MICROFINANCE CREDIT, CAPACITY BUILDING ON POVERTY ALLEVIATION AMONG WOMEN IN MBARARA MUNICIPALITY, UGANDA

A Thesis

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Master of Business Administration – Finance and Banking

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DECLARATION A

This thesis is my original work and has not been presented for a degree or any other academic award in any university or institution of leaning.

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Name and Signature of Candidate

22/10/2012

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DECLARATION B

I confirm that this thesis was written and produced by the candidate under my supervision.

Name and Signature of Supervisor

22/10/2011

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APPROVAL SHEET

This thesis entitled" **Micro Finance Credit and Capacity Building on Poverty Alleviation among Women in Mbarara Municipality- Uganda."** prepared and submitted by **Nakidde Amiisah MBA/33378/111/DU** in partial fulfillment of the requirements for the degree of Master of Business Administration – Finance and Banking has been examined and approved by the panel on oral examination with a grade of PASSED.

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ABSTRACT

The aim of this study was to assess the level of microfinance credit and capacity building on poverty alleviation among women in Mbarara-Uganda. In this study, the main objective of the study was to analyze the impact of microfinance and capacity building on poverty alleviation among women. In this study, microfinance credit and capacity building for poverty alleviation are the independent variable while poverty alleviation and is the dependent variable. This research was grounded in the social capital theory agrees with the findings of the study. The study employed descriptive and correlation research design where quantitative data collection approach was used in order to achieve a high degree of reliability and validity of results. A total of 310 respondents involved in microfinance institutions were used in the study. Probability sampling techniques were used to elicit responses to the research questionnaire method as well. The findings reveal that youths aged between 20 -39 years accounted for the highest percentage 41.3%. The results on forms and sources of microfinance credit revealed that the respondents are not very satisfied with the three forms of microfinance credit. The findings on effect of capacity building reveal that the respondents were satisfied with issues of training and women empowerment. The results also reveal that capacity building aspects of training and women empowerment are significantly correlated ($r = 0.063$; $p = 0.000$) with poverty alleviation leading to the rejection of the null hypothesis. This study strongly recommends that there is need to come up with innovative microfinance institutions that are supportive of their own role in assets accumulation and wealth creation for their clients. There may be a need to re-examine the real issues contributing to household poverty and reevaluate how microfinance could be integrated with other poverty reduction policies to form a sustainable synergy. The study was organized into five chapters which have been presented as follows; the introduction to the study in chapter one, literature review in chapter two and the research methodology in chapter three. In chapter four is data presentation, analysis and interpretation of findings. Finally in chapter five is the summary of findings, conclusions and recommendations to enable effective utilization of the findings of this study.

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ABBREVIATIONS AND ACRONYMS

AMFIU	:	Association of micro finance institutions of Uganda
		Development
		Development Project
GB	:	Grameen Bank
GDP	:	Gross Domestic Product
IMF	:	International Monetary Fund
MFIs	:	Micro Finance Institutions
MFPED	:	Ministry of Finance Planning and Economic
MPP	:	Micro Projects Program
NGOs	:	Non –Government Organizations
NUSAF	:	Northern Uganda Social Action Plan
PAP	:	Poverty Alleviation Project
PEAP	:	Poverty Eradication Action Plan
PRESTO	:	Private Support Training and Organizational
RMSP	:	Rural Micro Finance Support Project
SAPS	:	Structural Adjustment Programs
SMEs	:	Micro Small and Medium Enterprises
UFT	:	Uganda Finance Trust
UNDP	:	United Nations Development Programs
UWFT	:	Uganda Women's' Finance Trust
WWB	:	Women World Banking

CHAPTER ONE

THE PROBLEM AND ITS SCOPE

Background to the Study

Poverty remains a matter of growing concern in many developing countries of the world. Today as other continents continue to register sustainable economic growth and development, Africa is not only lagging behind but also trapped in a vicious circle of borrowing and donor dependency syndrome which some critics point out as one of the causes practically sabotaging real development.

Although Africa is not the poorest continent, it is the only region where poverty is constantly on the increase. As a result, millions of people each day live in abject poverty. Children go without food, their bodies stunted by malnutrition which is wide spread. The commission for Africa finds the conditions of the lives of the majority of Africans to be deplorable and an insult to their dignity. Therefore there is need to change these conditions in order to make poverty history in Africa. Lufumpa (1999) points out that in the mid 1990s close to 50% of Africa's population of 700million live in absolute poverty and the majority of the poor live in rural areas.

One of the biggest problems of Uganda like many African countries is poverty. The country ranks 158 out of 174 poorest countries in the world. Using international poverty measures, 82.2% of the population lives below Us $1 a day, 96.4% live below Us $ 2 a day. The proportion of the population living below the poverty line declined from 56% in 1992 to 44% in 1997 and further to 35% in 2000. A small component of this

reduction was due to redistribution hence the observed widening inequalities between rural and urban areas and inter regionally, with the North lagging behind the rest of the country, followed by the eastern region. Findings also show that a third of the chronically poor (30.1%) and disproportionate number of households moving into poverty are from Northern Uganda. More than 91% of the households that are chronically poor and those moving into poverty live in rural areas.

Poverty is not only wide spread in rural areas but poverty is rural and yet this core problem has not been given the necessary attention it deserves. The majority of the people who live in rural areas are women and children and many are dependent on agriculture. However, a closer look at the situation of poverty in Uganda reveals a much less encouraging picture. Recent surveys conclude that between 1992 and 2001 Uganda had made little head way in the fight against poverty. All analysts agree that at least 50% of the population live below the poverty line. It is said "poverty anywhere is threat to everyone". Society holds women responsible for all the key actions required to end hunger, family nutrition, health, education increasing family incomes yet women are still enslaved by customs and tradition which systematically deny those resources and freedom of action to carry out their responsibilities.

Poverty reduction has been for several years the overreaching goal of Uganda a member of the Bank Group actively involved in promoting micro finance as an important tool for poverty alleviation. Interest in micro finance has soared in the recent decade and the instrument is now seen as the most promising tool to tackle poverty in developing world. Uganda

is generally seen as the most vibrant and successful micro finance industry in Africa. The fascination with micro finance derives from the fact that the provision of financial services can contribute to poverty alleviation and pass the test of sustainability at the same time.

The problem of women's access to credit was given particular emphasis at the first international women's conference in Mexico in 1975 as part of the emerging awareness of the importance of women's productive role both for national economies and for women's right. This led to the setting up of the women's world banking network and production of manuals for credit provision. Other women's organizations worldwide set up credit and saving components both as a way of increasing women's incomes and bringing women together to address wide gender issues. From the mid 1980s there was a mushrooming of donor, government and Non Governmental organization sponsored credit programs in the wake of the 1980.

The 1980s and 1990s also saw development and rapid expansion of large minimalists' poverty targeted microfinance institutions and networks like FINCA, among others. In these organizations and others evidence of higher female repayment rates led to increasing emphasis on targeting women as an efficiency strategy to increase credit recovery. A number of donors also saw female targeted financially sustainable microfinance as a means of marrying internal demands of the increasingly vocal gender lobbies.

The main features of micro credit schemes are:

- To stop exploitation of the poor caused by expensive informal credit.
- To provide small loans to the poor at relatively lower cost as compared to accessible informal loans.
- To empower women with in households as decision makers and in society through active economic participation.
- To reduce poverty, accelerate growth and improve the living standards on sustainable basis.
- To create maximum employment opportunities.

The ultimate goal is to reduce poverty; hence it is vital to understand:

- What changes does microfinance lead to?
- Do they move poor people out of poverty?
- How are the various products contributing to poverty reduction?
- What are the impacts of microfinance on:

i. Income
ii. Employment
iii. Asset creation
iv. Housing
v. Health
vi. Empowerment of women
vii. Education
viii. Reducing vulnerability

Statement of the Problem

Lack of access to income opportunities or skill based training opportunities keep many people in Mbarara shackled in poverty. Unemployment is high forcing many people to seek work in other municipalitys like Kampala and outside countries. Among the poor, women are considered the most disadvantaged due to their limited access to economic opportunities and basic social services and the excessive burden of house hold chores on them.

Uganda is a country with wide spread poverty concentrated mostly in the rural areas where over 80% of the population lives and derives their livelihood from agriculture which contributes 31.7% of the country's GDP [Uganda 2008]. Poverty though wide spread has regional differences, higher in the North and to a lesser extent in the East and central regions [MFPED 2007:5]. Progress has been achieved in reducing poverty from 56% in 1992/93 to 31% in 2005/06 [Uganda 2008:1]. This achievement shows that the government economic reforms and policies have generated substantial welfare increasing opportunity that enables a significant fraction of the population to move out of poverty [Okidi and Mckay 2003:3].

In the quest to promote women empowerment and poverty alleviation, donors are now investing in micro finance programs. Therefore the issue of micro finance to enable the poor women pull out of their poverty situation is critical. This generally is in regards to improvement in capacity building because without capacity building then credit alone cannot deal with poverty alleviation alone. Capacity building involves

aspects of training, accessibility to credit, health, education, and participation of women in poverty alleviation.

