MICROFINANCE INSTITUTIONS AND ECONOMIC EMPOWERMENT OF WOMEN IN LIRA MUNICIPALITY THE CASE STUDY OF FINCA MICRO UGANDA LIMITED

BY

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Declaration

I, john Hassan Michael do hereby declare that this is my true and original piece of work and it has never been submitted to any academic or research institution for a similar purpose before.

Signature.. Date. 30th Sept: 2012

Approval

I admit that this declaration is true to the best of my knowledge and confirm that this piece of research report was duly supervised by me and is ready for submission to the Department of Business of Kampala International University.

Signature.................................. Date....08/11/2012..........

Mr. Odongo Mike

Dedication

I dedicate this work to my children and wife.

Acknowledgement

I would like to express my sincere appreciations to my friends, family and lecturers of KIU.

I would also like to thank in a special way my academic supervisor Mr. odongo Mike for the guidance and support that he gave me during the process of the research.

Finally, I wish to thank the Almighty God for the gift of life, health, providence and His unending grace with whom all things are possible.

May God bless you all.

List of Acronyms

CEDAW: Convention for Elimination of all forms of Discrimination against Women

CERUDEB: Centenary Rural Development Bank

FINCA: Foundation for International Community Assistance

FOCCAS: Foundation for Credit and Community Assistance

GNP: Gross National Product

GDP: Gross Domestic Product

MED-NET: Microfinace Development Network

MDG: Millennium Development Goals

MFIs: Micro Finance Institutions

MSC: Microfinance Support Center

MoFPED: Ministry of Finance Planning and Economic Development

NGO: Non-Governmental Organization

SACCO: Savings and Credit Cooperatives

UNDP: United Nation Development Program

UWMFO: Urib Wunu Mon for Savings and Credit Cooperative

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Abstract

The study was conducted to establish and document the contribution of microfinance to the economic empowerment of women by taking the case of Lira Municipality. The study particularly sought to establish and recommend the kind of proactive gender policy in microfinance institutions that can enhance the economic empowerment of the women.

The study was conducted through a cross sectional research design examining the small scale enterprise at a given time. The study established that there is considerate level of access to micro finance facilities in Lira Municipality. However, there is no proactive gender policy across the institutions and none of the institutions primarily targets the women.

The study concludes that microfinance is a major tool in the economic empowerment of the women. It recommends that institutions and government should initiate and pursue a proactive gender policy in extending microfinance facilities.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter examined background, problem statement, general objective, specific objective, scope of the study, significance of study and conceptual frame work.

1.1 Background to the study

Micro finance institutions are major ways upon which women can be empowered.According to the State of the Microfinance Summit Campaign 2001 Report, 14.2 million of the world's poorest women now have access to financial services through specialized microfinance institutions (MFIs), banks, NGOs, and other non-bank financial institutions. These women account for nearly 74 percent of the 19.3 million of the world's poorest population now being served by microfinance institutions. Most of these women have access to credit to invest in businesses that they own and operate themselves. The vast majority of them have excellent repayment records, in spite of the daily hardships they face. to women. Compared to other well-advanced microfinance countries like Bolivia or Bangladesh, the Contrary to conventional wisdom, they have shown that it is a very good idea to lend to the poor and microfinance industry in Uganda is fairly new. Informal financial arrangements like ROSCAs have existed in many forms in Uganda for several decades.

Majority of clients of Ugandan MFIs are women: loans to female clients constitute around 75% of the loan portfolio and 80% of the savings portfolio (*MFPED* 2000c). Some microfinance providers like FINCA, FOCCAS or UWFT only target female clients. Most MFIs focus on women for two reasons. First, lending to women is thought to benefit the whole family and strengthen the role of women in society. The second reason is that women, like in most other parts of the world, have proven to be better repayers. In some cases, women groups of female-only MFIs accept men if they replace their deceased wives.

