>100</td>
<td>3.84</td>
<td>1.135</td>
<td>High</td>
</tr>
<tr>
<td>Many youths are aware of the services</td>
<td>100</td>
<td>3.86</td>
<td>1.223</td>
<td>High</td>
</tr>
<tr>
<td>Microfinance's management does mobilization and financial education across the town council</td>
<td>100</td>
<td>3.95</td>
<td>1.226</td>
<td>High</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>------</td>
</tr>
<tr>
<td><strong>Average Mean</strong></td>
<td>100</td>
<td>3.88</td>
<td>1.208</td>
<td>High</td>
</tr>
<tr>
<td>Saving services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saving policies for microfinance are well set</td>
<td>100</td>
<td>3.85</td>
<td>1.175</td>
<td>High</td>
</tr>
<tr>
<td>Members get their savings on demand</td>
<td>100</td>
<td>3.93</td>
<td>1.191</td>
<td>High</td>
</tr>
<tr>
<td>Minimum liquidity are maintained to serve members</td>
<td>100</td>
<td>4.03</td>
<td>1.167</td>
<td>High</td>
</tr>
<tr>
<td>Security of members' deposits is ensured</td>
<td>100</td>
<td>3.87</td>
<td>1.169</td>
<td>High</td>
</tr>
<tr>
<td>Members get fair interest on their term deposits</td>
<td>100</td>
<td>3.90</td>
<td>1.096</td>
<td>High</td>
</tr>
<tr>
<td><strong>Average Mean</strong></td>
<td>100</td>
<td>3.92</td>
<td>1.160</td>
<td>High</td>
</tr>
<tr>
<td>Loan services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Microfinance offers loans to members at affordable interest rates</td>
<td>100</td>
<td>4.05</td>
<td>1.266</td>
<td>High</td>
</tr>
<tr>
<td>Loan repayment period is long enough</td>
<td>100</td>
<td>3.67</td>
<td>1.303</td>
<td>High</td>
</tr>
<tr>
<td>Collateral required is affordable</td>
<td>100</td>
<td>3.94</td>
<td>1.238</td>
<td>High</td>
</tr>
<tr>
<td>Loan is quickly processed</td>
<td>100</td>
<td>3.78</td>
<td>1.151</td>
<td>High</td>
</tr>
<tr>
<td>Loan monitoring is well done by microfinance staff</td>
<td>100</td>
<td>3.67</td>
<td>1.319</td>
<td>High</td>
</tr>
<tr>
<td><strong>Average Mean</strong></td>
<td>100</td>
<td>3.82</td>
<td>1.255</td>
<td>High</td>
</tr>
<tr>
<td><strong>Grand Average Mean</strong></td>
<td>100</td>
<td>3.87</td>
<td>1.21</td>
<td>High</td>
</tr>
</tbody>
</table>

*Source: Primary Data, 2019*
From table 4.6, results indicated that services offered by microfinance among youths in Kabalagala was rated high with average mean (mean = 3.87). On average, microfinance services provided to youths in Kabalagala were membership services, saving services and loan services which were all rated high by average mean of 3.88, 3.92 and 3.82 respectively.

With respect to it is not complicated to become a member of the microfinance. This was rated high with average mean (mean = 3.64). This implies that it is not complicated to become a member of the microfinance.

Results further indicated that share value is affordable. This was rated high with average mean (mean = 4.09) which implied that share value is affordable. In addition, results indicated that requirements to open account are easy to fulfill. This was rated high at average mean (mean = 3.84). This implies that requirements to open account are easy to fulfill.

The results indicated that many youths are aware of the services offered by the microfinance, this was rated high with average mean (mean = 3.86). This highly implied that many youths are aware of the services offered by the microfinance. Results also indicated that microfinance’s management do mobilization and financial education across the town council. This was rated high by average mean (mean = 3.95). This implied that microfinance’s management do mobilization and financial education across the town council.

From table 4.6, results indicated saving policies for microfinance are well set. This was rated high and indicated by average mean (mean = 3.85). This implies that saving policies for microfinance are well set. Results further indicated that members get their savings on demand. This was rated high with average mean (mean = 3.93). This implied that members get their savings on demand.
It was also indicated that minimum liquidity are maintained to serve members. This was rated high at average mean (mean = 4.03). This implied minimum liquidity are maintained to serve members. Results indicated that security of members' deposits is ensured. This was rated high at average mean (mean = 3.87). This implied that security of members' deposits is ensured. With respect to members get fair interest on their term deposits. This was rated high and was indicated by average mean (mean = 3.90). This implies that members get fair interest on their term deposits.