According to Navajas et al (2000), the professed goal of microcredit is to improve the welfare of the poor as a result of better access to small credit or loans. Diagne and Zeller (2001), argues that lack of adequate access to credit for the poor people may have negative consequences for various household level outcomes including technology adoption, agricultural productivity, food security, nutrition, health and overall welfare. The motivation of this study was to find out the impact or achievements of micro finance credit and capacity building as an instrument for poverty alleviation.

Purpose of the Study

The following are the reasons why the study was proposed;

1. To test the hypothesis of no significant relationship between microfinance credit, capacity building and poverty alleviation among women in Mbarara municipality Uganda.
2. To validate existing information related to the theory of social capital by Robert Putnam to which this study was based.
3. To generate new information based on the findings of the study.
4. To establish the gaps noted in the previous studies.

Research Objectives

General objective:

To establish the relationship between microfinance credit, capacity building and poverty alleviation among women in Mbarara municipality Uganda.

Specific: To be sought further in this study were as follows:

1. To identify the demographic characteristics of the respondents in terms of:

    1.1 Age

    1.2 micro finance institutions

    1.3 Marital status

    1.4 Qualifications under the education discipline

    1.5 Number of years in microfinance institutions

2. To determine the level of micro finance credit among women in Mbarara in terms of group lending, individual lending and loans in kind.

3. To determine the level of capacity building among women in terms of women empowerment and training.

4. To determine the extent of poverty alleviation among women in Mbarara municipality

5. To establish whether there is a significant relationship between micro finance credit, capacity building and poverty alleviation among women in Mbarara.

Research Questions

This study sought to answer the following research questions:

1. What are the demographic characteristics of the respondents as to:

   1.1 Age?

   1.2 Microfinance institution?

   1.3 Marital status?

   1.4 Qualifications under the education discipline?

   1.5 Number of years in microfinance?

2. What is the level of micro finance credit among women in terms of group lending, individual lending and loans in kind?

3. What is the level of capacity building among women in Mbarara municipality in terms of training and women empowerment?

4. What is the extent of poverty alleviation among women in terms of training, accessibility to credit, education and health?

5. Is there a significant relationship between micro finance credit, capacity building and poverty alleviation?

Null Hypothesis

1. There is no significant relationship between micro finance credit and capacity building on poverty alleviation among women in Mbarara.

Scope

Geographical Scope

The study was conducted in selected microfinance institutions in Mbarara municipality within four microfinance institutions like UFT, BRAC, PRIDE and FINCA will be considered in the study.

Content Scope

The study would focus on the influence of micro finance credit on capacity building in terms of training, accessibility to credit, to reduce on poverty in Mbarara municipality. Microfinance credit was looked at in terms of group, individual lending and loans in kind while capacity building is in terms of women empowerment, training, and accessibility to credit.

Theoretical Scope

The study was based on the Social Capital Theory by Robert Putnam (1998) which is mainly used by the poor without collateral in micro finance group lending. This theory is interrelated with the livelihood and participatory models. My study requires models that create change, promote women participation in decision making, owning the process and make markets work for the poor and build their assets. Social capital is

also seen as simultaneously contributing to financial sustainability, poverty and women's empowerment.

Time scope

The study was carried out from March 2012 to May 2012 and finally being concluded in September 2012.

Significance of the Study

The following disciplines will benefit from the findings of the study.

The government of Uganda in terms of policy choices and program implementation.

The non government organizations will benefit from this study on how to fund more institutions to help curb poverty.

The future researchers will utilize the findings of this study to embark on a related study.

The micro finance institutions will benefit through finding out the extent of their policies to goals and objectives achievement as per poverty alleviation.

To the researcher, the study is useful as a partial fulfillment of the requirements for the award of the degree of Master of Business Administration (finance and Banking) of Kampala International University.

Operational Definitions of Key Terms

For the purpose of this study, the following terms are defined as they are used in the study:

Poverty:

Refers to a situation where the people cannot afford a basket of goods and services. Also it is having not enough to feed and clothe a family, a school, clinic to go to.

Microfinance:

Refers to loans, savings, insurance, transfer services, and other products targeted at low income clients.

Micro credit:

Refers to a small amount of money loaned or given to clients by a bank or other financial institutions often without collateral to an individual or through group lending.

Capacity building:

Defined as the services provided to the women by micro finance institutions through training for example saving, tolerance, and trust among others.

Joint liability lending:

Refers to as the form of borrowing from micro finance institutions through group formation.

Women empowerment:

Refers to women taking control and ownership of their lives in form of gender awareness.

Poverty alleviation:

Refers to the situation where by people can now afford the some food, cloth to wear and health services.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Concepts, Opinions, Ideas from Authors/ Experts

Micro Finance Credit

The majority of the poor in Uganda especially women lack access to the basic financial services which are essential for them to manage their lives. The poor are excluded from the opportunities of financial services than the informal alternatives that are considered unsuitable. Micro finance is therefore considered as a vital tool break the viscous cycle of poverty which is characterized by low incomes, low savings and low investment. According to Hulme et al (1996:1) most institutions regard low income households as "too poor to save". In order to generate higher incomes, savings and more investment there is need to inject capital in the form of micro finance. However, capital is only one ingredient in the mix of factors necessary for a successful enterprise. Most importantly it requires entrepreneurial skills and efficient markets to reduce poverty.

According to Ismawan (2004:4) the real idea of micro finance is to help the weakest member of civil society who in this case is the poor. However Roth (1997:6) has another view. He argues that micro finance programs often treat the symptoms and not the causes of poverty. Poverty is frequently the result of powerlessness. The proponents of micro finance programs as a panacea of poverty ignore the complex matrix of power relations that circumscribe the capacities of the poor to run micro enterprises.

Therefore to address these issues, amidst other strategies, the use of micro credit has gained currency lately. The World Bank [2000] claims that poverty alleviation strategy that used the micro credit method have to a large extent brought improvement in the lives of the poor. However, with the improved situation, poor people still continue to experience vulnerability to hazard, risk and stress. Micro finance can be seen as extremely small loans given to the people borrowers. It is for self employment projects that help them gain incomes that would support them and their family members.

While definitions differ from country to country, some of the basic defining criteria include:

Size: the loans are often very small.

Beneficiaries: poor people mostly involved in informal economic activities especially women who dominate this kind of activities.

Loan utilization: mainly for income generation and small micro enterprise development.

The terms and conditions of obtaining the loan are mostly suitable, flexible and easy to understand by borrowers [Srinivas 1997].

Microfinance Capacity building

Much of the growth and vibrancy of the microfinance industry in Uganda can be attributed to international organizations providing capacity building to their affiliated national microfinance institutions and the

initiative to national capacity builders like Rural micro finance support program formerly poverty alleviation project [PAP], and micro save Africa.

The national organizations have provided training and the technical assistance to a large number of Ugandan micro finance institutions, increasing their knowledge about best practices and improving their skills to apply these. Rural micro finance support program alone has worked with over 40 microfinance institutions. Capacity builders have linked a great deal of microfinance institutions to the national microfinance industry and integrated them into policy, vision and strategy discussions. Moreover many stakeholder coordination and cooperation initiatives have been initiated and implemented by capacity builders. For example as regards the proposed microfinance legislation, capacity builders took a lead role in the policy dialogue between government of Uganda and the central bank on the one hand and the practitioners on regulation and supervision issues.

The center for micro finance under the rural microfinance support program is widely acknowledged to have been the leading provider of capacity building in March 1997. Rural microfinance support program has trained managers, loan officers and accountants of micro finance institutions, conducted seminars, provided onsite technical assistance to micro finance institutions to scale up their programs and run a micro finance information center. Parent companies and international alliances like FINCA, PRIDE, and UWFT continue to provide critical inputs in terms of capacity building, technical assistance, human resources and exposure

to international experiences to their affiliated national micro finance institutions.

Hulme and Mosley (1996) show that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low- risk income generating activities and when the very poor are encouraged to save; vulnerability of the very poor is reduced and their poverty situation improves. Johnson and Rogaly (1997) also refer to examples whereby savings and credit schemes were able to meet the needs of the very poor. They state that microfinance specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction as this reduces beneficiaries' all over vulnerability.

Poverty Alleviation

Defining poverty as a combination of low income and unsatisfied basic needs meets the requirement for comprehensiveness mentioned above. The traditional income-based definition is thus broadened to include the need to improve the living conditions of the poor who are believed to benefit less than others from the services provided by public infrastructure in the areas of health, education and housing. While basic needs themselves are difficult to be measured, indicators can be defined to measure the level of satisfaction of an individual's basic needs, the majority of which are addressed by governments. The conceptualization of poverty described above led to a clarification in understanding how poverty could be alleviated. Poverty alleviation, according to this two-pronged definition of poverty, requires

that the revenue of the population below the poverty line be increased and that the level of satisfaction of the basic needs of that same population be higher than it was previously.

Poverty alleviation requires that all revenue be brought above the poverty line and that all basic needs be satisfied. Poverty alleviation policies therefore must propose ways and means to address two issues: how to increase the revenue of the poor and how to meet more of their basic needs.