Although most MFIs in Uganda specifically target women, only few have altered their methodology in significant ways for this reason. Most microfinance providers feel that women's empowerment is an important aspect of financial service provision, but that they are first of all obliged to seek efficiency and sustainability in order to guarantee a durable access to financial services to the greatest possible number of poor clients.
AIMS 2000*;* *Barnes*, *Morris* and *Gaile* 1998; *Gaile*, *Duursma* and *Eturu* 1999; *Mutesasira* et al 1999; *Wright* et al 1999a; *Wright* et al 1999b) mainly evaluated MFIs with exclusive or at least large female clientele, the impact results presented above mainly concern women. To *Barnes*, *Morris* and *Gaile (*1998); *Wright* et al (1999) looked at gender issues in more detail and generally confirm the gender-related findings of the other research initiatives. MFI participation helps women to protect themselves and their households against risks by rendering their enterprises more competitive, diversifying their income sources, broadening their asset base, re-stocking their business and smoothing consumption. The impact study conducted for CERUDEB (*Barnes*, *Morris* and *Gaile* 1998) found that women clients have significantly greater positive economic impacts relative to female non-clients than do male clients over comparable non-clients. This study thus focused on the influence of micro finance andv economic empowerment of women in lira municipality.

1.2 Statement of the problem

Lira, like other municipalities are faced with a number of challenges. The women, who forms the majority in this area are economically poor. Access to economic resources is limited to well off women while the vast of rural poor are sidelined. Whereas there is growing optimism that women are now being economically empowered through microcredit enterprises, this optimism is not reflected in an improvement of welfare of women in Lira Municipality. Impediments to access alternative way to guarantee that a loan will be repaid, as well as a way to build social capital in developing societies. Along with social capital, empowerment is a central theme of microfinance institutions. According to the United Nations Development Program (UNDP), empowerment is: "a process that leads to greater participation in social and political processes, greater decision-making power and to conscious action for social transformation" ("Gender Mainstreaming" 2000, 27). Microcredit lending is a grassroots opportunity to shape personal development, or empowerment, with outside help.

Yunus emphasized self-determination and personal creativity to escape the cycle of poverty, a different approach than many other traditional development plans (Yunus 2007). Development emerged in the mid 20th century as top-down approach. This way of development focuses on lending successful Northern ideas and knowledge to underdeveloped Southern states (Parpart, Rai, and Staudt 2002, 8). This approach was criticized because it did not focus on the individual as a key component to development. Traditional development plans work within the current system that favors men (Parpart, Rai, and Staudt 2002, 8). The top-down way of development is lacking because it does not take individual development and empowerment into account. Microfinance focuses on individual development. This empowers women, who are not traditionally given an opportunity to take part in economic structures, to independently enter the economic sphere. Empowerment is an important part of individual development, a part of the goal of microfinance lending (Daley-Harris 2007). Microfinace focuses on community and the individual who are not represented in most top-down development schemes, in most cases, women (Murdoch 1999). Other development plans focusing on individual empowerment contend that economic development within a state cannot occur without personal development. "Empowerment is at the center of human progress.

The Hunger project makes the distinction between failed development that is top-down service delivery without empowerment and development where the empowerment of people, especially women, is at the center" (Daley-Harris 2007, 2). Development organizations like the Hunger Project find that development without empowerment leads to misused resources (Daley-Harris 2007). If a state invests in building schools and hospitals, but does not empower people to become doctors and teachers, the resources used to build these institutions are misused. Schools and hospitals are useless without teachers and doctors, as are development projects that do not address individual empowerment. If women are not empowered to enter the formal economic realm, they are unable to use existing skills to gain income. For Yunus, empowering women will not only help inequality, it will help broader economic development. An environment where empowerment is able to occur is necessary for development plans to succeed, regardless of whether it is a top down or bottom up approach. Humanist economists stress the importance of a person's ability to access and utilize economic opportunities (Sen, 1983). For example, a person is not able to use the economic opportunity of wage employment if they are prevented from working because of a gender bias. If human rights like gender equality are not met, economic opportunities are missed, and economic development is impeded.

