KAMPALA INTERNATIONAL UNIVERSITY

SCHOOL OF BUSINESS AND MANAGEMENT

RESEARCH PROJECT

TOPIC: FACTORS THAT AFFECTED LOAN REPAYMENT UNDER THE ENTANDIKWA CREDIT SCHEME (ECS); A CASE STUDY OF KAWEMPE DIVISION KAMPALA DISTRICT

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A PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS AND MANAGEMENT IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF A DEGREE OF BACHELORS OF BUSINESS ADMINISTRATION OF KAMPAIA INTERNATIONAL UNIVERSITY

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DECLARATION

I NAMAKULA PHIONA hereby declare that the contents of this report are a result of my own work and findings and have never been submitted for any degree at the university

Signed ...... *Phiona* ...... Date ... 20 /08 /07.

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APPROVAL

This project satisfies the necessary requirements for a university degree and is therefore approved for submission

Signed .... Date ..20/08/07..........

Mr. MUSANA MICHAEL

UNIVERSITY SUPERVISOR

DEDICATION

This study is dedicated to my parents, brothers, sisters, relatives and friends most especially those that have helped me during my academic endeavors.

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My sincere and heartfelt thanks go to my mother Mrs. Nsangi Flavia who has given me all the financial, physical and moral support possible during the course of my education. Without your support I would not have done much myself.

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I also wish to recognize the good company I got from all my friends and classmates. Without them I would have done much less than this. God bless you all.

ABSTRACT

Entandikwa is a Luganda word meaning something to begin with. The government of Uganda in March 1995 as part of an effort to address the poverty problem particularly among the rural and urban poor populations launched it. Before this scheme a number of poverty alleviation programs had been put in place and these include among others PAPSCA, RFS, PAP, etc. PAPSCA's overall objective was to address some of the most urgent social concerns of Uganda's most vulnerable groups through strengthening the institutional capacity of government agencies. The RFS and PAP were based on banking principles where by the applicant had to have collateral that made it difficult for the poor to obtain credit. It was therefore suggested that a collateral free revolving fund put in place to cater for the credit needs of the rural populations and urban poor.

The major objective of this study was to identify factors affecting loan repayment under the ECS. Specifically, the study appraised the operations of the scheme and analyzed the influence of economic activities of borrowers of loan repayment. Data collection involved primary and secondary data. A sample of 25 beneficiaries was selected out of a population of about 478 using a random approach. The data was then analyzed using SPSS statistical package and the chi-square test statistic.

The study found out that the factors affecting loan repayment were social demographic characteristics, amounts of loan advanced to them and the projects in which they invest the loans. However the administration of the credit scheme also left a lot to be desired.

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CHAPTER ONE

1.0   INTRODUCTION

1.1   Background to the study

During the financial year 1994/1995 budget, a provision for a scheme to give credit without collateral to facilitate small entrepreneurs, to undertake productive commercial ventures was introduced. The then National Resistance Council (NRC) decided that starting with the 95/96 financial year budget, Entandikwa Credit Scheme (ECS) would be capitalized by adding 6 billion Ugandan shillings per year for the following four years. The resources were then turned into a credit scheme and termed as the ECS

The scheme, which focused on poverty alleviation, was disbursed through county steering committees (CSC) in every county. Each county received an initial amount of 30 million shillings that was disbursed and recovered at the county level. The loans were then recovered and reimbursed making ECS a revolving fund.

The history of institutional loan repayment in Uganda and particularly government loans has not been impressive when evaluated on the basis of their repayment performance. Most government sponsored credit schemes like Rural Farmers Scheme (RFS), Small-holder Cotton Rehabilitation Program (SCRP) recorded very low repayment rates (SCRP Agricultural policy secretariat November 2000). Financial institutions in the country portray a poor loan repayment performance. This has led to many credit programs being scrapped as a result of gross inefficiency. The ECS according to previous researchers was not an exception on this note. Therefore factors that hindered loan repayment under this scheme need to be highlighted in order to enhance the success of other future schemes like the Bona bagagawale.

1.2   The ECS objectives

The long-term objective of the scheme was to assist the reduction of poverty through creation of a revolving fund to support income generation and employment among the rural and urban poor, rural artisans, women and the disabled in Uganda.

Immediate objectives of the scheme

1. To promote seed money for a revolving fund to enable beneficiaries to access credit for sustainable development activities.

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2. To promote income and employment generating activities particularly in those sectors of national priority where individual districts have a comparative advantage.

3. To develop and strengthen the operation and managerial skills of both the intermediary agencies and the target groups/individuals through the provision f both financial and technical assistance and training.

4. To transform the individual or groups into economically viable entities.

5. Mobilize household savings especially among the rural poor.

6. Support the development of indigenous grass root institutions to deliver and manage rural credit.

7. To train the staff of the Entandikwa Secretariat and intermediary institutions which were managing the scheme.

To ensure the above objectives, the government of Uganda put in place institution that were charged with the responsibility of disbursement of funds, implementation, monitoring, supervision, loan approval and assessment. These institutions were the Entandikwa Secretariat, the District Steering Committee that was composed of the Assistant District Executive Secretary (ADES) and District Executive Secretary (DES). Others included county steering committee and the intermediary agencies or any other community based organization or non-governmental organizations.

The county steering committee (CSC) was facilitated by 10% of the money allocated to the county and that recovered, while the intermediary agency was facilitated by 4% of all funds handled. The district steering committee received 0.5% of the money allocated to the district. The loans were given in cash at an interest rate of 12% p.a. charged on the prevailing economic conditions. Credit would not be subsidized and the ECS would not operate as an agent. The security received was minimal. In the case of groups, company guaranteeing mechanisms would act as collateral. In cases where any one individual took big loans other collateral would be required. The sureties should be living in the same location and may be group members or individuals.

The grace period for the loan would depend on the nature of the enterprise to be taken but would be kept at a minimum of one month. In case of the agricultural projects/enterprises the grace period is a maximum of 4 months. No beneficiary would be allowed a loan of more than 1.5 million Ug shs. This scheme was fully funded by the Government of Uganda to facilitate small

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enterprises to undertake productive economic or commercial ventures that would enable them to overcome massive poverty.