From table 4.6, results indicated that microfinance offers loans to members at affordable interest rates. This was rated high and indicated by average mean (mean = 4.05). This implies that microfinance offers loans to members at affordable interest rates. Results further indicated that loan repayment period is long enough. This was rated high with average mean (mean = 3.67). This implied that loan repayment period is long enough. Further, results indicated that collateral required is affordable. This was rated high at average mean (mean = 3.94). This implied that collateral required is affordable.

Results indicated that loan is quickly processed. This was rated high and was indicated by average mean (mean = 3.78). This implies that loan is quickly processed.

Results indicated that loan monitoring is well done by microfinance staff. This was rated high and was indicated by average mean (mean = 3.67). This implies that loan monitoring is well done by microfinance staff.
4.2.2 Descriptive statistics on level of poverty eradication and economic development in Kabalagala

Table 4.7: Descriptive statistics on level of poverty eradication and economic development in Kabalagala

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Youths in Kabalagala have managed to generate savings for future investment</td>
<td>100</td>
<td>3.78</td>
<td>1.151</td>
<td>High</td>
</tr>
<tr>
<td>Resources pooled by youths in Kabalagala have been put in investment</td>
<td>100</td>
<td>3.94</td>
<td>1.238</td>
<td>High</td>
</tr>
<tr>
<td>Youths in Kabalagala have access to loans and put this into investments</td>
<td>100</td>
<td>3.94</td>
<td>1.238</td>
<td>High</td>
</tr>
<tr>
<td>Youths have acquired more income from the businesses they conduct in Kabalagala</td>
<td>100</td>
<td>4.03</td>
<td>1.167</td>
<td>High</td>
</tr>
<tr>
<td>Due to youths groups in Kabalagala have reduced on literacy and unhealth have been improved in Kabalagala</td>
<td>100</td>
<td>3.95</td>
<td>1.226</td>
<td>High</td>
</tr>
<tr>
<td>Youths in Kabalagala have potential to manage natural resources</td>
<td>100</td>
<td>3.85</td>
<td>1.175</td>
<td>High</td>
</tr>
<tr>
<td><strong>Average Mean</strong></td>
<td><strong>100</strong></td>
<td><strong>3.92</strong></td>
<td><strong>1.199</strong></td>
<td><strong>High</strong></td>
</tr>
</tbody>
</table>

**Source: Primary Data, 2019**

From table 4.7, results indicated that level of poverty eradication and economic development in Kabalagala was rated high with average mean (mean = 3.92). Results indicated that Youths in Kabalagala have managed to generate savings for future investment.
investment. This was rated high and indicated by average mean (mean = 3.78). This implies that Youths in Kabalagalahave managed to generate savings for future investment. Results further indicated that resources pooled by youths in Kabalagalahave been put in investment. This was rated high with average mean (mean = 3.94). This implied that resources pooled by youths in Kabalagalahave been put in investment. Further, results indicated that Youths in Kabalagalahave access to loans and put this into investments. This was rated high at average mean (mean = 3.94). This implied that Youths in Kabalagalahave access to loans and put this into investments.

Results indicated that Youths have acquired more income from the businesses they conduct in Kabalagala. This was rated high and indicated by average mean (mean = 4.03). This implies that Youths have acquired more income from the businesses they conduct in Kabalagala. Results further indicated that due to youths groups in Kabalagalahave reduced on literacy and un health have been improved in Kabalagala. This was rated high with average mean (mean = 3.95). This implied that due to youths groups in Kabalagalahave reduced on literacy and un health have been improved in Kabalagala. Further, results indicated that Youths in Kabalagalahave potential to manage natural resources. This was rated high at average mean (mean = 3.85). This implied that Youths in Kabalagalahave potential to manage natural resources.
4.2.3 Impact of microfinance on poverty eradication and economic development among youths in Kabalagala

Table 4.8: Impact of microfinance on poverty eradication and economic development among youths in Kabalagala

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Microfinance</th>
<th>Poverty Eradication&amp; Economic Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microfinance</td>
<td>Pearson</td>
<td>.858**</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>100</td>
</tr>
<tr>
<td>Poverty Eradication&amp; Economic Development</td>
<td>Pearson</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Correlation</td>
<td>.858**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>100</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

From table 4.8, a survey from the questionnaire of 100 respondents, from Kabalagala was analysed about evaluating the impact of microfinance on poverty eradication and economic development among youths in Kabalagala. The Pearson’s $r$ data analysis of correlation revealed a $+0.858$ and this is greater than $0.7$ which shows a strong relationship. Furthermore, the p-value is $0.000$, this is less than statistical value of significance of $0.05$, and thus there is a positive statistical significance impact between microfinance and poverty eradication and economic development among youths in Kabalagala.
CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discussed and gave conclusion to the major findings of the study in accordance to the research objectives of the study. The researcher further presented recommendations for the study, contribution to the knowledge and areas for future research.