Microfinance lending offers very poor women the ability to access credit, an opportunity that does not exist in most cases. While this allows access to credit, it is not guaranteed that women will be able to utilize this credit. Amaryta Sen, a humanist economist, writes extensively on the linkage of human rights and economic development. For Sen, raw measures of economic development are not complete without measures of human rights (Sen, 1983). "Perhaps the most important thematic deficiency of traditional development economics is its concentration on national product, aggregate income, and total supply of particular goods rather than on 'entitlements' of people and the 'capabilities' these entitlements generate" (Sen 1983, 756). Development is incomplete without focusing on what people are able to accomplish with income as a result of conditions within a state. Human rights conditions, how economic, political and cultural rights are respected, can affect economic development. The state is an important determinant of whether or not economic rights and other human rights are applied (Richards et al 2001; Hertel 2006). "Political elites in developing countries have to make economic and political policy choices. Human rights conditions-the ability of citizens to enjoy human dignity- are due more to human rights policies – that is, decisions made by government leaders that affect human rights conditions- than anything else" (Richards et al 2001, 220). This suggests that states have a choice of respecting or not respecting human rights. If the state makes policy decisions that negatively affect human rights, one would expect to see less economic development because human rights, specifically women's rights, are important for the ability for women to utilize economic opportunities. A gap in the existing literature is the relationship between gendered state level oppression and bottom up development plans that focus on lending to women. This gap makes it difficult to understand and interpret the affect that gendered oppression has on microfinance lending. It is difficult to recognize environments where women are able to become empowered without prior research.

2.1.3 Women in Microfinance Lending

Microfinance institutions direct loans towards women in order to promote women's empowerment and gender-balanced development. Traditional development plans and economic analyses do not take gender into account, so the fact that microfinance institutions target women is significant. "Given the propensity of microfinance programs to target their services to women, current trends favoring the mobilization of social capital within communities also appear to have finally responded to decades of advocacy for gender equality by feminist economists and development practitioners" (Rankin 2002, 3).

Microfinance lending provides a way to address gender inequalities in developing nations because of its bottom up style, and emphasis on empowerment. Microfinance lending institutions try targeting the poorest of the poor, the most in need of positive empowerment. Currently, those most in need are women. 70% of the world's 1.3 billion people living in poverty are women ("Goal 3: Gender Equity," 2004) Muhammad Yunus, microfinance institutions that are inspired by

Yunus, and the United Nations are cognizant of this disparity, and focus their attention to empower women.

According to the UN Millenium Campaign: "Women work two-thirds of the world's working hours, produce half of the world's food, and yet earn only 10% of the world's income and own less than 1% of the world's property" ("Goal 3: Gender Equity," 2004). Women are capable of production, yet are unable to use their own skills to gain income at the rate of men. Only owning 1% of the world's property, it is no wonder that women have difficulty obtaining loans that require collateral.

Microfinance lending institutions offer women empowerment opportunities through the ability to invest in themselves- an opportunity that is not present with traditional loan institutions or development schemes. Microfinance loans aim to target the "poorest of the poor," which is in many cases the women of developing nations. Women do not generally have separate income or personal capital in traditional societies, making it difficult for women to obtain loans from traditional banking institutions. By allowing women to borrow, it gives women a chance to gain fiscal power within a household, which theoretically gives a woman more status (Wright 2000). According to a borrower in Bangladesh, a loan gave her power within her household. "Before, husbands used to earn and that was how wives ate. But now he gives value; I have bought a loan. I am laboring equally with him that is why he values me more…" (Wright 2000, 23). This is an example of the potential power of microcredit lending.

The Grameen Bank and other microfinance institutions encourage the idea that that empowering women can help economic and social development (Pollin, 2007). Microcredit lenders loan to women in an attempt to empower women, giving women the chance to personally determine their economic fate in traditional patriarchal societies (Yunus, 2007). Feminist international relations theorists argue that women are often underrepresented because many development plans center around the head of the household, which is often traditionally the patriarch of the family (Elson, 1993; Whitworth, 1994). If the woman of the house is in control of finances, she will customarily invest in children or household expenses more than the man of the house. Since incomes are used differently, actual development is different according to who gets money within a household. Actual development might not be reflected in GDP because of how money is spent. If children are malnourished or uneducated, for example, because family funds were spent on other things controlled by the male of the household, balanced and substantive development does not necessarily occur. Women are not accounted for in many interpretations of neo-classical economics (Elson, 1993) "Women's work," which is often defined as private, household work, becomes invisible since it does not contribute to GDP in the neo-classical model.