1.3   Problem statement

In most cases the ultimate beneficiary of loans and other financial services in Uganda is an individual operating a small-scale production unit, who requires a loan for consumption or acquisition of production inputs. Such an individual possesses a set of characteristics that play a major role in his/her decision on how to use the loan. People in Kawempe division (Kampala district) were getting loans in form of ECS since 1995 but their production and income levels still remained very low, which was contrary to the ECS objectives. This is because they failed to, use the money properly and as a result failed to pay back. This therefore means that their paying back was subject to proper use of the loans given to them. When a person/group is given a loan they were expected to start paying back after two months (grace period) and finish up within ten months and altogether repayment was supposed to be done within one year. However, by March 2001 records showed only 71% of the money disbursed to Kawempe division beneficiaries had been recovered. This clearly indicates a moderate rate of loan recovery. The beneficiaries instead of paying back so that the funds could be put back into a revolving fund were retaining borrowed funds. Failure to pay back made sustainability of the scheme difficult and the majority of the people were thus denied the chance to gain access to credit. Despite the inventives by the loaners to attract an attractive pay back of the loans, the borrowers still remain reluctant and/or unable to pay back at all.

1.4   Purpose of the study

In view of the above observation therefore it's necessary to take collective measures to improve the performance of similar future schemes like the Bona bagagawale, to ensure its sustainability and to make sure that its catalytic role of offering credit in development is not missed especially among the urban poor. The aim of the study is to assess and understand the factors that influence loan repayment in order to be able to design the necessary improvements for the future.

1.5   Objectives of the study

The main objective of this study is to identify and examine the factors that hinder loan repayment.

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The specific objectives of the study include: -

- To appraise the operations of the then ECS in Kawempe division
- To assess the influence of the economic activities of the borrowers on repayment
- Identify the factors that affected loan administration
- Analyze the effects of social demographic characteristics (age, number of dependants, educational level, major occupation etc) of the borrowers on loan repayment.

1.6   Justification of the study

The use of credit as a development tool among the urban poor has not been as effective as expected. This is because the rate of default has been very high and as a result made most of the credit consumptive rather than productive. The ECS was one of the likes. So this study has been justified to determine the strong and weak points in the scheme. This will enable future credit policy formulations and implementers to enhance strong points and improve on the weak areas.

In view of the above observations, therefore it is necessary to take collective measures to improve the performance of similar future schemes like the Bona bagagwale, in order to ensure its sustainability and to make sure that its catalytic role of offering credit in development is not missed especially among the urban poor. The aim of the study is to assess and understand the factors that influence loan repayment in order to be able to design the necessary improvements.

1.7   Hypotheses

- The amount of loan given, social demographic characteristics and economic activities of the loan beneficiaries influence loan repayment.
- Social demographic characteristics, amount of loan and economic activities of borrowers do not affect loan repayment.

2.0   LITERATURE REVIEW

2.1   What is credit?

Credit has been defined by several authors. According to Mellor (1967), credit is a device for facilitating the temporary transfer of purchasing power from one individual to another. He however on the other hand considers credit as an instrument of oppression to the recipient. In contrast to the general view in the high income countries, in low income countries credit is viewed as impotent and a device of oppression. Credit received simply places a new and continuing burden of interest against static incomes leaving even less than before for consumption until such a time if ever, when the principal can be repaid.

Adams and Pischke (1984) put forward that credit is not an input into production like seeds, fertilizers, pesticides or labor hours but can be used to improve the ability of borrowers at critical times to buy these inputs and therefore its called working capital.

Credit is a situation where someone obtains control over use of money, goods and services in present exchange for a promise to repay at a later date. It is not capital but can be used to make an investment such as buying a machinery which itself is capital (Adegeye and Dittoh, 1985).

2.2   Importance of credit

Credit plays an important role in improving production by either helping in acquisition of improved technology or supporting increased production activities and consequently improving incomes of the beneficiaries (Adegeye and Dittoh, 1985)

Islam (1992) accepts that technological progress directly increases the income of small and marginal producers provided they have access to credit. He further argues that economic growth I which the poor participate in acquisition of assets is essential but not a sufficient condition for poverty reduction.

Blain (1986) argues that credit is essential in enabling borrowers earn income in addition to encouraging development in the long run. He emphasized the point of repayment of the principal from additional funds that the loans make possible. He believes that credit is an essential element

in the process of breaking the vicious circle of poverty as its effects spread more rapidly than other methods of fighting poverty.

2.3   Access to credit global outlook

Access to credit is one of the keys to an improved standard of living for large proportions of people in less developed world. Holt and Ribe (1991) and Chigudu (1991) all agreed that poor people's access to formal credit has been constrained by collateral requirements, high borrower's transaction costs, sophisticated application procedures, social and cultural barriers and the nature of their work. These constraints are certainly worst for farmers.

Miniquiz (1984) observed that most poor and older people are incapable of completing application forms that require more than rudimentary reading and writing skills.

Access to loans helps to smoothen consumption over time and helps survive in period of diversity and scarcity. It permits the poor to make investments in physical and human assets and hence improve the future prospects (Seolaliker, 1990).

Many governments have attempted to extend credits to the poor through different programs. Utilizing strict procedures for evaluating loan applications and requiring numerous formalities and documentation. This complexity is due to the small amount and the nature of information about the borrower that the lenders pose. In Bangladesh, small farmers were found to demand credit even when the interest rate was 30% per annum (Lycettle and White, 1990) in. Infrastructure plays a great role for rural households to access credit (Heidhues and Schrieder, 1993).

The question of access to credit could pose something of ideological dilemma to people who believe that markets should be imperfect with, dissatisfied with a high interest rate levied on loans to small enterprise even when the funding has been channeled by donors through local intermediary institutions (Dossier, 1999). He further noted that small loans have a higher level of default, making its market imperative to change interest rate per annum.

Crispin (1998) noted that the problems of access to rural credit are not the level of interest rate but no financing was available at all. Borrowers also possess and operate under certain individual, household and physical characteristics that may be used by the lenders as devices for

credit worthiness, therefore influencing the lenders decision to award or withhold loans to the applicant (Clar dejesus and Cuevas, 1988).

According to Gonezabez (1981), 5% of farmers in Africa and 15% in Asia and Latin America have access to credit from formal institutions by the 1970's and for more than a decade financial services have bee emphasized as a crucial component of economic development. If not most important especially institutions requiring the acquisition of raw materials, inputs, new technology or increasing the level of investment in agriculture and related micro enterprise (Todaro, 1987). Loan transaction is also when the borrower matches access to credit with the choice used or recovery rate.

Adams and Vogel (1986) indicated that savers place considerable importance on access to future loans when selecting a financial and the innovative institutions could be quite successful in mobilizing savings. However government has often used financial intermediaries or donors for purposes such as low interest lending that are inconsistent with aggressive saving mobilization, neglected and the institutions have often performed poorly (Gangopadhyany and Sengupta, 1987).