Among the defining dimensions of poverty, which include absence of employment opportunities and difficulty in accessing credit and finance, the vulnerability to risk in poor people's personal and work life has attracted great attention [Morduch 1998: Rutherford 199: Land and Srinivas 2000]. Furthermore, very large proportions of the poor lives in rural areas and urban slums and are engaged in subsistence farming and other menial activities which attract meager income. They work hard and earn very little, barely have enough to live on. This reality is likening to the edge of working like an "elephant" and eating like an "ant".

According to Chambers (1983) the poor are poor because they are poor. Their poverty conditions interlock like a wax to trap people in their deprivation. Poverty is a strong determinant of the others. Marek Markus (2003:236) argues that poverty is a complex web of disempowering relationships, which do not work. Households trapped in this spider's web suffer from material poverty, vulnerability, powerlessness, physical weakness, isolation and spiritual poverty. Therefore addressing the problem of material poverty through micro finance services is vital and

critical, but it will not be enough for the poor households to escape from the poverty trap.

Theoretical Perspective

The theories relevant to this study are grass root models like livelihood, participatory and social capital among others. My study requires models that create change, promote women participation in decision making, owning the process and make markets work for the poor and build their assets. Mainstream models contribute to understanding change and therefore irrelevant to this particular study.

This study focused on social capital theory according to Putnam (1995), social capital refers to features of social organization such as networks, norms and social trust that facilitates coordination and cooperation for mutual benefits. This is mainly used by the poor without collateral in microfinance group lending. This theory is interrelated and interlocks with the livelihood and participatory models.

Mainstream Approaches to Development

According to theorists of the 1950s and early 1960s viewed the process of development as a series of successive stages of economic growth through which all countries must pass (see, Hettne 1982:31). Development was viewed in an evolutionary perspective. The state of underdevelopment was defined in terms of observable differences between rich and poor countries. It is widely believed that development implied the bridging of these gaps by means of an imitative process. Hettne made important observations in regard to the modernization theory as part of the larger evolutionary tradition, of which it forms the

most recent tradition, conceives of social change as a basically endogenous process. The criticism with modernization paradigm is that underdevelopment and poverty had no place. There was only an original stage of backwardness, on which should follow a process which released the forces of modernization. It does not mention about economic growth, neither does it mention on income distribution in developing countries.

During the 1970s, international-dependence models gained increasing support among the developing country intellectuals (see Colman 1985: 54).

The criticism with the dependency perspective has been retained as an explanation of the process of underdevelopment but has not been of much help to poor countries as to how to help them out of the poverty situation. The 1980s have been a particularly characterized as the" lost decade" for Africa. In this decade, many countries witnessed much of the material progress of the previous years eroded out. When the crisis first emerged, the World Bank and IMF largely blamed what they viewed as ill-conceived economic policies of African governments for the crisis.

Shivji (2005:1) quotes the World Bank argument of the cause of Africa's troubles-that the villain of the declining economic performance in Africa was the state, it was corrupt and dictatorial, it had no capacity to manage the economy and allocate resources rationally, it was bloated with bureaucracy and nepotism was its mode of operation10. They therefore prescribed policy reform: the IMFs stabilization programs included measures to cut the fiscal deficit, devalue what was typically an overvalued currency, and contract the money supply. Critics have argued

that SAPs were short term measures which were used to solve long term problems and this was a big weakness for their poor performance.

Livelihood Approach

The livelihoods approach has attracted increased attention in research and policy in poor countries which usually depend on one income generating activity to support them. Rakodi citing Chambers and Conway (1992), a livelihood is defined as comprising the capabilities, assets required for a means of living citing (Carney, 1998,:4). He articulates further, coupled to this definition and based on the recognition of the importance of natural resource to rural livelihoods and the vulnerability that so frequently characterizes the poor rural households.

Rakodi (2002:11) articulates the following household livelihood assets, namely human, social, political, physical, financial and natural capital. At house, community and societal levels, the assets available are said to constitute a stock of capital. These include human capital, social capital (networks, membership of groups, relationships of trust and reciprocity, access to wider institutions of society), physical capital which includes productive and household assets, including tools, equipment, housing and household goods, as well as stocks and natural capital.

Participatory Development

Baas (1997:1) and Mbilinyi (2003:55) have advocated a participatory development approach in the rural development debate. Baas defines participatory institutional development, in its broadest sense as process which mobilizes locally co-ordinate collaborative linkages between these groups and other local and higher level institutions. Since the poor generally lack economic and physical capital, focusing on

strengthening their social capital makes sense as it is a pre-requisite for achieving sustainable collective action and useful in acquiring all other forms of capital. Participatory institutional development strengthens localized social capital accumulation processes by mobilizing self-help capacities, progressive skills development, and local resource mobilization (savings, indigenous knowledge) in order to improve ultimately the group member's human, natural, and economic resource base and their political power.

According to Mbilinyi (2003:55/56) participatory institutional development is made of four interrelated cornerstones: Process, Empowerment, and Participation in decision-making, and Networking: This refers to the building-up of collaborative action among locally formed groups and their interaction. Brett (1993:100) articulates the benefits of participation. It strengthens managerial competence, the motivation and performance of workers, social and political solidarity and the relative position of poor and marginal groups in society.

Alternative Development Perspective

Mainstream models of development and the policies based on them had been challenged for failing to address the question of mass poverty in developing countries. Brett (1993:100) cited Chambers (1986) who criticized western-based science and models imposed on the poor people who override traditional knowledge, use inappropriate forms and methods and require constant tutelage from outsiders who have limited knowledge and sympathy for local needs and skills. According to Todaro (2000:14) the persistent massive poverty signaled that something was very wrong with the narrow definition of development. Indeed, there is need to

address the issue of poverty using "home grown" grass root development approaches which reflect the social, economic and political realities of poor underdeveloped economies.

Social Capital

The concept of social capital has added a new input in the development debate. The nature of this input is aimed at achieving sustainable development at local decentralized levels. According to Ismawan (2000:7) the effort to alleviate poverty traditionally has used and was based on natural capital, physical or produced capital and human capital. 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.

Rakodi (2002:10) defined social capital as "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 behaviour, helpful networks, and willingness to give and take and to participate in issues of common concern.

Baas (1998:1) refers to Social capital as the social cohesion, common identification with forms of governance, cultural expression and social behaviour 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, 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 women. 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 women's empowerment. The assumption underlying the paradigm is that social capital is inherently positive and beneficial and can be used by programs 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.

Related Studies

Group Lending and Poverty Alleviation

Empirical studies have suggested the possibility of fuelling vulnerability among
Households by microfinance program through indebting the poor. Hulme and Mosley
(1996) found that there exists a tradeoff between changes in income and vulnerability for poor households: Poverty-as measured by income can be reduced by borrowing, but such debt can make the poor more vulnerable because of the added risks associated with borrowing.

Group-based microfinance programs usually favor the very poor without collateral. Involves giving loans to groups of borrowers who will mutually guarantee each other's loans, replacing the need for physical collateral requirement of either land or assets. (Watson 2005). The dominant model of microfinance – the group lending pioneered by the Grameen Bank in Bangladesh socializes costs of lending to poor women by providing them access to credit on the basis of 'social collateral' obtained through membership in borrower groups. For the poor women, the theory goes, participation yields not only an economic payoff in increased access to financial services but also an empowerment pay off in new forms of bridging and linking social capital that emerge from participation in networks of borrower groups (Lisa Servon 1998). As one scholar put it in a study of the Grameen bank in Bangladesh, borrowers' interaction at 'center meetings' during which borrower groups convene to repay their

loans, facilitate their ability to establish and strengthen networks outside their kinship groups and living quarters (Lisa Lawrence 1998).

It is seen to have significant benefits for women, contributing not only to poverty alleviation, but also to women's empowerment. It is argued that savings and credit provision in itself is assumed to contribute to a process of individual economic empowerment through enabling women to decide about savings and credit use.

At all these levels, group-based programs are assumed to build "social capital" through developing and strengthening women's economic and social networks. Social capital is therefore seen as simultaneously contributing to financial sustainability, poverty targeting and women's empowerment. Group lending, often five in number, organize themselves into groups that offer joint liability for member loans.

Armendariz de Arghion and Gollier 2000 find that even if borrowers do not know each other's type, group lending may be feasible due to lower interest rates as a result of cross subsidization of borrowers. Ghattak (2000) as well as Van Tassel (1999) show that group lending achieves self- selection of borrowers and acts as screening device.

In group loan, each member of the group receives an individual loan but it is part of a group bound by a group guarantee sometimes called joint liability. Under this agreement each member of the group supports one another and is responsible for paying back the loans of their fellow group members if someone defaults or is delinquent. According to Berenbach and Guzman (1994), solidarity groups have proved effective in

deterring rates attained by organizations such as Grameen bank who use this type of microfinance model.

Under the Grameen bank variation of this model, groups contain 5 members and savings must be contributed for 4 weeks prior to receiving a loan. Saving must also continue for the duration of the loan term. Only 2 of the group members receive a loan initially. The group itself often becomes the building block to a broader social network. However this study is to fill the contextual gap whereby the study was conducted from Mbarara municipality.

Individual Lending and Poverty Alleviation

These are the loans given on individual basis: Individual lending is more flexible, but minimum loan sizes are almost always larger by members of credit groups. Within broad limits, loan sizes and tenors are negotiable, tailored to the borrower's activity.