The neo-classical model is gender-blind but not gender neutral- it does not give the same value to women as it does men (Elson, 1993). This is problematic because it assumes that women's work is infinitely elastic. This means that more work incurred as a result of economic shocks or decreased social programs is absorbed by women by working more, even though that higher level of productivity is not accounted for with more wages (Elson, 1993). Low levels of social programs specifically for women, low rates of education for women, and culturally imposed function create more work or elasticity of women's roles at home. These are examples of gendered economic rights that affect the capability of women to enter the economic sphere (Sen, 1983). If there is more work to be done at home because of gendered factors within a state, there will be less time for women to engage in ventures outside of the household. The ability to successfully borrow from a microfinance institution to engage in the public economy is contingent on how many rights, specifically economic rights, are available for women.

The identity of a woman in a particular culture plays a large part in their status and role in the economy (Elson, 1993; Tickner, 2001; Whitworth, 1994). In many cases, especially in Muslim states, this identity is dictated heavily by religion (Sardar Ali, 2002). Micro-credit focuses on giving women the opportunity to enter the economic sphere in an empowered way. Embedded religious and culturally imposed identities may inhibit this because empowered economic roles are not part of that identity. Religious and cultural rights as described in international treaties are often placed before women's rights in the hierarchy of human rights in international treaties (Sardar Ali 2002, 65). Gender equality is difficult to achieve without violating religious and cultural rights in states where oppressive gender roles are embedded in religious and cultural contexts. In states where women's economic rights are inhibited by religious and cultural factors, one would expect to see less success in microfinance enterprises because of embedded gender roles.

International organizations like the UN attempt to universalize women's human rights in initiatives like the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) (Sardar Ali 2002, 61). At the international level, women's human rights have been universalized, but states and culture do not necessarily embrace and enforce these declarations. "...nation states and cultural norms can place considerable limitations on a universal rights discourse that women seek to employ as part of their strategy for empowerment" (Sardar Ali 2002, 63). States and individual cultures have a large influence on whether human rights are applied at a local level, regardless of international conventions. If a state disregards international conventions on women's human rights, development plans that center around empowerment of women, like microfinance lending, would have difficulty succeeding.

2.4 Limitations to financial lending

Empowerment approaches like micro-finance might be limited as a result of larger systemic forces. This is the critique that is most relevant to this project. "While a welcome antidote to top-down development, we believe this focus on the local also has profound limitations. In particular, it tends to underplay or ignore the impact of global and national forces on prospects for poor people's (especially women's) empowerment..." (Parpart, Rai, and Staudt 2002, 3). This development is flawed if microfinance focuses too much on the individual and ignores with state factors that could affect its success.

If human rights within a state inhibit empowerment, this development plan is only as successful as the amount of respect for human rights in a state. Humanist, feminist, and microfinance scholars contend that conditions within a state have an effect on whether or not microfinance lending is successful, so it is not enough strictly focus on the bottom-up aspect of development (Pollin, 2007, Dichter, 2006; Sen 1983; Elson 1993). State level factors are ignored in bottom up development plans like microcredit lending. "What would permanently help these poor people, and if not them, their children, are governments that get their acts together and provide structures, laws, and institutions under which people's evident interest in getting ahead in the world could be transformed into reality" (Dichter 2006, 3). Dichter argues that microfinance lending is helpful for poverty alleviation but it is not a lasting solution to problems within a state (Dichter 2006).

Microfinance is not a solution to state level factors; the success is contingent on the conditions within a state. Women are the focus of microcredit lending, so conditions within a state are affecting predominantly women in microfinance enterprises. Conditions that are gendered, like women's economic rights, would then have a more direct effect on success of microcredit lending because women are the borrowers. Because interest rates can become unaffordable to poor entrepreneurs, Pollin (2007) suggests state governed subsidies to alleviate such a burden. "...the way to realize the promise of microcredit is to embed the best features of the model within a broader developmental strategy for promoting growth, decent employment, and poverty reduction" (Pollin 2007, 3). If state governed subsidies are used to alleviate the burden of poor entrepreneurs, it is important that there is no gender related discrimination at the state level because these subsidies would be directly affecting women. If governments are involved with microfinance and there is gender discrimination at the state level, microfinance would be negatively affected. If a goal of micro-finance is development as well as empowerment of women, the state level of analysis is important to look at because it either creates opportunity or hinders development. While a bottom-up approach like micro-finance can be helpful because it has more potential to incorporate gender, it can ignore important top-down factors. If state conditions, especially gendered conditions, are an important factor in the success or failure of microfinance, microfinance institutions need to be aware of state conditions that may affect outcome of microfinance initiatives.