5.2 Discussion of findings

5.2.1 To assess the services offered by microfinance towards poverty eradication and economic development among youths in Kabalagala

The study found out that services offered by microfinance among youths in Kabalagala was rated high with average mean (mean = 3.87) and were membership services, saving services and loan services which were all rated high by average mean of 3.88, 3.92 and 3.82 respectively. Study findings revealed that it is not complicated to become a member of the microfinance (mean = 3.64); share value is affordable (mean = 4.09); requirements to open account are easy to fulfill (mean = 3.84); many youths are aware of the services offered by the microfinance (mean = 3.86); microfinance's management do mobilization and financial education across the town council (mean = 3.95).

Study findings revealed that saving policies for microfinance are well set (mean = 3.85); members get their savings on demand (mean = 3.93); minimum liquidity are maintained to serve members (mean = 4.03); security of members'deposits is ensured (mean = 3.87); members get fair interest on their term deposits (mean = 3.90).

Study findings revealed that microfinance offers loans to members at affordable interest rates (mean = 4.05); loan repayment period is long enough (mean = 3.67); collateral
required is affordable (mean = 3.94); loan is quickly processed (mean = 3.78); and loan monitoring is well done by microfinance staff (mean = 3.67).

5.2.2 To examine the level of poverty eradication and economic development in Kabalagala

The study found out that level of poverty eradication and economic development in Kabalagala was high with average mean of 3.92. Study findings revealed that Youths in Kabalagala have managed to generate savings for future investment (mean = 3.78); resources pooled by youths in Kabalagala have been put in investment (mean = 3.94); Youths in Kabalagala have access to loans and put this into investments (mean = 3.94).

The study found out that Youths have acquired more income from the businesses they conduct in Kabalagala (mean = 4.03); due to youths groups in Kabalagala have reduced on literacy and un health have been improved in Kabalagala (mean = 3.95); and Youths in Kabalagala have potential to manage natural resources (mean = 3.85).

5.2.3 To establish the impact of microfinance on poverty eradication and economic development among youths in Kabalagala

The study found out that a survey from the questionnaire of 100 youths respondents from Kabalagala analysed about evaluating the impact of microfinance on poverty eradication and economic development among youths in Kabalagala, the Pearson's $r$ data analysis of correlation revealed a $+0.858$ and this was greater than 0.7 which shows a strong relationship. Furthermore, the p-value was 0.000, this was less than statistical value of significance of 0.05, and thus, the findings revealed that there is a positive statistical significance impact between microfinance and poverty eradication and economic development among youths in Kabalagala.
5.3 Conclusions of the study

Based on the study findings, the researcher has been able to achieve the pre-set objectives and concluded that microfinance have positively contributed to the poverty eradication and economic development among youths in Kabalagala. The findings of this study also helped the researcher to confirm the three study objectives. The study has showed that microfinance services or activities mainly membership, credit and saving products have a positive contribution to poverty eradication and economic development among youths in Kabalagala by helping them to increase their monthly income, assets ownership, investment portfolio, access to education and medical care, take children to schools, and improve their housing/shelter. Thus, microfinance members and the government should involve more effort in this program so as to benefit from its advantages.

5.4 Recommendations

Based on the findings the researcher has formulated recommendations to three major categories namely: the management of microfinance, to the government of Uganda and to the members of microfinance

To the management of microfinance

Higher education has been found to increase the income and improve the living standard of the members of microfinance: Members should therefore, be encouraged by microfinance to improve on their current level of education by engaging in adult education or life-long learning as this will have the potency to increase their level of income;

Microfinance should seek enough resources which will enable them to grant larger volume of loan and to greater number of people who will improve their outreach level; they should also look on how to extend the loan repayment period. Microfinance should ensure and strive to put in place procedures, policies and products that will enhance the
participation of both men and women in their various programs in order to achieve
gender responsiveness and equity; and microfinance should design appropriate
products that are flexible enough to meet the different needs of the poor for both
production and consumption purposes. As the sector is a large entity, Microfinance
should look how to implement branches across the sector in order to approach
members located very far from their main offices.