Loan amounts and maturities increase as the borrower demonstrates prompt repayment and acceptable loan use. It has been argued that group credit arrangements tend to deteriorate over time, while individual lending can go from strength to strength if good institutions are in place to provide incentives for repayment.

Madajewer (2008) in her theoretical analysis shows that in general, the borrowers that prefer individual loans, the wealthier they are. Moreover she finds that businesses funded with individual loans grow more than those with group loans.

This study is to be done in 2012 which is not the case with the related studies which were done in the past years and so filling the temporal gap.

Loans in Kind and Poverty Alleviation

The formal banks that were inherited from the colonial government in 1960s were judged to be serving the trade sector and neglecting the agricultural sector that was the backbone of Uganda's economy employing over 80% of the population especially in the rural sector. This motivated government to set up state owned banks like the former Uganda commercial bank whose mandate included among others to provide credit to the rural sector including agricultural credit. This was under the policy of sectoral allocation of credit and controlled interest rates which were administratively fixed by the central bank (Muwanga 2000). The credit to the poor engaged in agriculture was extended mainly in kind through the supply of productive inputs like fertilizers, high yielding seeds and tractor hire services under special bank schemes like rural farmers scheme.

Microfinance and Women Empowerment

The issue of women's empowerment has been at the centre of discussions on planned interventions for poverty alleviation. Microfinance programs mobilize and organize women at the grassroots levels. It is generally argued that micro-credit plays a vital role in bringing about changes in the rural women's standard of living. It is widely believed that an empowered woman would be one who is self-confident, who critically analyses her environment and who exercises control over decisions that affect her. Many women's organizations in developing countries have

included credit and savings, both as a way of increasing women's incomes and bring women together to address wider gender issues.

According to Kabeer, quoted in Mosedale (2003,) women need empowerment as they are constrained by the norms, beliefs, customs and values through which societies differentiate between women and men. she also states that empowerment refers to the process by which those who have been denied the ability to make strategic life choices acquire such ability, where strategic choices are critical for people to live the lives they want. Therefore MFIs cannot empower women directly but can help them through training and awareness raising to challenge the existing norms, cultures and values which help them at a disadvantage in relation to men, and to help them have greater control over resources and their lives.

Littlefield, Murdoch and Hashemi (2003) state that access to MFIs can empower women to become more confident, more assertive, more likely to take part in family and community decisions and better able to confront gender inequalities. Hulme and Mosley (1996) state that microfinance projects can reduce the isolation of women as when they come together in groups they have an opportunity to share information and discuss ideas and develop a bond that was not there previously.

Osman (1998) analyzed the impact of credit on the well being of Grameen bank women clients. The project was found to have increased their autonomy in that they were able to family income more freely than non clients. They had greater control over family planning and greater access to household resources than non clients.

However, Johnson (2004) states that having women as key participants in microfinance projects does not automatically lead to empowerment, sometimes negative impacts can be witnessed. She refers to increased workloads, increased domestic violence and abuse. This leads her to a crucial question of whether targeting women is just an efficient way of getting credit into the household, since women are more likely than men to be available in the home, attend meetings, be manageable by field staff and take repayment more seriously, even if they do no invest or control the loan themselves?

Women empowerment in developing countries like Uganda is understood in a context where women take control and ownership of their lives. These are the three core elements of empowerment. The first one is agency or ability to define ones goals and act upon them. However, evidence from participatory studies shows that although the affirmative action policy that government is pursuing is showing some positive results. The second is gender awareness which means that women should be aware of the forces and structures working against them. The third is self-esteem and self confidence. Women are a vulnerable group, subordinated and subject to different kinds of oppression which makes them see their own powerlessness as natural or justified (See, PEAP 2004/5-2007/8:29).

Using gender empowerment as an impact indicator, some studies argue that micro credit has had positive impact on empowering women. (Rahman 1986; Pitt and Khandker 1995; and Kabeer 2001). The positive impact of micro credit was because joint decision making was interpreted

as a positive impact (Rahman 1986; Pitt and Khandker 1995). Using additional empowerment indicators such as productive asset ownership, political awareness, Kabeer 2001 concluded that access to credit had appositive impact on women empowerment.

On the other hand however other studies show a negative impact of micro credit to women empowerment. According to Goetz and Gupta 1994 using a managerial control index as an indicator of empowerment where women did not have any control over the use of loans and did not participate in decision making including marketing of output, concluded that the majority of women especially married women did not have control over loans. While it was the women who were targeted by the credit programme, the men took over the management of the loans hence neglecting the development objective of lending to women.

Training and Poverty Alleviation

Micro finance institutions tend to provide crucial complementary capacity building services like business literacy training, women's rights awareness training and training of women borrowers. All these tend to provide women with a variety of skills in terms of savings like how to save, how can saving services best serve poor women? Most women use the informal savings mechanisms all over the world; door to door deposit collectors, rotating savings and credit associations plus annual savings clubs. Examples of practical uses of these lessons are the creation of safe save organization in Bangladesh (Rutherford 2000) and the design of savings products at bank Rakyat Indonesia (Robinson 1994). These efforts

are not gender specific but they do combine some of the strengths of informal and formal savings mechanisms.

The safe deposit boxes allows women to maintain independent savings, and the matched savings account structures savings, promotes peer support among women savers and subsidizes savings targeted to women. Saving requires current sacrifice and with saving unlike borrowing- the sacrifice precedes the reward, on the other hand, saving offers flexibility and while borrowers pay interest, savers earn interest.

CHAPTER THREE

METHODOLOGY

Research Design

The study employed the descriptive and correlational research where quantitative data collection approach was used in order to achieve a high degree of reliability and validity of results.

Research Population

Details of women accessing microfinance institutions for credit were scanty, hence presenting a challenge in establishing the most accurate accessible population and sample size. According to one microfinance institution officer in Mbarara, there were 1380 clients in the municipality.

Sample Size

In view of the nature of the study population where the number of women in microfinance institutions was too big, a sample was taken from the population. The Sloven's formula is used to determine the minimum sample size.

$$n = \frac{N}{1+N(e)^2}$$

Where: n = sample size

N = population size

e = level of significance (0.05)

$$n = \frac{1380}{4.45}$$

$$n = 310$$

Table 1

Samples by Category of Respondents

Village	Number of Micro Finance Institutions	Target Population Groups	Sample Size Individuals
Kakoba	4	18	90
Lugazi	4	15	75
Police	4	16	80
Boma	4	13	65
Total	**16**	**62**	**310**

Source : Primary Data 2012

Sampling Procedures

The probability sampling techniques were used to elicit responses to the research questions. To select respondents from microfinance institutions, quota or purposive sampling technique was used. Based on the fact that the users are hard to get all at once, those that are easy to access would provide the required information.

Data Collection Methods

The research employed questionnaire method to collect the relevant data. This is a quantitative method.

Data Collection Instruments

Quantitative data was collected for this study. Accordingly, questionnaires were the primary instruments for this research considering

the large volume of data they can enlist with in a very short time. The questionnaire used in this study was adopted and modified from a study on microfinance and poverty alleviation Uganda by Dan Matovu (2006).

Pre –Testing of Data Collection Instruments

There are two vital measures of accessibility of the use of instruments for research purposes; that is reliability and validity of the research instruments. Validity refers to the appropriateness of the instrument while reliability refers to its consistency in measuring what it is intended to measure. The research tested for the validity and reliability on microfinance credit and capacity building which were both non standardized where content validity was done by ensuring that questions or items in questionnaire conform to the study conceptualization.

My supervisor and other credit officers who are experts in the field of study evaluated the relevance, Wording and clarity of questions in the instrument. Pretesting was done by administering the questionnaires to clients in some MFIs who were not included in the actual study.

Reliability of the instrument on multiple variables (e.g individual, and group lending) was done using content validity index (CVI = .78). Test and retest was tested using the Cronbach Alpha (a) for microfinance credit and capacity building (a = .563) and for poverty alleviation (a = .771) which led to the questionnaire to be declared reasonably reliable.

Data Collection Procedures

Before the Administration of the Questionnaires

1. An introduction letter was obtained from the college of higher degree and Research for the researcher to solicit approval to conduct the study from respective micro finance institutions.
2. The researcher went ahead to seek permission from the various microfinance institutions and sampled respondents to allow for the relevant data to be collected.
3. The respondents were explained about the study and were requested to sign the Informed Consent Form (Appendix 3).
4. Distributed enough questionnaires to the respondents.
5. Selected research assistants who would assist in the data collection; brief and orient them in order to be consistent in administering the questionnaires.

During the Administration of the Questionnaires

1. The respondents were requested to answer completely and not to leave any part of the questionnaires unanswered except for the group and individual lending options where the respondents were to choose one that they belong to.
2. The researcher and assistants emphasized retrieval of the questionnaires within five days from the date of distribution.
3. On retrieval, all returned questionnaires were checked if fully answered.

After the Administration of the Questionnaires

The data gathered was collated, encoded into the computer and statistically treated using the Statistical Package for Social Sciences (SPSS).

The frequency and percentage distribution were used to determine the demographic characteristics of the respondents.

The mean deviations were applied for the levels of group lending, individual lending, training, poverty alleviation indicators, and women empowerment. An item analysis illustrated the strengths and weaknesses based on the indicators in terms of mean and rank. From these strengths and weaknesses, the recommendations were derived.