Clones (1992), Shapiro and Maynest (1990) observed collateral requirements as a major stumbling block for businessmen. They further noted that the saving mobilization could assist the rural poor, improve resource allocation, and make financial institution more viable. When saving mobilization is discouraged, the total amount of funds available for lending in rural areas will be greatly lessened (Braver man et al., 1986).

Ssemago (1998) noted that rural farmers seem not to clearly understand what credit is all about; the procedures and benefits still remain an issue of discussion hence most farmers shy away and depend on profit they get from subsistence production.

2.4 Impact of credit

Credit delivered to people through groups/cooperatives have had a lot of positive impact on the rural communities in many respects like the culture of saving has been adopted among the populace, new and better technologies have been adopted most especially in agriculture, and it has led to the improvement in the standards of living among several communities

This has resulted into increased agricultural production of mainly non-traditional cash crops. Agro-based activities like maize milling, rice threshing, oil extraction, dairy and fish processing have also cropped up. To the benefit of the rural community, it has created employment. Many rural people have increased the range of their economic activities and many rural groups have been transformed into economic groups.

2.5   Availability of agricultural credit

Credit availability is limited and a number of studies cited reason for this low availability of credit to rural poor. Feder and Just (1980) cited that bank lending in most cases involved risk that the borrowers will not be able or willing to honor their obligation. The existence of defaults explains the behavior of lenders (Marguerite, 1989). Lenders behavior depends crucially on their subjective evaluation or probability of default.

Suppliers of rural credits may be willing to serve rural areas/commodities if the cost of the credit is not higher and the system makes possible for the borrower to repay (Adegeye and Dittoh, 1985). They further observed that in developing countries, rural people have effective credit demand less than potential demand. This may be due to lack of collateral, formal credit institutions and poor infrastructure in rural areas (Marguerite, 1989).

In Uganda, agricultural credits are needed to facilitate the acquisition of modern and productive farm inputs, if the vicious cycle of poverty is to be broken. However divestiture of agricultural credit has had adverse effects hence leading to low productivity due to inability to access, acquire and utilize more productive credit (MAAIF, 1998). Medium term plan for modernization of agriculture aims at progressively making the small holder farmers commercially oriented in production and improves credit availability in rural areas. These credits should be demand driven as opposed to supply lead strategy.

2.6   The review of agricultural credit in Uganda

A)   The co-operative credit Scheme (CCS)

This started in 1961, and abandoned in 1973 because the weak private sector could not supply agricultural credit at reasonably accessible rate of interest and also because of the economic crisis at that time (Obong, 1996). It was revived with USAID grant under PL-480 program (BOU, 1994). Additional funding was released under the Swedish co-operative center. The scheme by 1998 covered over 450 primary societies (Rwomwiguru, 1998). It attracts an interest

rate of 23% and primary society is allowed to retain 3% as its margin. Its loan recovery rate differs from region to region with the lower in Luwero (30%) and the highest in south-western and Mbale (95%).

The low rate recovery was attributed to poor targeting of loan beneficiaries, belief of the beneficiaries that loans were government hands out meant for resettlement, drought or poverty alleviation, lack of capacity for loan management in rural areas, absence of good marketing infrastructure for produce from primary societies, limited supervision of credit extended, for instance co-operatives depended entirely on the societies in processing loan application and follow up of loan recovery.

B)   Rural Farmers Scheme (RFS)

This scheme started in 1987 through Uganda Commercial bank (UCB) (Yeron, 1990). Since then it has received funding from African Development Bank (ADB), European Economic Community (EEC), Danish International Agency (DANIDA), World Food Program (WFP) and USAID (Rwomwiguru, 1998; BOU, 1994). This scheme has gone through modification in area of coverage, lending terms and divestiture of the bank from extending credit in terms of inputs. The volume of accumulative disbursement as at November 1994 was Ushs 11.7 billion with 3.5b in cash, 4.5b direct inputs and 3.5b for inputs sold (BOU, 1994). Loan approval range from 41.7% for individuals to 77.9% for group applicants.

However the scheme sustainability was eroded by negative real interest rates and consequently did not attain the initial projected success. Real interest rate was 18% in 1989 while loan recovery rate was only 64%. This contributed to the eroding of capital base (Yeron, 1990).

C)   Development Finance Fund (DFF)

This was established through statutory instrument number 6 of 1996. The overall objective was to provide a credit system that would facilitate the flow of an institutional loanable fund to agricultural sector for financing short-term top medium term projects.

The statutory instrument empowered Bank of Uganda to collect 5% of the balances of the total deposits of commercial banks at the end of every year towards the fund. Out of Ush 5b contributed only 2.5b has been utilized. The fund amount is small and the utilization low because of conditions of statutory investment requirements on commercial banks, the reluctance to

extend the credit to the agricultural sector due to high risk involved, poor administration and high default (BOU, 1994).

D)   Entadikwa Credit Scheme (ECS)

This was the latest in a series of government attempts to deliver credit especially to rural areas, for income generating micro enterprises. It started in 1994/1995 financial year with 6b and interest rate of 12% per annum, charged on declining balance of payment with the grace period of maximum of 4 months.

2.7   Constraints to loan performance

Despite the fact that many view credit as being essential, others like Tumusiime (1995) who analyzed the pros and cons of ECS argues that the idea of giving loans would be welcome but needs a lot of modalities which unfortunately the ECS lacked.

Chambers (1993) and Tayebwa (1997) both argue hat credit facilities like the ECS funds meant for the poor are normally diverted and taken up by patrons of their self enrichment and they are of the view that a centralized nature of credit provision would be the main cause of all this and thus the need for decentralization of all the operations regarding credit provision otherwise not much will be attained if such modalities are not considered.

As with most development efforts, credit programs have included both successes and failures (Adams and Vogel, 1986). Some credit efforts for instance, have encountered serious loan recovery problems, combined with large transaction costs and these have sometimes caused lenders to collapse (Pischke et al., 1983), and the basis of these were constraints such as: -

(i) Risks and uncertainties

Imperfection in rural credit markets stems from characteristics if agricultural production systems, which are biological in nature. Income form agriculture is greatly influenced by climatic conditions, which expose the rural population to higher risk that those prevailing in other sectors, crops may often be subjected to produce changes hence aggravating variability in farm incomes and related repayment capacity.

(ii) Geographical Dispersion of Borrower's

This entails high transaction costs such as transport costs and allowances for loan officials when carrying out monitoring, evaluation exercises and collecting repayments, this further worsened when roads are in most cases during the rains as dry periods.