To the government of Uganda

The study has found that microfinance has positively impacted poverty eradication and
economic development among youths in Kabalagala. The government should subsidize
loans for poor people to make the loans more affordable for clients, keep assisting
microfinance in saving mobilization to increase loanable fund, assist microfinance in
training members on loan utilization, saving culture and business management.

To microfinance members

The members are recommended to keep increasing their savings in order to enable
microfinance getting enough funds to grant huge amount of loan and to a big number
of members, they are also recommended to be ambassadors in their respective village,
to tell to their neighbour the goodness of microfinance how it is helpful to them and it
will assist in the poverty eradication and economic development among youths.
Members are recommended to request for loans and utilize the loan efficiently in order
to develop their household, their sector and the country in general and to repay the
loan on time in order to contribute to the poverty eradication and economic
development.

5.5 Areas for future research

Further research should be done on a bigger scale with larger sample size and could
throw light on how microfinance activities affect poverty eradication and economic
development among youths in Kabalagala. Further studies can also focus on considering
the reasons of motivation to join the microfinance program and can also analyse the difficulties faced by the participants to repay the loan borrowed.
REFERENCES


Taiwo, J. (June, 2012). The Impact Of Microfinance On Welfare And Poverty Eradication In Southwest Nigeria.
20th/09/2019

To whom it may concern

Dear Sir/Madam,

RE: INTRODUCTORY LETTER FOR MULINDA AZEDI 1163-05014-07200

This is to introduce to you the above named student, who is a bonafide student of Kampala International University pursuing a Bachelor’s Degree in Business Administration Accounting and Finance, Third year Second semester.

The purpose of this letter is to request you avail him with all the necessary assistance regarding his research.

TOPIC: - THE IMPACT OF MICROFINANCE ON POVERTY ERADICATION AND ECONOMIC DEVELOPMENT AMONG YOUTH IN UGANDA

CASE STUDY: - SUMMIT CAPITAL MICROFINANCE, KABALAGALA BRANCH

Any information shared with his from your organization shall be treated with utmost confidentiality.

We shall be grateful for your positive response.

Yours truly,

DR. JOSEPH B.K. KIRABO
HOD - ACCOUNTING AND FINANCE
0772323344
To whom it may concern

Dear Sir/Madam,

RE: INTRODUCTORY LETTER FOR MULINDA AZEDI 1163-05014-07200

This is to introduce to you the above named student, who is a bonafide student of Kampala International University pursuing a Bachelor’s Degree in Business Administration Accounting and Finance, Third year Second semester.

The purpose of this letter is to request you avail him with all the necessary assistance regarding his research.

TOPIC: - THE IMPACT OF MICROFINANCE ON POVERTY ERADICATION AND ECONOMIC DEVELOPMENT AMONG YOUTH IN UGANDA

CASE STUDY: - SUMMIT CAPITAL MICROFINANCE, KABALAGALA BRANCH

Any information shared with his from your organization shall be treated with utmost confidentiality.

We shall be grateful for your positive response.

Yours truly;

DR. JOSEPH B.K. KIRABO
HOD - ACCOUNTING AND FINANCE
0772323344
30th September 2019

Dr. Joseph B.K Kirabo,
Head of Department - Accounting and Finance
College of Economics and Management,
Kampala International University
Ggaba Road, Kansanga,
P.O.Box 20000, Kampala, Uganda

Dear Sir,

RE: RESEARCH ASSISTANCE FOR THIRD YEAR BACHELOR OF BUSINESS ADMINISTRATION STUDENT- MR. MULINDA AZEDI.

We received the Letter of Introduction from your office for the above mentioned third year- Business Administration student, (please find copy attached) requesting assistance with his research - THE IMPACT OF MICROFINANCE ON POVERTY ERADICATION AND ECONOMIC DEVELOPMENT AMONG YOUTH IN UGANDA- as such, we availed him with as much assistance and information as we could to enable him successfully conduct this research.

Summit Capital offers a wide range of financial services that are customized to suit the Ugandan market.

We hope that this will facilitate this studies and also contribute to the improvement of the microfinance sector in Uganda.