The researcher has kept confidential the identity of all respondents while presenting findings.

Data Analysis

Quantitative approach to data analysis was employed. Quantitative data collected using questionnaires was processed using SPSS software. Descriptive statistics obtained analysis of variance from the different response groups and correlation analysis done to establish the degree of strength of the relationship between the variables, the direction and relationship magnitude of the relationship. Interpretation of descriptive results was done using Likert scale ranges for each of the sets of questions within the questionnaire.

To test the correlation between microfinance credit and capacity building for poverty alleviation at 0.05 level of significance, a Pearson's correlation approach was employed. The regression analysis coefficient of determination was also employed to determine the influence of the independent variables on the dependent variable.

Ethical Considerations

The researcher also exhibited utmost level of confidentiality and patience with the respondents during the research process. Efforts were made to ensure originality of the research.

Limitations of the Study

Some of the respondents were not ready to respond, to the researcher for the questions asked. This was especially with regards to their income and expenditure since it's not easy for them to disclose their incomes for fear of being taxed.

The researcher also found out that the respondents would take time to respond because they could not understand the language very well and the gist of the study though the researcher had to take time to explain rationale of the study.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

Demographic Characteristics of Respondents

The respondents have been specifically described in terms of age, marital status, educational qualification, and years spent in micro finance. Table 2 represents the findings for the characteristics.

Table 2

Demographic Characteristics of Respondents

(n=310)

Category	Frequency	Percentage
Age		
20-39	128	41.3
40 – 59	118	38.1
60 and above	64	20.6
Total	**310**	**100.0**
Marital status		
Single	74	23.9
Married	148	47.7
Widowed	64	20.6
Divorced	24	7.7
Total	**310**	**100.0**
Education Qualification		
Certificate	117	37.7
Diploma	84	27.1
Bachelors	41	13.2
Masters	7	2.3
Others	61	19.7
TOTAL	**310**	**100.0**
Number of years in microfinance		
Less than a year	38	12.3
1-2 years	118	38.1
3-4 years	110	35.5
5 and above years	44	14.2
Total	**310**	**100.0**

Source: Primary Data 2012

Grouped by age, most respondents fell in the *20-39 years* age bracket which accounted for *41.3 percent* of the total respondents. This is a reflection of the country's demographic characteristics where the population *0-30 years* makes up *78.4 percent* of the total population (UBOS, 2006). The fact that so many youths (22.3 percent) of the overall unemployment rate of Uganda (3.2 percent) as per the World bank statistics of 2003, may be a reason for them to involve so much in borrowing money from micro finance institutions in order to earn a living. Respondents ages *40-59 years*, accounted for *38.1 percent* of the total respondents, and those of *60 and above years* accounted for *20.6 percent* of the total respondents.

Regarding the education level of respondents, the highest percentage of respondents (37.7%) had certificates, 27.1 percent with diplomas. These were closely followed by Bachelors degree holders with a 13.2 percent composition of the total respondents, followed by a 2.3 percent with at least a post graduate qualification; masters and PhD holders. Those with other forms of education comprised 19.7 percent.

The respondents were divided into four categories by number of years spent in micro finance. The highest percentage was for those between 1–2 years with 38.1 percent, followed by 3-4 years with 35.5 percent. Those respondents 5 and above years category contributed 14.2 percent reason being most of them would have acquired enough capital from the institutions and so opted not to borrow again. Lastly are those below 1 year with 12.3 percent. This could have been as a result of them

not being well conversant with the issues concerning micro finance and so felt could not give relevant information.

Level of Micro Finance Credit among Women in Mbarara Municipality

The second objective of the study was to determine the level of microfinance credit among women in Mbarara Uganda. The forms and sources of microfinance were found out in terms of types of microfinance and group lending, individual lending and loans in kind. However it was found out that all the respondents could access in kind loans and therefore not having an impact on my study.

The results of the forms and sources of micro finance credit are presented in Table 3A, 3AB, 3AC, 3AD respectively. Table 3A presents results and interpretation of the sources of micro finance credit among women.

Table 3A

Sources of Microfinance Credit among Women

Item analysis

(n= 292)

Micro finance institution	**Frequency**	**Percentage**
BRAC	84	28.8
UWFT	72	24.7
FINCA	63	21.6
PRIDE	73	25.0
Total	**292**	**100.0**

Source: Primary Data 2012

The data collected shows that BRAC microfinance has the largest percentage of 28.8, PRIDE with 73 percent, UWFT with 72 percent and lastly FINCA representing 63 percent. This is because of so many reasons including the nearness of the MFIs to the respondents, the policies among others.

Tables 3B, 3C and 3D present results and interpretation of the mean scores of the forms of micro finance credit in terms of group lending among women.

Table 3B

Group Lending form of Microfinance Credit

(n = 219)

Indicators	Mean	Ranking	Interpretation
Additional information about applicants is always sought from external sources before giving loans	3.28	1	Very satisfied
Payments are promptly credited on clients' accounts	3.24	2	Satisfied
Clients' savings determine loan amount to be given	3.21	3	Satisfied
The leader of your group is chosen by the members	3.13	4	Satisfied
In case of member failing to pay the loan, all the group members are expected to pay for their colleague	3.09	5	Satisfied
A group is made up of a few members	3.03	6	Satisfied
Loans officers and credit control staff are coordinated on vetting of customers	2.97	7	Satisfied
Credit vetting of existing customers is done before additional loan is granted	2.96	8	Satisfied
Clients' businesses visited and vetted before credit approval	2.86	9	Satisfied
You understand well the lending terms for the loans	2.82	10	Satisfied
Loan limits are established for different categories of customers and reviewed from time to time	2.78	11	Satisfied
You are involved in the process of vetting the loan from the lending institution.	2.75	12	Satisfied
Loan size is usually too small	2.44	13	Dissatisfied
Interest rates are always too low and favorable	2.39	14	Dissatisfied
The group is made up of women only	2.36	15	Dissatisfied
There is standard credit terms laid down within the credit policy	2.36	15	Dissatisfied
Collateral security is sought from a client before credit approval	2.32	17	Dissatisfied
All members have equal rights in the group	2.22	18	Dissatisfied
You are involved in determining loan installment payment	2.16	19	Dissatisfied
Loan given on first come first served basis	2.04	20	Dissatisfied
Overall Group Lending	**2.72**	**2.65**	**Satisfied**

Source: Primary Data 2012

Legend

Mean Range	Response Mode	Rank	Interpretation
3.26 – 4.00	Strongly Agree	4	Very Satisfied
2.51 – 3.25	Agree	3	Satisfied
1.76 – 2.50	Disagree	2	Dissatisfied
1.00 – 1.75	Strongly Disagree	1	Very Dissatisfied

Table 3B presents the means and interpretations of the forms of microfinance credit among women in terms of group lending. The mean scores of the first five indicators represent a satisfaction of the clients as follows; additional information about applicants is always sought from external sources before giving loans (mean = 3.28), Payments are promptly credited on clients' accounts (mean= 3.24), Clients' savings determine loan amount to be given (mean= 3.21), The leader of your group is chosen by the members (mean= 3.13), In case of member failing to pay the loan, all the group members are expected to pay for their colleague (mean= 3.09).

The satisfaction represented by these indicators showed that there were efficiency in the system as regards the giving of the loans and so is the payment of the loans by the clients. Since the members of the group were liable to payment in case of default, the microfinance institutions ensured constant payments of the money loaned out to these clients.

However, the mean scores of the last five indicators represent dissatisfaction as follows; There is standard credit terms laid down within the credit policy (mean= 2.36), Collateral security is sought from a client

before credit approval (mean= 2.32), All members have equal rights in the group (mean= 2.22), You are involved in determining loan installment payment (mean= 2.16), Loan given on first come first served basis (mean= 2.04). The dissatisfaction in these indicators was a result of the MFIs having to read the credit terms to the clients and not making the clients understand them well. Also the loan size is determined by the MFIs not the clients themselves.

On average, the majority of the respondents expressed their satisfaction (mean = 2.74) with group lending. However, by ranking this level of satisfaction is not good enough as it lies at the peripheral of the ranking on satisfaction (2.51 – 3.25).