(iii) Fungibility of Loanable Funds

Fungibility includes diversion and substitution of loan funds from intended purpose. Credit policies in development countries allow fungilbility of loanable funds to occur in the channels if credit systems, from the farmer to financial intermediary and to central bank. This invalidates most state targets and regulation for credit in physical form is an infective solution because funds are either substituted or diverted.

Farm households deploy borrowed funds in the users that give the highest marginal returns in consumption or production, and because of the above aspects of fundability 100% of additionality is almost an implausible outcome of credit provision. Adams and Pischke (1984) noted further that it is impossible in practice to identify changes that have occurred as a result of format credits.

FAO (1989) and UNECA (1990) observed that banking/credit institutions want to ensure that credit are used to buy items agreed upon in the loan document.

(iv) Interest Rates

Interest rate issuing is a suitable instrument, socially and economically imperative (Adams and Vogel, 1986). Issuing cheap credit to small farmers is advantageous to the target group, agricultural sector and the economy at large. Interest rates in small farmer's credits are set below the going commercial rate. However, experience has shown that low interest rate on loans to rural farmers end up by restricting access to financial services (Adams and Pischke, 1984; Ladman and Tinnemeir, 1983). Rural farmers credit schemes are costly for lenders to service for reasons such as: -

a) They deal in small transactions, which are expensive for credit institutions to process. Frequently farmers are scattered in rural areas hence poor communication. They are also accustomed to modern commercial practices and not concerned about over due dates. All the above characteristics raise lenders costs.

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b) Rural economic and farm practices fluctuate widely due to marketing problems. For instance narrow markets failing to absorb produce, uncertainties and risks. Low interest rates restrict borrowers' access by generating excess demand for loan funds that stimulates rationing by non-commercial criteria and also restricting mobilization of loanable funds (Adam and Vogel, 1986).

(v) Lack of collateral

Collateral are securities for loans. Where credit has been dished out without collateral, farmers, have tended to pay a declining proportion of loan over time (Pischke and Graham, 1983). This places serious financial burden on credit agencies and government. High rates of default decrease both the number of creditworthy borrowers and the ability of small farmer credit programs to continue as an aid to agriculture. Credit programs not requiring collateral has good initial rate of recovery but later declines, and according to Pischke and Graham (1983) is due to less discrimination in the selection of borrowers, less supervision of lent funds or to political influence and corruption credit programs progress.

Allan and Truman (1993) and Stighz (1992) also argued that bank employees do however admit that the personality of the potential entrepreneur and their abilities in deciding who to grant credit.

2.8   Review of factors affecting performance of past credit schemes in Uganda

Over the past few years a number of studies, evaluations and publications have cited challenges and constraints to performance of rural credits in a number of places and countries.

Rural credits were extensively operated through the cooperative movement. Hunt, 1967 examined its operation in Masaka and Lango, and indicated that farmers did not achieve increased production or income as a result of credit.

In 1994 rural farmers, scheme (RFS) was launched by the government of Uganda with foreign aids to finance agricultural production in rural areas. Ssendijja (1989) revealed a loan recovery of 58.1% for male and 59.0% for female beneficiaries in 1989. RFS encountered a number of problems; operation weaknesses such as deficiencies in loan procedures, slow processing of loan application, delay in disbursement of loans, lack of supervision due to inadequate logistical support, political interference and integrity of loan officers. Other problems were operational costs of 20% without bad debts, lack of collateral, lending terms, procedures and guidelines by

UCB, incomplete documentation, irregular disbursements, lack of monitoring, weak appraisals system and poor loan recovery led to the poor performance of the scheme (Agricultural secretariat, BOU, 1994).

Loan repayment under agricultural cooperative credit scheme was poor in Bushenyi due to the late release of funds, lengthy and time-consuming loan application procedures and political factors influenced loan approval (Tumwebaze, 1994).

Low profitability of the enterprises for which the loan was granted, amount of loan given, interest rate charged, household size, which directly relates to age and family size (Tumwebaze, 1994). He further observed that that borrowers who received excess loan (increased size of loan) reduced performance by tending to divert it to unproductive uses such as buying food items, taxes, school fees and medical expenses. He explained that as the rate of interest charged for loans increased the outstanding balance also increased.

The monitor editorial (Ojulu, 1997) in trying to relate the global micro credit scheme to Uganda's ECS noted that ECS has been bungled and is a cancer that should be scrapped. The editorial criticized the ECS as a political gift since it came during an election year. The scheme lacked an enforcement factor to achieve a high rate of payment.

In Luwero triangle, Bibangabah (1994) identified factors affecting loan repayment as; poor borrowers selection, poor monitoring, bad supervision ands high interest rates charged by the banks. Furthermore, diversion of funds to unproductive undertakings, willful defaulting and poor yields resulting from adverse weather conditions affected loan repayment. Rehabilitation of productive enterprise project (REP) by USAID in war torn areas recorded 20–30% repayment by the beneficiaries.

FAO (1993) found out that the Bank of Uganda, Cooperatives Bank, UCB, did not operate satisfactorily due to poor supervisory role of BOU. Poor performance of Credit Bank and UCB and poor loan performance was attributed to; insufficient loaned amount, delays in loan disbursement, poor distribution and marketing outlets, security problems and low level of extension services. Lack of transport, high transport costs, lack of market and small credits are major problems that affected farmers' effective and poor use of production credit hence weak repayment ability (World Bank, 1990)

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Most studies on rural credit in developing countries in general and Uganda in particular, indicated that rural credit did not contribute much to rural development, despite government efforts to improve distribution and the performance of rural poor, its contribution is still lacking (Nsubuga, 1998).

On the impact of credit programs and benefits produced, few collect comprehensive information on the impact of the beneficiaries and on the amount injected in credit schemes by government, NGOs and donors (United Nations, 1990).

2.9   Past credit performance in other low income countries

Many studies have been carried out in various places of the world to establish factors that affect the operation of credit schemes and loan repayment. Sanderate (1978), analytical approach to loan default in Sri Lanka, discussed the nature and extent of default. High default rate of 50-95% in small credit programs in Africa, Middle East and Latin American countries and is similar in other third world countries.

In Canada o agricultural credit, Wooster (1987) noted that beneficiaries use loans for other purposes other than what the loan was issued for. This was inevitably due to external conditions and internal weaknesses of the lending institutions such as poor administrative and lending policies; borrowers believed that government and donors could wait indefinitely for their money.