Regards,

[Signature]
Muhumuzza Arthur
Managing Director,
Summit Capital.
An Estimated Research Report Budget

<table>
<thead>
<tr>
<th>ITEM</th>
<th>QUALITY/ QUANTITY</th>
<th>UNIT COST</th>
<th>TOTAL COST</th>
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<td>Report writing</td>
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<td>Stationary</td>
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<td>Typing</td>
<td>67 pages</td>
<td>500/=</td>
<td>3,350/=</td>
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<td>Printing</td>
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<td>40,200/=</td>
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<td>Pens</td>
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<td>Transport</td>
<td>20 trips</td>
<td>1,000/=</td>
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<td><strong>Total</strong></td>
<td></td>
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<td><strong>106,500/=</strong></td>
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APPENDICES

APPENDIX I: QUESTIONNAIRE

Dear Respondent,

I am Mulinda Azedi, a researcher pursuing a Bachelor’s Degree in Business Administration at Kampala International University. I will be conducting several meetings with youth like you in Kabalagalato to find out your views and ideas about the impact of microfinance (Pride microfinance) on poverty eradication and economic development. Whatever you say will be treated confidential, so feel at ease to express your candid opinion. Be assured that your responses will not in any way be linked to your identity. My research assistants may be administering this questionnaire to you in which case confidentiality is still guaranteed. Thank you for your understanding.

Section A: Demographic Factors

1. Age (Years)
   - Below 25 □
   - 25-35 □
   - 35 and above □

2. Highest level of education: Please tick (√)
   - No education □
   - PLE □
   - UCE □
   - UACE □
   - Tertiary/University □

3. Number of members in family
   - 2 □
   - 2-5 □
   - 5 and above □

4. Occupation
   - Employed □
   - Farmer □
   - self employed □
   - Unemployed □

5. Purpose of joining microfinance
   - Savings □
   - Access to Credit □
   - Skill Development □
   - Self-Employment □
   - Income Generation □

6. Source of initial capital
   - Personal Savings □
   - Relatives & Friends □
Loans from microfinance □ Other □

7. Have you taken loan from microfinance?
   Yes □ No □

8. Amount of loan taken from microfinance (Ushs)
   Less than 500,000 □ 500,001 – 1,000,000 □
   Greater than 1,000,000 □

Please indicate the extent to which you disagree or agree with each of the following statements below with regards to Microfinance and Poverty eradication and Economic Development using a scale ranging from 1 = Strongly Disagree (SD), 2 = Disagree (D), 3 = Not Sure (NS), 4 = Agree (A), and 5 = Strongly Agree (SA). Please indicate your preference by marking with a tick (✓) in the appropriate block provided.

Section B: Microfinance (pride microfinance) in kabalagala

<table>
<thead>
<tr>
<th>SN</th>
<th>Microfinance</th>
<th>SD</th>
<th>D</th>
<th>NS</th>
<th>A</th>
<th>SA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Membership</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>1</td>
<td>It is not complicated to become a member of the microfinance</td>
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<tr>
<td>2</td>
<td>Share value is affordable</td>
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<tr>
<td>3</td>
<td>Requirements to open account are easy to fulfill</td>
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<td>4</td>
<td>Many youth are aware of the services offered by the microfinance</td>
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<tr>
<td>5</td>
<td>Microfinance’s management do mobilization and financial education across kabalagala</td>
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</tbody>
</table>

Savings services
1. Saving policies for microfinance are well set
2. Members get their savings on demand
3. Minimum liquidity are maintained to serve members
4. Security of members’ deposits is ensured
5. Members get fair interest on their term deposits

**Loan services**

1. Microfinance offers loans to members at affordable interest rates
2. Loan repayment period is long enough
3. Collateral required is affordable
4. Loan is quickly processed
5. Loan monitoring is well done by microfinance staff
Section C: Poverty Eradication and Economic Development in Kabalagala

<table>
<thead>
<tr>
<th>No</th>
<th>Poverty Eradication &amp; Economic Development</th>
<th>SA</th>
<th>A</th>
<th>NS</th>
<th>D</th>
<th>SD</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>youth in kabalagala have managed to generate savings for future investment</td>
<td></td>
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<tr>
<td>2</td>
<td>Resources pooled by youth in Kabalagala have been put in investment</td>
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</tr>
<tr>
<td>3</td>
<td>Youth in kabalagala have access to loans and put this into investments</td>
<td></td>
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<tr>
<td>4</td>
<td>Youth have acquired more income from the businesses they conduct in kabalagala</td>
<td></td>
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<tr>
<td>5</td>
<td>Due to youth groups in Kabalagala have reduced on literacy and un health have been improved in Kabalagala</td>
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<td>6</td>
<td>Youth in kabalagala have potential to manage natural resources</td>
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</tbody>
</table>

Thank you for your participation