Table 3C

Individual Lending form of Microfinance Credit

(n = 91)

Indicators	Mean	Ranking	Interpretation
Physical collateral is needed before the loan is approved	3.24	1	Satisfied
I go through a lot procedures and bureaucracy before being approved for the loan	3.24	1	Satisfied
Punishments are in place for failing to pay the loan	3.24	1	Satisfied
The loan amount depends on the cost or value of the collateral	3.18	4	Satisfied
High interest rates are charged on the loan provided	2.98	5	Satisfied
I understand the terms and conditions of obtaining the loan from my lending institution	2.95	6	Satisfied
My business is visited before loan approval	2.85	7	Satisfied
There is clear borrowing terms laid down by my lending institution	2.82	8	Satisfied
A lot of money in form of minimum balance is required on one's account for the loan to be given	2.79	9	Satisfied
Guarantors' are required to acquire loan	2.76	10	Satisfied
Loan amounts increase as the borrower demonstrates prompt repayment and acceptable loan use	2.73	11	Satisfied
Installment payment is done only on a monthly basis	2.46	12	Dissatisfied
Loan size is smaller than group lending	2.33	13	Dissatisfied
Overall Individual Lending	**2.89**	**2.85**	**Satisfied**

Source: Primary Data 2012

Legend

Mean Range	Response Mode	Rank	Interpretation
3.26 – 4.00	Strongly Agree	4	Very Satisfied
2.51 – 3.25	Agree	3	Satisfied
1.76 – 2.50	Disagree	2	Dissatisfied
1.00 – 1.75	Strongly Disagree	1	Very Dissatisfied

Table 3C presents the forms of microfinance credit among women as regards to individual lending. The mean scores of first five indicators represent the following: Physical collateral is needed before the loan is approved (*mean= 3.24*), Punishments are in place for failing to pay the loan (*mean= 3.24),* I go through a lot procedures and bureaucracy before being approved for the loan (mean= 3.24), The loan amount depends on the cost or value of the collateral (mean= 3.18), High interest rates are charged on the loan provided (*mean= 2.98).* All these represent satisfaction of the clients.

However, the last five indicators represent the following; A lot of money in form of minimum balance is required on one's account for the loan to be given(mean= 2.79), Guarantors' are required to acquire loan (mean= 2.76), Loan amounts increase as the borrower demonstrates prompt repayment and acceptable loan use (mean= 2.73), Loan size is smaller than group lending (*mean= 2.33*), Installment payment is done only on a monthly basis (mean= 2.46). The last two indicate respondents' dissatisfaction,

On average, the majority of the respondents expressed their satisfaction *(mean = 2.89)*. However, by ranking this level of satisfaction is not good enough as it lies at the peripheral of the ranking on satisfaction *(2.51 – 3.25)*.

Comparing the two important forms of micro finance credit and given the fact that the indicators chosen cut across the two forms, then it is clear that the respondents prefer individual lending to group lending as per the mean values of *2.89 and 2.74* for individual and group lending respectively. For this study, the focus of interest lies on how the decision of an MFI to offer either group or individual loans is influenced by the size of the loan. According to Kota (2007) and Harper (2007) states that MFIs offer individual contracts if clients are in need for larger loans. In contrast, Gine and Karlan (2006) advocate precisely the reverse correction.

Another major focus of this study was the size of the credit. When we look at the role of the loan size, interestingly we find out that an MFI prefers to offer individual loans when the size of credit is rather small, irrespective of whether its competitor grants individual or group loans conversely when a loan is relatively large, MFIs favor the group lending technology.

Table 3D

Loans in Kind

Item Analysis (n = 295)

Indicators	Mean	Ranking	Interpretation
The lending institution provides training for the use of the facilities given to you	2.49	1	Dissatisfied
Servicing and maintenance of the in kind loan like machines is done by the lending institution	2.34	2	Dissatisfied
You get seeds and other facilities from the lending institutions	2.15	3	Dissatisfied
Repayment is done after harvesting the yields	1.91	4	Dissatisfied
Your lending institution follows up on the usage of the machines and seeds given to you	1.89	5	Dissatisfied
Overall Loans in Kind	**2.15**	**2.0**	**Dissatisfied**

Source: Primary Data 2012

Legend

Mean Range	Response Mode	Rank	Interpretation
3.26 – 4.00	Strongly Agree	4	Very Satisfied
2.51 – 3.25	Agree	3	Satisfied
1.76 – 2.50	Disagree	2	Dissatisfied
1.00 – 1.75	Strongly Disagree	1	Very Dissatisfied

Given the information in table 3D, the respondents show that they are dissatisfied with the loans in kind form of credit from the microfinance institutions. The fact that they know of this form of credit by these microfinance institutions, they are still not very conversant with acquiring

this form of loan and so a reason for their dissatisfaction throughout the indicators as reflected by the mean ratings. The indicators of the loan in kind represented the mean as follows; You get seeds and other facilities from the lending institutions *(mean=2.15),* Your lending institution follows up on the usage of the machines and seeds given to you *(mean= 1.89),* The lending institution provides training for the use of the facilities given to you *(mean= 2.49),* Repayment is done after harvesting the yields *(mean= 1.91),* Servicing and maintenance of the in kind loan like machines is done by the lending institution *(mean= 2.34).*

Level of Capacity Building among Women in Mbarara Municipality

The level of capacity building was realized through the aspects of training and women empowerment. Tables 4A and 4B represent the results and interpretation of the mean scores of the capacity building aspects.

Table 4A

Level of Training

Item Analysis

(n = 310)

Indicators	Mean	Ranking	Interpretation
Book keeping is taught to women for their business	3.28	1	Very high
Self confidence and esteem is one other skill gained	3.26	2	Very high
We are given skills in starting and managing our own businesses	3.24	3	High
We are trained in leadership skills in order to manage our loans	3.20	4	High
Group cohesion is a major aspect in accessing credit	3.14	5	High
Installment payments of the loan are done by a group representative chosen by all group members	3.07	6	High
Administration skills are part of group leadership	3.04	7	High
Savings culture is emphasized by our lending institutions	2.88	8	High
Efficient credit use by the women borrowers	2.79	9	High
Overall Training	**3.10**	**3.10**	**Satisfied**

Source: Primary Data 2012

Legend

Mean Range	Response Mode	Rank	Interpretation
3.26 – 4.00	Strongly Agree	4	Very high
2.51 – 3.25	Agree	3	High
1.76 – 2.50	Disagree	2	Low
1.00 – 1.75	Strongly Disagree	1	Very low

Considering all the indicators of the training in capacity building in Table 4A above, the highest mean score (3.28) is registered by the response on book keeping being taught to women for their business. This is closely followed by response on self confidence and esteem as a skill gained (3.26). Then followed by response on acquisition of skills in starting and managing own businesses (3.24) We are trained in leadership skills in order to manage our loans (mean= 3.20), Group cohesion is a major aspect in accessing credit (mean= 3.14). These showed that the level of training was very high and also high. This was due to the fact that at least the clients are given the chance to fill their payments in their books of records and also keep minutes of every meeting they hold. For the rest of the indicators the respondents showed that they were also simply high. Generally speaking, the level of respondents' capacity building were simply high (mean = 3.10) with the aspect of training under the effect of capacity building.

Table 4B

Level of Women Empowerment

Item Analysis (n = 310)

Indicators	Mean	Ranking	Interpretation
Have separate savings set aside the husbands'	3.35	1	Very high
We are now able to address issues concerning gender	3.19	2	High
We are aware of the politics going on in our areas	2.97	3	High
We can exercise control over decisions that affect us	2.95	4	High
I now own property which I did not have before acquiring the loan	2.90	5	High
We have the ability to define our goals and act upon them	2.85	6	High
We have full control over the loans collected and not taken by our husbands	2.77	7	High
Make decisions on what to buy with little money borrowed	2.35	8	Low
Overall Women Empowerment	**2.92**	**3.0**	**Satisfied**

Source: Primary Data 2012

Legend

Mean Range	Response Mode	Rank	Interpretation
3.26 – 4.00	Strongly Agree	4	Very high
2.51 – 3.25	Agree	3	High
1.76 – 2.50	Disagree	2	Low
1.00 – 1.75	Strongly Disagree	1	Very low

Considering all the indicators on women empowerment in capacity building on poverty alleviation in table 4B above, the highest mean score (3.35) is registered by the response on having separate savings set aside the husbands'. This is closely followed by response on ability to address issues concerning gender which registered a mean score of 3.19, followed by awareness of the politics going on in our areas with 2.97 mean. This is as per the global political–economic conjuncture within which social capital has emerged as the favored theoretical framework for understanding and alleviating poverty and within which microfinance for women has emerged a favored model of development. Apart from the last indicator of making decisions on what to buy with the money borrowed that respondents showed low levels of women empowerment, all the rest indicate high levels of women empowerment.

Extent of Poverty Alleviation among Women in Mbarara Municipality

Table 5 represents the results and interpretation of the mean scores of poverty alleviation under the poverty alleviation indicators as seen below;

Table 5

Level of Poverty Alleviation

Item Analysis

(n = 310)

Indicators	Mean	Ranking	Interpretation
We now have employment opportunities	3.35	1	Very high
My income levels have now improved	3.16	2	High
Education levels attained by the children improved upon	3.15	3	High
We have now improved on our consumption ways	3.09	4	High
Expenditure on education for my children has increased	3.05	5	High
We can now pay for our health facilities	3.03	6	High
Food is now available for my family throughout the year	2.95	7	High
People can now overcome their capital problems and undertake investments	2.86	8	High
I can now afford to pay my children's fees in school in all levels	2.86	8	High
We now have physical assets of our own	2.80	10	High
Children attend good schools in your village	2.76	11	High
Health improved upon especially with the children of the members	2.72	12	High
Can now have better accommodation and housing facilities	2.67	13	High
We can now afford to feed on a balanced diet for some time	2.52	14	High
Overall Poverty Alleviation Indicators	**2.93**	**3.07**	**High**

Source: Primary Data 2012

Legend

Mean Range	Response Mode	Rank	Interpretation
3.26 – 4.00	Strongly Agree	4	Very high
2.51 – 3.25	Agree	3	High
1.76 – 2.50	Disagree	2	Low
1.00 – 1.75	Strongly Disagree	1	Very low

Table 5 presents the means and interpretation of the ranks of poverty alleviation indicators. The mean scores for the first indicator regarding having employment opportunities reveals that the level was very high and so is all the other indicators where the respondents reveal to have been high with these poverty alleviation indicators. On average, the majority of the respondents expressed high levels with (mean = 2.93) regarding poverty alleviation indicators. However, by ranking this level is not good enough though it lies within the upper bounds of the ranking (2.51 – 3.25)

Relationship between Capacity Building and Poverty Alleviation among Women in Mbarara Municipality

Null Hypothesis: There is no significant relationship between capacity building and poverty alleviation among women in Mbarara Municipality.