In Sri Lanka, Sharah (1991) noted that the size of land holding had some correlation with credit worthiness hence there was high rate of defaulting among small scale farmers than large scale farmers.

In Nigeria, Osuntogum and Olundinu (1981) identified low level of loan repayment as a major constraint with agricultural credit schemes.

Njoku and Odii (1991) found that most important factors affecting loan repayments were amount of loan received, interest rate charged on loan and house size. Any increase in them directly increase default rate and reduce repayment performance.

In Ghana, Barbara (1992) found that agricultural loans were diverted as follows: house hold expenses 21.9%, payments of all debts 7.9%, building expenses 4.6%, education 4.3%, hospital fee 3.9%, marriage expense 3.7%, church fee 3.0% and taxes 1.1%.

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In central Kenya, Mbata (1993) noted social economic factors affecting farmers' productivity, demand and utilization of credits. These variables were age, level of education, household size, farm size and level of interaction with extension workers.

Pandmanabham (1998) states that loan default is due to inability to pay and willingness to pay by viewing the loans as grants and political patronage. Borrower perception of penalties of not paying in terms of getting future loans, where they see that credit availability is of limited duration, incentive to default is high.

CHAPTER THREE

3.0   METHODOLOGY

3.1   Introduction

The study carried out was about mainly loan repayment and data was obtained from all types of borrowers including those who had fully paid back and those who had not. Owing to the nature of the study, the following method was used during the preparation, collection, analysis and assessment of the data. A pilot study·was also made before collection of data about the previous operations of the then ECS in the study area. Contact was made with the relevant local council personnel to brief them about the study and request for their support and cooperation. Various micro finance institutions were also contacted for the sake of identifying the past beneficiaries of the scheme.

3.2   Study area

This study was conducted in Kawempe division (Kampala district). It comprises 20 parishes; Bwaise (1, 2, 3), Makerere (1, 2, 3), Mulago (1, 2, 3), Kawempe (1, 2, 3), Makerere University, Wandegeya, Kyebando, Kkaaya, Kanyaya, Komamboga, Mpererwe, Kazo-Angola. Kawempe is an urban suburb of Kampala district with a high population consisting of small industrial producers, traders, market vendors, artisans, farmers, civil servants etc. Most of these people live under poor conditions and thus ECS was designed to improve their condition.

3.3   Research design

The study involved both qualitative and quantitative data designed to collect and analyze information obtained from all types of ECS beneficiaries within the study area. Both primary data from questionnaires and secondary data from newspapers, theses, Internet and ECS reports will be used. The dependent variable used was repayment while the independent variables were economic and social demographic characteristics of the borrowers. In some cases the questionnaires were translated into Luganda, which was the most commonly used language in the area of study.

3.4   Survey population

Data on all the beneficiaries of the scheme was studied from Entadikwa secretariat. This also, included the local leaders. The beneficiaries who were about 478 could not be interviewed owing

to the very short period, finances and failure of some of the beneficiaries to co-operate. So a limited number of about 25 were randomly selected and interviewed for the study.

3.5 Data types, sources and collection

Primary data

This was collected on social demographic characteristics, economic activities, amount of loan received, how much was paid back, date when the loan was got, how funds were used, attitudes towards the scheme, political preferences and problems encountered during the repayment etc. using pre-coded questionnaires as reflected in appendix I and II. Some questionaires were administered in person and others using the welfare officer of Kawempe division. More information was got from Sempebwa credit bureau a once intermediary agency. This included; how beneficiaries were identified and selected, how many applied for the loans and how many of them got, amounts of loan disbursed and the amounts paid back and the problems encountered.

Secondary data

A lot was said and published about this scheme's repayment proceedings e.g. Bukedde July 18 2003 listed all the ECS loan defaulters as per the date. Other sources included newspapers, Entandikwa secretariat, policy documents, journals, theses, dissertations and Internet sources.

3.6 Data processing and analysis

Considering the dependent variable and independent variables i.e. economic activities of beneficiaries, social demographic characteristics, coding and editing on the accuracy, consistency and comprehensiveness of questionnaires was done. This information was then entered into the computer and analyzed using a statistical package called STATA. The test statistic used was the chi-square distribution given by $X^2 = \dfrac{(n-1)S^2}{\delta^2}$

The rejection rule is; reject the null hypothesis (Ho) if the level of significance is greater than the critical value (Pr) displayed.

3.7 Limitations of the study

➤ To begin with it was quite expensive to the author who is the sponsor of the study.

➤ Due to limited time available for the study, the researcher was not able to study the projects of the beneficiaries and more importantly the longitudinal analysis.

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- Some respondents were reluctant to respond thinking the researcher was a government agent looking for ECS defaulters however with the persuasion of the local council personnel this was overcome.
- Beneficiaries were scattered within the study area, this involved moving long distances to paces that the researcher was not well versed with.
- For most of the interviews the researcher had to translate the questions in the questionnaires into the local language (luganda). This however was not easy and could be a cause of error in the research due to misinterpretation.

CHAPTER FOUR

4.0 RESULTS AND INTERPRETATION

This chapter reports the results of the study. It includes brief information on the sex, amount received, amount paid back and parish of all the entire beneficiaries. It then shows the background characteristics of the selected beneficiaries' education level, economic, social and political characteristics and the hypothesis testing.

Between 1995 and 2000 a sum of shs 137,989,520 was given as loan of which by March 2001 only 98,029,656 had been paid back, meaning only 71.04% had been paid back.

Table 4.1. Distribution of the beneficiaries by sex in Kawempe division

Sex	Frequency	Percentage
Male	224	46.86
Female	235	49.16
Mixed	19	3.97
Total	478	100

Table 4.1 above shows the distribution of the beneficiaries by sex. Of the 478 total beneficiaries, only 49.16% were male and 46.86 were female. So we can say that there was almost equal distribution of loans among the people according to gender.

Table 4.2. Distributions of beneficiaries by life status in Kawempe division

Status	Frequency	Percentage
Alive	470	98.33
Dead	8	1.67
Total	478	100

Table 4.2 above shows that 96.03% of the beneficiaries got as individuals and only 3.97% got as organized groups.

Table 4.3. How beneficiaries got loan in Kawempe division

Method	Frequency	Percentage
Individual	459	96.03
Group	19	3.97
Total	478	100

Table 4.3 above shows that of the 478 beneficiaries, 98.33 were still alive and only 1.67% were dead by the close of the scheme.