Another critique of microfinance is its limited empirical research that could potentially lead to incorrect assumptions and analysis. The economic successes of microenterprises are notoriously difficult and expensive to measure empirically (Dichter 2006, UNDP Review, 2005). Most evidence of success or failure is based on anecdotal evidence that may not show strong long run economic success (Dichter 2006). There are plenty of anecdotal stories that suggest microfinance lending is successful. In this project alone I have introduced three stories of women that have succeeded in microfinance lending. There are not many quantitative studies, especially analyses of how state factors affect microfinance success. Peer reviews of microfinance programs are also difficult to collect, according to difficulties reported by a UNDP Portfolio Review of its Microfinance projects. Because measurement is a problem, there is a potential that microfinance success is "hyped," encouraging resources to be allocated for programs that might not be economically sustainable in the long run (Dichter 2006).

Microfinance interest rates can be high for poor people, even if they are what market forces dictate (Pollin, 2007). "Real annual interest rates on group loans range between 30-50%, according to a 2004 survey in *Micro banking Bulletin*. These rates are perhaps lower than what moneylenders typically charge, but remain punishingly high" (Pollin 2007, 2). The question becomes whether these interest rates because more harm than good, and if they are really intended for the poorest of the poor (Dichter, 2006; Murdoch, 1999).

Credit has the very real possibility of creating a large amount of debt if the entrepreneurial project does not succeed, which would be disastrous for the already poorest of the poor (Dichter, 2006). The poorest of the poor that microcredit seeks to help are women, so debt incurred as a result of failed microfinance enterprises affects women the most.

Contrary to Yunus' plea for an alternate to wage employment in developing states, Pollin suggests that wage employment is important for microfinance success. "...when the wage-paying job market is strong, it means that the number of people trying to survive as micro entrepreneurs falls. This reduces competition among micro businesses and thereby improves the chances that any given micro enterprise will succeed" (Pollin 2007, 2).

More wage employment also means that people will have enough money to buy micro entrepreneurs merchandise or services (Pollin 2007). If a local market becomes saturated with entrepreneurs funded by micro credit loans, there is a risk of copycat businesses and less experienced borrowers (Dichter, 2006).

This would suggest that microfinance lending will have diminishing success from year to year as the market is saturated. Dichter questions the assumption that credit will be used strictly for entrepreneurial purposes (2006). Credit is generally used for consumption purposes in the North where it is widely available (Dichter 2006).

It is not necessarily reasonable to think that credit seekers in the developing nations will use it differently than people in developed nations (Dichter, 2006). If women are expected to take care of household expenditures, there is a greater chance that loans allocated for a business will be used for household expenses in times of need (Elson, 1993). For example, if a child becomes ill and a loan allocated for the use of purchasing a loom, that money might be used to purchase medication for the ill child. In this case, a woman's household role is against the purpose of the loan (See for example Wright 2000). It is difficult to judge if the loan was used appropriately in this example.

Another critique of microfinance is that women often feel pressured to give the loans that they receive to the male of the household, undermining the empowerment purpose of microfinance of the household invests the loan, he will not necessarily use it to empower the woman of the household or use profits in the same way that the woman would. Some literature suggests that even though the woman would not be controlling the funds directly, this will indirectly improve her standing within the family and community by becoming an avenue of credit for a household. "This practice of giving loans to the husband to use is usually economically rational, but careful examination of the evidence suggests that it also typically strengthens the position of the woman in her family" (Wright 2000, 4). If women control a portion of the money in the household, they become a "cashbox," and have some sort of power over how and when it is used (Wright, 2000).

2.1.5 Asset Loans and economic empowerment

Uganda is a country with a remarkable development. Having emerged only ten years ago from a savage civil war with the economy in ruins and its international reputation destroyed by 25 years of dictatorship, it is now held up as one of the few African success stories of the last decade.