To achieve this objective and test the null hypothesis, the researcher correlated the means of all aspects of microfinance credit, capacity building and poverty alleviation using the Pearson linear correlation coefficient as indicated below.

Table 6

Relationship between Capacity Building and Poverty Alleviation among Women in Mbarara Municipality

(n =309)

Correlation is significant at the 0.01 levels

Variables correlated	Computed r-value	Sig	Interpretation of correlation	Decision on Ho
Credit & capacity building Vs poverty alleviation	0.257	0.000	Significant relationship	Rejected

From the table 6 results, it's evident that capacity building and poverty alleviation are significantly correlated leading to the rejection of the null hypothesis. This is supported by the Pearson Correlation coefficient of 0.257 and a strong p- value of 0.000 at a 1% (2 – tailed) level of significance in Table 7 above. The results from the table 6above also indicate that there is a strong significant positive relationship between capacity building and poverty alleviation.

Table 7

Regression Analysis between Capacity Building and Poverty Alleviation among Women in Mbarara Municipality

(n=309)

Regression Sig. at 0.05 levels.

Variables regressed	**Adjusted R square**	**F-value**	**Sig.**	**Interpretation**	**Decision on Ho**
Microfinance credit, capacity building Vs poverty alleviation	0.063	21.71	0.000	Significant effect	Rejected
Coefficients					
Constant	Beta	T-value	Sig.	Interpretation	Decision on Ho
Credit& capacity building	0.257	4.66	0.000	Significant effect	Rejected

The results from the table 7 above also indicate that there is a strong significant positive effect between capacity building and poverty alleviation.

However, the adjusted R – square (the amount of variance in the outcome that the model explains in the population) relating the two variables is a mere 0.063; though with significant F-value (21.71) and p-value of 0.000. the P –value here is an indication that the difference in the means of capacity building and poverty alleviation for 99.9% of times have not occurred by chance, rather they are statistically significant. The beta coefficient relating capacity building to poverty alleviation is 0.257; t – value of 4.66 and p – value of 0.000. Equally, the strong p – value is not a matter of chance occurrence but a reflection of a significant effect

between capacity building and poverty alleviation. The beta coefficient indicates that, 25.7 in every 100 changes in poverty alleviation, is explained by the capacity building as conceived in this study. All these results are quite a revelation to reject the null hypothesis.

According to Hulme et al (1996) most institutions regard low income households as "too poor to save". In order to generate higher incomes, savings and more investment there is need to inject capital in the form of micro finance. However, capital is only one ingredient in the mix of factors necessary for a successful enterprise. Most importantly it requires entrepreneurial skills and efficient markets to reduce poverty. The entrepreneurial skills are in terms of capacity building in form of training women empowerment, health, and education among others.

Greeley (2003) therefore describes credits as a core need for the poor because markets have failed them. He does add that microfinance can only be effective when it is supported by other forms of services. However small this business can be, not everybody has entrepreneurial skills. Some claim that microfinance is therefore not for everyone and especially the very poor can encounter complications due to their lack of skills. Even though some microfinance institutions pay attention to education and capacity building, by offering graduation programs where borrowers are obliged to have training before taking out loans, microfinance is in its essence not aiming at education. This helps in limiting loan abuses by borrowers for example one using a loan to pay off another or pay dowry (Harper 1998).

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

FINDINGS

Demographic Profile of Respondents

The youths between *20-39 years* age bracket accounted the bulk of the respondents (*41.3 percent).* This is a reflection of the country's demographic characteristics where the population *0-30 years* makes up *78.4 percent* of the total population (UBOS, 2006).

Regarding the education level of respondents, the highest percentage of respondents (37.7%) had certificates, 27.1 percent with diplomas. Those with other forms of education comprised 19.7 percent.

Grouped by the number of years spent in micro finance, the highest percentage was for those between 1–2 years with 38.1 percent, followed by 3-4 years with 35.5 percent.

Level of Micro Finance Credit among Women in Mbarara Municipality - Uganda

BRAC microfinance has the largest percentage of 28.8, PRIDE with 73 percent, UWFT with 72 percent and lastly FINCA representing 63 percent.

Regarding the forms of micro finance credit involving group, individual lending the respondents were simply satisfied with (mean= 2.74) for the aspect of group lending.

On the aspect of individual lending, the results reveal that the respondents were generally satisfied (mean = 2.89).

Level of Micro Finance Credit among Women in Mbarara- Uganda

Considering all the indicators of the training in capacity building, the respondents showed high level of training with (mean = 3.10) under the effect of capacity building. Considering all the indicators on women empowerment in capacity building on poverty alleviation the average mean was (mean = 3.0)

Level of Poverty Alleviation among Women in Mbarara Municipality

The average mean scores for the indicator regarding having employment opportunities reveals that the respondents were highly employed with (mean = 2.93).

Relationship between Capacity Building and Poverty Alleviation among Women in Mbarara Municipality

Null Hypothesis: There is no significant relationship between capacity building and poverty alleviation among women in Mbarara Municipality.

It's evident that capacity building and poverty alleviation are significantly correlated leading to the rejection of the null hypothesis. This is supported by the Pearson Correlation coefficient of 0.257 and a strong p- value of 0.000 at a 1% (2 – tailed) level of significance.

CONCLUSIONS

This study generates the following conclusions as regards the purpose of the study;

The hypothesis of no significant relationship was rejected with evidence that capacity building and poverty alleviation are significantly correlated leading to the rejection of the null hypothesis. This is supported by the Pearson Correlation coefficient of 0.257 and a strong p- value of 0.000 at a 1% (2 – tailed) level of significance.

The study validated the social capital theory of Robert Putnam 1998 which considers group lending an important factor in eliminating poverty since the group works as the collateral for all the members. This was proved right since most of the clients to the MFIs were accessing the credit through group lending.

Regarding the bridging of the gaps of previous studies, the study found out the following gaps; the fact that most studies were looking at Uganda as a whole my study bridged the content gap by looking at Mbarara municipality. Time gap where by this study was done in 2012 yet the related studies were all in the previous years.

As regards the new developments, this study brings in ideas regarding capacity building as a vital factor regarding microfinance and poverty alleviation since it has always been neglected and only concentrating on credit alone.

RECOMMENDATIONS

There is need to reduce on the rates since most people happen to borrow from the MFIs because of the high interest rates in other banks. However the respondents showed dissatisfaction meaning that the rates are too high for them and so need to reduce on the rates.

There is need to come up with innovative microfinance institutions that are supportive of their own role in assets accumulation and wealth creation for their clients. This will involve innovative targeting of potential clients, as well as streamlined microfinance regulations to protect their clients.

There may be a need to re-examine the real issues contributing to household poverty and reevaluate how microfinance could be integrated with other poverty reduction policies to form a sustainable synergy. It is emphasized that if microfinance is chosen as an intervention policy for poverty reduction there is need to set clear objectives for the indicators of economic empowerment for the people. More importantly the ability of households to begin informal sole micro entrepreneurships should not be assumed to be adequate for the improvement of household income.

Having women as key participants in microfinance projects does not automatically lead to empowerment. Therefore microfinance institutions must analyze both the positive and negative impacts their interventions are having on women and that MFIs need to work with men to help pave the way for a change in attitudes to women's enhanced contribution to the household.

The training given should also be practical enough not only to look at how much to save to get a loan and what business the clients do but also improve on book keeping and other ways through which they can prosper to improve on poverty since the respondents are just satisfied.

Areas for Further Research

This study limited itself to microfinance credit and capacity building on poverty alleviation on women only. Therefore further studies in this area could focus on the other specific areas of poverty alleviation and also target the men too.

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APPENDICES

APPENDIX 1 A

TRANSMITTAL LETTER

KAMPALA
INTERNATIONAL
UNIVERSITY

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Tel: +256- 414- 266913 / +256- 772 322563
Fax: +256- 414- 501974
E- mail: admin@kiu.ac.ug
Website: www.kiu.ac.ug

OFFICE OF THE HEAD OF DEPARTMENT, ECONOMICS AND MANAGEMENT SCIENCES
COLLEGE OF HIGHER DEGREES AND RESEARCH (CHDR)

Date: 3rd May, 2012

RE: REQUEST NAKIDDE AMIISAH MBA/33378/111/DU
TO CONDUCT RESEARCH IN YOUR ORGANIZATION

The above mentioned is a bonafide student of Kampala International University pursuing Masters of Business Administration (Finance and Banking).