Table 4.4. Distributions of the beneficiaries by year of getting the loan in Kawempe division

Year	Frequency	Percentage
1995	115	24.06
1996	30	6.28
1997	182	38.08
1998	59	12.34
1999	50	10.46
2000	42	8.76
Total	478	100

Table 4.4 above shows that most of the loans were given in 1997 with 30.08% followed by 1995 with 24.28%. This indicates that the majority of the beneficiaries received their loans in 1997 and the number of beneficiaries reduced each succeeding year. However by the year 2001 the scheme had failed and stopped operating.

4.1 Description of the social demographic characteristics affecting loan repayment

There were a number of social demographic characteristics that could affect loan repayment. However only a few were noted and these included sex, age, number of dependants, occupation, marital status and level of education. These were sampled and summarized in tables shown below.

36% of the respondents were high school graduates, 24% had O' level education and 24% were also college and university graduates, 16% had attained primary school education and below (Table 4.7). The findings show that the education level of the beneficiaries was significant to credit acquisition. This was because one had to be educated in order for him/her to be able to fill the application forms. However it was seen that high school graduates got most of the loans because they made the biggest portion of the civil servants at the division level.

Table 4.8. The distribution of respondents according to their marital status

Marital status	Frequency	Percentage
Single	8	32
Married	11	44
Widowed/Spinster	6	24
Total	25	100

Respondents were categorized as single, married and widowed/spinster (Table 4.8). The majority of them constituted 44% married, 32% single and 24% had lost their partners. The findings show that majority of the beneficiaries were married. This is because they were settled and were therefore in a better position to access the loans. The singles got the least share of the loans because they were young and inexperienced in the process of loan acquisition.

Table 4.9. The distribution of respondents by number of dependants in their households

Number of dependants	Frequency	Percentage
0-4	12	48
5-9	11	44
10-14	2	8
Total	25	100

Most of the respondents had between 0-4 and 5-9 dependants in their support with 48% and 44% respectively (Table 4.9). Only 4% had 10-14 dependants. This however means that people did not get loans in reference to the number of dependants that they have.

Table 4.5. Distribution of respondents according to sex

Sex	Frequency	Percentage
Male	8	32
Female	17	68
Total	**25**	**100**

The table above shows that 68% of the respondents were female compared to 32% males. This therefore shows that more women than men got loans. This however was attributed to the numerous women in the welfare department who were also responsible for giving out the loans. They also made a big fraction of the respondents interviewed.

Table 4.6. The distribution of respondents according to age

Age group	Frequency	Percentage
18-25	3	12
26-35	4	16
36-45	14	56
46-55	4	16
Total	**25**	**100**

Majority of the respondents i.e. 56% were between the age group of 36-45, 16% for 46-55, 16% for 26-35 and 12% for 8-25 age groups (Table 4.6). The age ranges of 36-35 were the majority because they were more active and constituted most the loan staff. The groups of 18-25 had the least beneficiaries due to lack of experience in loan acquisition. They also had little influence in loan disbursement because of their age.

Table 4.7. The distribution of respondents according to level of education

Level attained	Frequency	Percentage
Primary and below	4	16
O' level	6	24
High school	9	36
Tertiary institutions	6	24
Total	**25**	**100**

4.2   Description of the economic activities of the respondents

All the people interviewed were involved in some kind of production but this varied from low capital undertakings like food vending to relatively high capital undertakings like shop keeping. The economic undertakings included the following:-

Poultry keeping: here people reared both broilers and layers chicken that were sold when they matured and eggs sold respectively. Most of the schemes were on medium size scale and this was partly caused by the small amounts of loan advanced to them. Payment of the loans was difficult due to long periods required for the chicken to give incomes.

Tailoring: Under this activity the tailors used the money to purchase better quality sewing machines and also increase on the variety of the cloth materials that they had in stock. From the materials finished products included trousers, dresses, shirts and coats that were sold. It was not that rewarding as low levels of demand and profits could not allow repayment of the loans that also had high interest rates.

Shop keeping: The beneficiaries used the money to increase stocks in their shops. They however claim that this could only help those that already had big stocks and not small ones. They too complained of short repayment periods and high interest rates.

Welding: Money got was used to buy better quality machines and materials for use. These were mainly involved in making window and door frames, repairing simple home equipment like wheel barrows, spades, hoes etc. The loan did not help this group as the grace period elapsed before any profits were made yet interest had been charged.

Food vending: This is a situation where a person buys raw or semi-processed food, prepares it and then sells to the public. The common foods sold include fried cassava, pancakes, chapatti, and roasted maize. Selling was being done by the roadsides and school children are targeted. Repayment under this undertaking was difficult and almost impossible due to the low levels of profit and high interest charges.

Charcoal selling: For this case beneficiaries buy bags of charcoal at reduced prices and then divide them into smaller partitions of various sizes and then sell for a profit. Like other undertakings repayment was constrained by high interest rates.

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Livestock rearing: The beneficiaries bought cows with a view of getting milk from them and breeding for more animals. The costs maintenance turned out to be high thus making the beneficiary operate at a loss thus non repayment of the loan.

A summary of the undertakings of respondents is shown in the table below.

Table 4.10. The distribution of beneficiaries according to project undertaken

Project undertaken	Frequency	Percentage
Poultry rearing	9	36
Tailoring	4	16
Shop keeping	4	16
Welding	2	8
Food vending	2	8
Charcoal selling	3	12
Livestock.	1	4
Total	**25**	**100**

36% of the respondents invested in poultry rearing, 16% in tailoring, 16% in shop keeping, 8% in welding, 8% in food vending and 4% took part in livestock rearing.

4.3 Distribution of respondents by amount of loan got

Various respondents got different amounts of money from the division and a summary of this is given in the table below.

Table 4.11. The distribution of respondents by amounts of loan received

Amount	Frequency	Percentage
100000-200000	5	20
201000-300000	11	44
301000-400000	6	24
401000-500000	2	8
501000-600000	1	4
Total	25	100

Most of the beneficiaries i.e. 44% got loans in the range of 201000-300000, 24% between 301000-400000, and 20% got between 100000-200000. Very few got loans above 400000 although according to the projects undertaken they needed much more than this.

4.4 Analysis of the socio-demographic characteristics affecting loan repayment

Of the 478 beneficiaries, details were got on only 25 beneficiaries and its basing on this information that the hypotheses were tested.