On the economic front Uganda can boast some very impressive statistics. Over the past decade, the size of Uganda's economy has more than doubled with average growth rates of about 6% per annum. According to a recent survey, Uganda ranked second in Sub-Saharan Africa in terms of GDP growth since 1990.During the same period, inflation was brought down from the dizzy heights of 240% pa in 1986/87 and has been less than 10 percent in the last five years.

These achievements can largely be attributed the government's commitment to macroeconomic stability and the liberalization of the economy including the financial system (*MFPED* 2000; *Wright* et al 1999a). However, a closer look at the situation of poverty in Uganda reveals a much less encouraging picture. Recent surveys conclude that between 1992 and today, Uganda has made little headway in the fight against poverty. Although different methodologies to gauge the extent of poverty in Uganda have been used, all analysts agree that at least 50% of the population lives below the poverty line. With an estimated US$ 290 GNP per capita Uganda still ranks amongst the twenty poorest countries in the world.

While infant and maternity mortality remain very high, the fertility rate (6.7 children per woman) is one of the highest in the world. Economic liberalization has created a health care system that places the poor at a stark disadvantage. Life expectancy has fallen from 48 years in 1980 to 43 years in 1995, largely due to the impact of the AIDS epidemic.

The disease takes a particularly heavy toll on the economy as it tends to rob society of its most productive members in their 30s and 40s (*MFPED* 2000; *Wright* et al 1999a). Poverty is particularly prevalent in rural areas.

With a share of nearly 50% of GDP, agriculture continues to dominate the Ugandan economy.

Despite considerable productivity and output improvements for certain cash crops following the government's liberalization efforts, the rural economy is still largely dominated by low productivity subsistence production.

While cash crop producers have benefited from liberalization, the large smallholder sector with average holdings of 1, 6 hectares has seen very little real growth over the last decade due to lack of access to agricultural inputs and financial services, declining soil fertility, poor infrastructure, information and communications and the inability to access output markets. The poorest 20% of the population, who have no or very little involvement in the production of cash crops, may actually be worse off (*Wright* et al 1999).

2.1.6 Training and economic empowerment

Using gender empowerment as an impact indicator, some studies argue that microfinance has a Positive impact on women empowerment (Goetz and Gupta, 1994; Ackerly, 1995; Montgomery et al, 1996).Goetz and Gupta(1994) using a "managerial control" index as an indicator of empowerment(the index ranged from 'no control' where women did have any control over the use of loans and did participate in funded projects to 'full control' where they fully participated in decision making including marketing of output) concluded that the majority of women (especially married women) did 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 negating the development objective of lending to women. The primary responsibility of repaying the loans however rested on the women who borrowed the money, such that in cases where the men failed or refused to pay, the women were forced to draw from their personal savings or sell household assets for loan repayment. This is the unfortunate scenario of having responsibility without control which in most cases degenerates to domestic violence against women.

Evidence by Montgomery et al (1996) suggested that for first time female borrowers from microfinance programmes; only 9% had sole authority over funded projects; while 87% reported that the projects were managed as a family partnership. Whereas for male first time loanees, 33% had sole authority over funded projects while 56% were managed as family partnerships. Interpreting family partnerships as disguised male dominance, the conclusion was that access to credit did little to empower women. Ackerly (1995) using accounting knowledge as an indicator of women empowerment (where women who knew input costs of funded projects, sales revenue and profits were judged to be empowered), concluded that the women were marginally empowered by access to microfinance. The women ended up being overworked and fatigued, but with no control over the loans.

For those who are promoting micro-finance through women's Self Help Groups, the basic assumption is that lack of financial resources to generate livelihoods and income creates a vicious circle of low incomes, lack of live hoods and low recourses. If cheap and easily accessible credit is provided, poverty will be reduced. The poor, particularly women, become actively engaged in the alleviation of their own poverty if they are organized into collectives and assisted to save regularly. Attention has been focused on market-based solutions to alleviate poverty as against state-based solutions (food-for-work, implementation of minimum wages, and increase in employment opportunities). The assumption is that the poor can be assisted to become entrepreneurs and that this is the route to poverty alleviation. Micro-finance is a means of enabling the poor to help them to expand entitlements and share responsibilities. The very process of group formation is empowering since a critical mass is formed which can be harnessed to pull households out of the poverty trap. Micro-finance is therefore seen as a poverty reducing institution, which 'pays for itself' and is supposed to benefit both the financial institution and the client. Another basic assumption is that the poor rarely have physical collateral. Women also return borrowed money on time. Other side benefits often cited are that micro-finance empowers women since it gives them more economic independence and expands their economic choices; and micro-finance given to women benefits the whole family.