She is currently conducting a research entitled **"Microfinance Credit and Capacity Building on Poverty Alleviation Among Women in Mbarara District, Uganda."**

Your organization has been identified as a valuable source of information pertaining to her research project. The purpose of this letter is to request you to avail her with the pertinent information she may need.

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

Any assistance rendered to her will be highly appreciated.

Yours truly,

Mr. Malinga Ramadhan
Head of Department,
Economics and Management Sciences, (CHDR)

NOTED BY:
Dr. Sofia Sol T. Gaite
Principal-CHDR

"Exploring the Heights"

APPENDIX 1B

TRANSMITTAL LETTER FOR THE RESPONDENTS

_____

Dear Sir/ Madam,

Greetings!

I am a Masters. in Educational Management and Administration candidate of Kampala International University. Part of the requirements for the award is a thesis. My study is entitled, **"Micro finance Credit and Capacity Building on Poverty Alleviation among Women in Mbarara Municipality- Uganda."**

Within this context, may I request you to participate in this study by answering the questionnaires. Kindly do not leave any option unanswered. Any data you will provide shall be for academic purposes only and no information of such kind shall be disclosed to others.

Thanking you in advance for your cooperation.

Yours faithfully,

Ms. Nakidde Amiisah

APPENDIX II

CLEARANCE FROM ETHICS COMMITTEE

Date_____

Candidate's Data

Name: Nakidde Amiisah

Reg.# : MBA/33378/111/DU

Course : MBA (Finance and Banking)

Title of Study : **Micro finance Credit and Capacity Building on Poverty Alleviation among Women in Mbarara Municipality- Uganda."**

_____

Ethical Review Checklist

The study reviewed considered the following:

___ Physical Safety of Human Subjects

___ Psychological Safety

___ Emotional Security

___ Privacy

___ Written Request for Author of Standardized Instrument

___ Coding of Questionnaires/Anonymity/Confidentiality

___ Permission to Conduct the Study

___ Informed Consent

___ Citations/Authors Recognized

Results of Ethical Review

___ Approved

___ Conditional (to provide the Ethics Committee with corrections)

___ Disapproved/ Resubmit Proposal

Ethics Committee (Name and Signature)

Chairperson _____

Members _____

APPENDIX III

INFORMED CONSENT

I am giving my consent to be part of the research study of Ms. Nakidde Amiisah that will focus on "**Micro Finance Credit and Capacity Building on Poverty Alleviation among Women in Mbarara Municipality- Uganda.**"

I shall be assured of privacy, anonymity and confidentiality and that I will be given the option to refuse participation and right to withdraw my participation anytime.

I have been informed that the research is voluntary and that the results will be given to me if I ask for it.

Initials:_____

Date_____

APPENDIX IV

FACE SHEET: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Directions: please tick

Micro finance institution

(1)BRAC

(2)UWFT

(3)FINCA

(4)PRIDE

Age

(1) 20-39:

(2) 40-59

(3) 60 above and

Marital status

(1) single

(2) Married

(3) Widowed

(4) Divorced

Qualifications Under Education Discipline (Please Specify):

(1) Certificate_____

(2) Diploma _____

(3) Bachelors _____

(4) Masters _____

Number of Years in micro finance (Please Tick):

____(1) Less than/Below one year

____(2) 1- 2yrs

____(3) 3-4yrs

____(4) 5 and above yrs

APPENDIX V

RESEARCH INSTRUMENTS

Part A: QUESTIONNAIRE TO DETERMINE THE LEVEL OF MICRO FINANCE CREDIT AMONG WOMEN.

The information you give will be kept strictly confidential and only for academic purposes. Thank you very much for your cooperation

Direction: As honestly as you can, rate according to the scoring system the various ways you perceive the forms and sources of credit from the micro finance institution you are involved in either group or individual lending.

SCORING GUIDE:

SCORE	RESPONSE	DESCRIPTION
4	strongly agree	you agree with no doubt at all
3	Agree	you agree with some doubt
2	Disagree	you disagree with some doubt
1	strongly disagree	you disagree with no doubt at all

Group Lending

_____1. A group is made up of a few members.

_____ 2. All members have equal rights in the group.

_____3. The group is made up of women only.

_____ 4. The leader of your group is chosen by the members.

_____5. Additional information about applicants is always sought from external sources before giving loans.

_____6. Loan given on first come first served basis.

_____7. Clients' businesses visited and vetted before credit approval.

_____8. Credit vetting of existing customers is done before additional loan is granted.

_____9. You understand well the lending terms for the loans.

_____10. Clients' savings determine loan amount to be given.

_____11. Loans officers and credit control staff are coordinated on vetting of customers.

_____12. Collateral security is sought from a client before credit approval.

_____13. Loan limits are established for different categories of customers and reviewed from time to time.

_____14. There is standard credit terms laid down within the credit policy.

_____15. You are involved in determining loan installment payment.

_____16. You are involved in the process of vetting the loan from the lending institution.

_____17. Payments are promptly credited on clients' accounts.

_____18. Loan size is usually too small

_____19. Interest rates are always too low and favorable.

_____20. In case of member failing to pay the loan, all the group members are expected to pay for their colleague.

Individual Lending

_____21. Guarantors' are required to acquire loan.

_____22. Physical collateral is needed before the loan is approved.

_____23. The loan amount depends on the cost or value of the collateral.

_____24. I go through a lot procedures and bureaucracy before being approved for the loan.

_____25. A lot of money in form of minimum balance is required on one's account for the loan to be given.

_____26.There is clear borrowing terms laid down by my lending institution.

_____27.My business is visited before loan approval.

_____28.Installment payment is done only on a monthly basis.

_____29. Punishments are in place for failing to pay the loan.

_____ 30. High interest rates are charged on the loan provided.

_____31. Loan amounts increase as the borrower demonstrates prompt repayment and acceptable loan use.

_____32. Loan size is smaller than group lending.

_____33. I understand the terms and conditions of obtaining the loan from my lending institution.

Loans in Kind

_____34.You get seeds and other facilities from the lending institutions.

_____35.Your lending institution follows up on the usage of the machines and seeds given to you.

_____36. The lending institution provides training for the use of the facilities given to you.

_____37.Repayment is done after harvesting the yields.

_____38.Servicing and maintenance of the in kind loan like machines is done by the lending institution

QUESTIONNAIRE TO DETERMINE THE EFFECT OF CAPACITY BUILDING ON POVERTY ALLEVIATION

Direction: The options below guide you on how to rate the levels of capacity building on poverty alleviation according to your own perspective and view.

Scoring Guide:

SCORE	RESPONSE	DESCRIPTION
4	strongly agree	you agree with no doubt at all
3	Agree	you agree with some doubt
2	Disagree	you disagree with some doubt
1	strongly disagree	you disagree with no doubt at al

Training

_____1. We are trained in leadership skills in order to manage our loans.

_____ 2. Group cohesion is a major aspect in accessing credit.

_____ 3. Savings culture is emphasized by our lending institutions.

_____ 4. Efficient credit use by the women borrowers.

_____5. Self confidence and esteem is one other skill gained.

_____ 6. Book keeping is taught to women for their business

_____ 7. Installment payments of the loan are done by a group representative chosen by all group members.

_____8. Administration skills are part of group leadership

_____ 9. We are given skills in starting and managing our own businesses.

Women empowerment

_____ 10. We are aware of the politics going on in our areas.

_____ 11. We have full control over the loans collected and not taken by our husbands

_____ 12. Make decisions on what to buy with little money borrowed.

_____ 13. I now own property which I did not have before acquiring the loan.

_____ 14. We are now able to address issues concerning gender.

_____ 15. We can exercise control over decisions that affect us.

_____ 16. We have the ability to define our goals and act upon them

_____ 17. Have separate savings aside the husbands'.

Poverty alleviation indicators

_____18. We now have employment opportunities

_____19. My income levels have now improved.

_____20. People can now overcome their capital problems and undertake investments.

_____21. Health improved upon especially with the children of the members.

_____22. We can now pay for our health facilities.

_____24. We have now improved on our consumption ways.

_____25. We can now afford to feed on a balanced diet for some time.

_____26. Food is now available for my family throughout the year.

_____27. Expenditure on education for my children has increased.

_____28. Education levels attained by the children improved upon.

_____29. Children attend good schools in your village.

_____30. I can now afford to pay my children's fees in school in all levels

_____31. We now have physical assets of our own.

_____32. Can now have better accommodation and housing facilities.

Thank you

APPENDIX VI

Slovene's Formula

$$n = \frac{N}{1 + N(e)2}$$

$$n = \frac{1380}{1+1380(2.5)}$$

$$n = 310$$

RESEARCHER'S CURRICULUM VITAE

This part of the research is meant to document the researcher's competence in writing a research and to recognize her efforts and qualifications.

Personal Profile

Name : Nakidde Amiisah

Gender : Female

Nationality : Ugandan

Education Background

Master of Business Administration in finance and Banking (K.I.U) 2011

Bachelors: Islamic university in Uganda (2007)

UACE: Aisha Girls' High School (2002)

UCE: Aisha Girls' High School (2000)

Work Experience

4 years Secondary school teaching (Mbogo Mixed SS) 2007 - 2010

2 years as financial assistant Egytan Company