4.4.1 The socio-demographic characteristics of loan beneficiaries affect loan repayment

i) It was hypothesized that the sex of the beneficiaries affects loan repayment

The sex of the respondents was recorded and tabulated against the percentage paid back (Table 4.12)

Table 4.12. Proportion of loan paid back by sex

		Proportion paid back		Total
		0-50	51-100	
Sex of responde	Male	62.5%	37.5%	100%
	Female	47.1%	52.9%	100%
Total		52%	48%	100%

Pearson chi-square $x^2 = 0.52 < 3.841$

Of the 25 beneficiaries, 8 were males and 17 were female of which 2 males and 5 females had paid back fully. 3 males and 4 females had not paid back at all. Among those who had paid back at least more than 50% were 3 males and 9 females hence females paid back more than their male counter parts. Basing on the significance level displayed and the critical value of 0.05, the hypothesis is accepted and concluded that sex of the beneficiaries affects loan repayment.

ii) It was hypothesized that the respondent's number of dependants affects loan repayment.

The respondent's number of dependants was recorded and tabulated against the percentage paid back and this is given in table 4.13 below.

Table 4.13. Proportion of loan paid back by number of dependants

		Proportion paid back		Total
		0-50	51-100	
Number of resp	0-4	25%	75%	100%
	5-9	73%	27%	100%
	10-14	100%	0%	100%
Total		52%	48%	100%

Pearson chi-square $x^2=7.25>5.991$.

Of the 25 beneficiaries 12 had between 0-4 dependants, 11 had between 5-9 dependants and 1 had over 10 dependants. Basing on the significance level displayed and the critical level of 0.05, the hypothesis is rejected and concludes that number of dependants don't affect loan repayment.

iii) It was hypothesized that the respondent's age affects loan repayment

The respondent's age was recorded and tabulated against the percentages paid back and this is given in table 4.14 below.

Table 4.14. Proportion of loan paid back by respondents' age

		Proportion paid back		Total
		0-50	51-100	
Age of respond	18-25	25%	75%	100%
	26-35	66.7%	33.3%	100%
	36-45	42.9%	57.1%	100%
	46-55	100%	0%	100%
Total		52%	48%	100%

Pearson chi-square $x^2=5.07<7.815$

Of the 25 beneficiaries only 7 had paid back fully of which 2 were aged between 18-25, 2 between 26-35, 3 between 36-45 and none between 46-60. Basing on the significance level displayed and the critical value of 0.05, the hypothesis is accepted and concludes that respondent's age affects loan repayment.

4.4.2 Amount of loan given to beneficiaries does not influence loan repayment

It was hypothesized that the amount of loan given to beneficiaries does not affect loan repayment. The amount of loan received was recorded and tabulated against the percentage paid back and this is given in table 4.15 below.

Table 4.15. Proportion of loan paid back by amount of loan received.

		Proportion paid back		Total
		0-50	51-100	
Amount of loan (000) Ug shs.	100-200	20%	80%	100%
	201-300	45.45%	54.55%	100%
	301-400	66.7%	33.3%	100%
	401-500	100%	0%	100%
	501-600	100%	0%	100%
Total		**52%**	**48%**	**100%**

Pearson chi-square $x^2=3.68<9.488$

Of the 25 beneficiaries interviewed only 7 had paid back fully while 18 had not paid back fully. However each of them had at least paid back some amount. Basing on the significance level displayed and the critical value of 0.05, the null hypothesis is accepted and concludes that · amount of loan received affects loan repayment.

4.4.3 Economic activity of the borrower does not influence loan repayment

It was hypothesized that the project undertaken affects loan repayment. The project undertaken was recorded and tabulated against the proportion paid back and this is given in table 4.16 below

Table 4.16. Proportion of loan paid back by project undertaken

		Proportion paid back		Total
		0-50	51-100	
Project underta	Poultry	33.3%	66.7%	100%
	Tailoring	75%	25%	100%
	Shop keeping	50%	50%	100%
	Welding	0%	100%	100%
	Food vending	100%	0%	100%
	Charcoal sales	33.3%	66.7%	100%
	Livestock	100%	0%	100%
Total		**52%**	**48%**	**100%**

Pearson chi-square $x^2=7.46<12.592$

Of the 25 beneficiaries 9 had invested in poultry, 4 in tailoring, 4 in shops, 2 in welding, 2 in food vending, 3 in charcoal sales and only 1 in livestock. Basing on the significance level displayed and the critical value of 0.05, the hypothesis is accepted and concludes that the project undertaken affects loan repayment.

4.5   Problems encountered by loan beneficiaries

The beneficiaries encountered several problems and the researcher summarized them in the table 4.17 below.

Table 4.17. Major problems faced by respondents

Problems	Frequency	Percentage	Most affected proje
Failure due to natura	11	44	Poultry and livestock
Low demand for the	8	32	Food vending, tailoring,charcoal sel welding
Home expenses	7	28	All categories
High costs of operati project	9	36	Poultry, livestock an
Laxity of IAs	4	16	All categories
Thefts	6	24	Poultry
No significant probl	2	8	Shop keeping
Total	49	180	

Total frequency is higher than sample size because of multiple responses. Similarly the total percentage exceeds 100.

- The economic activities most affected by problems advanced were poultry and livestock production. These were affected by natural hazards like infections and diseases that attacked th animals. This in turn increases the cost of production.

- There was also a general lack of market for most of the products of the projects undertaken. This reduced the profits of the beneficiaries greatly thus the non-payment.

- The IAs were also said to have relaxed in their duty of monitoring their payment process so in most cases the beneficiaries were not under any form of external pressure to pay back.

SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0   Introduction

This research was done to study the factors affecting loan repayment under Entandikwa Credit Scheme (ECS). The researcher tried to identify some problems faced by beneficiaries and loopholes in the management of the ECS in Kawempe division, Kampala district. Specifically, the researcher appraised operations of the scheme and analyzed the influence of socio-demographic characteristics, economic activities of borrowers and amount of loan got on loan repayment. Evidence of the effects and significance of these reviewed in chapter four and, interpretations of the chi-square were also present. This chapter therefore presents a summary of findings and conclusions as well as recommendations.

5.1   Summary of findings

ECS being a revolving fund, beneficiaries were given a grace period of two months and after that they had to pay back in ten months, but from the findings majority took two, three, four, five years to payback and some never paid back at all which greatly hindered the performance of the scheme. Out of 137,989,520 Ug shs disbursed from 1996-2000 only 71% had been recovered. However considering the fact that repayment has taken over 4 year, this is considered a poor loan repayment rate. The poor loan recovery performance may be attributed to the way the scheme was implemented like;

1. The scheme was started hurriedly before properly assessing its viability. Since the scheme was implemented shortly after presidential elections, many borrowers therefore took it as a reward for their political support. Therefore due to political interference the people perceived the ECS to be a transfer payment from government that in turn influenced loan repayment.