While several of these assumptions are valid, it must be noted that all, or several of them, require the presence of an interlocutor who can ensure that apart from credit, other services are also provided to women such as training and capacity building, inputs for micro-enterprise, marketing facilities, support for crèches, loans for consumption purposes, support for health and education. More importantly, the interlocutor has to ensure that indebtedness does not increase, and that women's time and labour are not exploited in the name of micro-credit. The indicators used for measuring poverty look at the house hold as the unit of analysis and not as a unit for analysis. Therefore, intra-household disparities that make some members poorer than others within the same house hold cannot be indentified unless gender-based discriminations are brought centre-stage. There are real concerns shared by some NGOs and women's groups that:

Interest rates charged by the group are usurious, micro-finance is increasing indebtedness amongst the poor as women borrow money from money lenders to pay their savings installments and their loan installments, women are taking loans for husbands who often don't pay back the loan, thus increasing their vulnerability, the burden on children, particularly girls, Has increased with children working longer hours to assist their mothers. This point is underlined by Rounaq Jahan, the founder of 'women for women' in 1973, one of the first feminist in October 2004, said in regard to microfinance, that some women take loans to pay off old debts. Pressure to repay loans on time can be a hardship, but Jahan said, even the highest micro-finance rates are better than those demanded by traditional money lenders.

Studies on women's control of credit in Bangladesh indicate that most women borrowers have only partial control over loans, or have relinquished all control to male members of the family. Depending on the individual study, it would appear that about 20-50% of Bangladesh women hand over the entire loan to males in the family. And even when women do respond (in surveys) that they have at least partial control over income, this is often confined by their own definitions of what degree of control women or men can expect over different aspects of the family budget. Moreover, women with greater control over loans tend to be those engaged in traditional home-based activities (Anne- Marie Goetz and R.S. Gupta, 'who takes credit? Gender, power and control over loan use in rural credit programmes in Bangladesh, IDS working paper No.8.brighton: IDS, university of Sussex, 1994).

CHAPTER THREE
METHODOLOGY

3.0 Introduction

This chapter describes the research design that will be employed, the survey population, the sample size, data collection and analysis tools to be used plus the instruments analysis that will be used by the researcher.

3.1 Research design

The researcher used cross sectional research design examining the small scale enterprises at a given point in time. The researcher analytically examined the results obtained from the questionnaires and interviews. The researcher used both qualitative and quantitative methods in order for all the stakeholders to understand the findings and recommendations of the study.

3.2 Study population

There are over tens of thousands of women and gender activists in Lira districts. The researcher carried out the study on a population of 60 former women and gender activists. The study population comprised of gender activists, women and policy makers in Lira district and management and staff of micro finance institutions in Lira Municipality.

3.3 Sample Size

Out of the population of 100 respondents studied, the researcher sampled key informants, clients, business community and local Leaders benefiting from microfinance schemes in lira municipality.

Table 1 Showing Sample and category of Respondent.

Respondents	Total	Sample
Key informants	08	08
Clients	60	44
Business Community	24	26
Local leaders	08	08
Total	**100**	**86**

3.3 Sampling method

The researcher used stratified random and purposive sampling to select the respondents for the study. Stratified random sampling involve classifying the target population in groups called strata depending on the nature of the study, from which the respondents are selected without following any systematic pattern or formula. The researcher used two categories of strata that is to say those women and gender activists. And the purposive sampling involves taking a whole sample.

Table II Showing Sampling Methods

Respondents	sample	Methods
Key-Infants(managers, loan officers)	10	Purposive
Clients	60	Selective Random Sampling
Business Community	24	Selective Random Sampling
Local Leaders	06	Purposive
Total	86	

3.4 Sampling procedure

Since was not be possible to sample all the survey population, the researcher stratified the population into two that is to say the female and male sex. Simple random will be used to select the respondents in each stratum. A list of respondents was used to select the sampling frame; they were allocated numbers , written on small pieces of papers , mixed up and respondents selected by picking on a paper randomly until all the required population was got.