2. When the beneficiaries applied for Entadikwa in some cases not the whole sum was given. The size of the loan was not carefully assessed in relation to the project to be financed; consequently most of the projects were under financed. It was then obvious that most borrowers experienced financial constraints to sustain the projects to maturity. This made it difficult to raise the amount to payback.

3. For some beneficiaries especially women their spouses forced them to divert resources to other projects that they thought as quick maturing projects in which they had no experience, other than the intended projects. Management of these new projects proved difficult so repayment was equally hard if not impossible in most cases.

4. The scheme did not reach the most impoverished people in Kawempe instead sometimes the funds were inappropriately allocated and the method used targeted the rich, relatives and those who are politically influential.

5. There is no serious action taken against beneficiaries who fail to pay back the loan. Lack of a loan recovery mechanism to force borrowers to pay back has led to non-repayment on the part of some beneficiaries. Due to political influence the ECS funds were widely distributed which resulted into the real amount of money given to each beneficiary to be grossly inadequate and made the monitoring and recovery process very difficult. Any retributive action by government to force the defaulters to pay is weighed as being socially, economically and politically counter productive as many of the beneficiaries are sole breadwinners of their families.

6. In some cases the beneficiaries die before paying back and this makes the management of the scheme quite difficult as repayment is totally impossible.

7. Borrowers used the money to finance various economic activities (investments). Although some respondents expressed failure of their projects due to theft and unforeseen hazards, the results of the chi-square test revealed that there was a weak relationship between loan repayment and economic activity. Therefore the poor loan recovery performance could not have been due to type of economic activity undertaken.

8. A number of socio-demographic characteristics of the borrowers were examined to determine their influence on loan repayment. It was found that gender significantly influenced loan repayment. Females were therefore better borrowers than males. Female borrowers exhibited a higher probability to prepare to repay than their male counterparts. Females were therefore better borrowers than males. The number of dependants and age of the respondents was also significant to loan repayment as shown in the analysis. People with many dependants find in hard to pay back as the profits obtained are too low to cover the expenses of the family.

9. Examination of the managerial factors was carried out. The administrative problems included a number of costs both to the administration implementing the scheme and to the beneficiaries utilizing the ECS funds. There were delays in receiving the funds on the part of the beneficiaries. In general there was lack of technical expertise to prepare

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project proposals and lack of a comprehensive mechanism to ensure sustainability of the scheme.

5.2 Conclusion

While the idea of providing credit to the poor is in principle a positive step in helping the poor, it has become clear in this study that the ECS is a mere 'buzz word'. Targeting credit facilities to the poor in general and hoping that this would improve their income levels and their standards of living, simply does not work. A number of factors have to be put in place to understand and effectively manage such a program. Without such efforts to ensure loan repayment and sustainability of this revolving fund the now Bona bagagawale scheme now in the pipeline will also remain a mere buzz word.

5.3 Recommendations

The following recommendations were earmarked by the researcher for improving loan repayment and making programs similar to ECS more responsive to the needs of the target population.

- There is need for more systematic way of scrutinizing the applicants, to ensure that the money goes to those who genuinely deserve assistance. Not only local leaders should be involved in identifying the most needy individuals but the general public including bodies like charity institutions.
- There is need for periodic workshops and seminars to educate beneficiaries on effective and profitable utilization of funds. Management should also make constant follow-ups to appraise the progress of beneficiary's investments.
- The grace period should not be standard for all beneficiaries. It should vary depending on the project undertaken.
- For effective targeting and easy repayment of ECS funds, people should be encouraged to organize themselves in groups so that they can come up with bigger and more viable projects.
- It was also recommended that those that pay back on time be given opportunity to get more funds to expand their investment.

- Government should privatize all credit schemes. It should just subsidize the credit and leave it to the commercial banks to do it. This would reduce the political patronage that has had adverse influence o the design and implementation of such schemes.
- The government should solicit for funds to increase on the revolving fund, as well as play the supervisory role to ensure that participating institutions operate according to the terms agreed upon.

Finally the notion that a well planned developmental credit scheme can undoubtedly lead to poverty alleviation among the urban poor although provision of capital still holds.

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APPENDIX 1

My name is Namakula Phiona a final year student of Kampala International University in the school of business and management, department of business. Am carrying out research on the Entandikwa Credit Scheme as part of a requirement that will lead me to the award of a degree at the university. Your kind and sincere response is highly appreciated. Thank you.

QUESTIONAIRE USED IN ASESSING THE SOCIAL DEMOGRAPHIC CHARACTERISTICS OF THE BENEFICIARIES

Parish and zone...

Sex; (tick the appropriate)

Male

Female

Age of respondent (in years)...................................

Highest education level of respondent (tick the appropriate)

Primary and below

O' level

A' level

Tertiary institution

Others (specify)

Occupation of respondent (specify)

Peasant farmer ....

Private sector ....

Civil servant ....

Business person ....

Unemployed ....

Any other ....

Marital status

Single

Married

Widowed/spinster

Divorced

If married, what form

Monogamous

Polygamous

Number of people you care for

Adults................

Infants................

Does your gender affect management in any way? (Tick)

Yes   b) No

If yes, how? ....

....

....

Do you have any responsibility in the community?

Yes   b) No

If yes, what responsibility?

Local council executive

Leader of an association

Any other (specify) ....

When did you get the loan? (Year)

....

Did you get the loan as an individual or as a group?

....

How much money did you get?

....Ug. Shs.

What project(s) did you invest in?

....

To what extent have you paid back the loan?

Fully paid back

Partially paid back

Not paid back at all

How much have you paid back so far?

.... Ug. Shs.

Do you think that the body that administered to you the loan did it in the best way? (Please give brief description of your answer)

....

....

Suggest ways in which the whole process could be improved.

APPENDIX II

My name is Namakula Phiona a final year student of Kampala International University in the school of business and management, department of business. Am carrying out research on the Entandikwa Credit Scheme as part of a requirement that will lead me to the award of a degree at the university. Your kind and sincere response is highly appreciated. Thank you.

QUESTIONAIRE TO THE SCHEME MANAGEMENT

How many people/groups applied for the scheme loans?

....

How many got the loan? ....

Give details of the amounts

Loaned...

Paid back..

What criteria do you use when giving the loans?

....

....

....

Do you offer any training to the beneficiaries before giving them the credit?

Yes

No

What problems do you face in recovering the loans from the beneficiaries?

....

....

....

Why do you think some have not yet paid back?

....

....

....

What steps are you planning to take for those that are in arrears?

....

....

....

....