3.5 Sample size

Out of the population of 100 respondents studied, the researcher sampled women activists, local women benefitting from micro finance schemes, and management and staff of micro finance institutions in Lira Municipality.

3.6 Data sources

3.6.1 Primary data

These were the data the researcher developed specifically for the case study. Information was carefully taken basing on the respondents' positions of authority. This was done to guard against biased information. The data were collected through questionnaires distributed to respondents.

3.6.2 Secondary data

Secondary data were those that were developed for some other purposes other than for helping solve the research problem at hand. The secondary data included written documents on micro finance and women emancipation, data from published text books and university libraries, news papers, magazines, journals and the internet.

3.7 Data collection Method

3.7.1 Questionnaires

Questionnaires were prepared and sent to selected respondents. The researcher comprehensively explained to the respondents the purpose of the study within the questionnaire. The questionnaires were a mixture of both open and close ended questions.

3.7.2 Interviews

The researcher used an interview method to collect data. The respondents who were interviewed included women activists, policy makers and local women and management and staff of some micro finance institutions in Lira Municipality so as to get the general picture of the contributions of micro finance in women empowerment.

3.7.3 Observation

The researcher also held focused group discussion with women and feminists activists in Lira district to supplement data from the questionnaires and key informant interviews.

3.8 Data collection instruments.

The researcher used tools like Questionnaires, Interview guide, Observation checklist and focused group discussion to collect data from the Respondents.

3.12 Research procedure

After the approval of the research proposal and questionnaire by the supervisor, the researcher obtained an introductory letter from the department of Business, Kampala International University. The letter was taken to the local leaders of the case study area who granted permission to access respondents. Questionnaires were distributed and eventually collected and edited in the presence of the respondents to ensure that they understood and properly filled the questionnaires. The researcher organized a number of questions for open interviews in all the four sections of the study area.

3.10 Ethical consideration.

This involved infringement on the privacy and confidentiality of the respondent. However, the respondents had the freedom to ignore the items that they did not wish to respond to.

Interviewing some important people in the case study area involved gaining access to respondent's personal identity which required maximum anonymity. However, all the participants in the research had the right to anonymous. Their individual identities remained a salient feature in the study.

Before the interviews took place, the researcher explained to the respondents the objectives and purpose of the study. The researcher remained impartial throughout the study with utmost respect for views and culture in order to establish rapport.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION

1. Introduction

This chapter presents the presentation of data, analysis and discussion of the data.

4.1 Data presentation

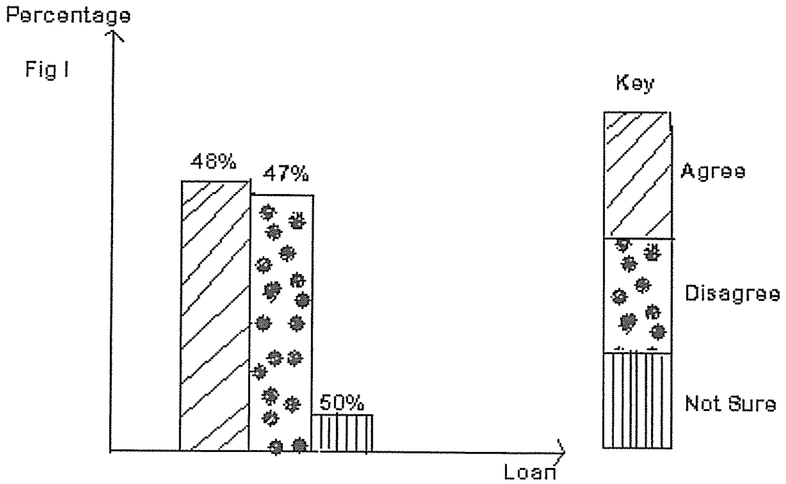
Table III

Responses on Financial mgt. **Agree** **Not Sure** **Disagree**

Accessibility to financial loans	48%	05%	47%
Disbursement of loans	42	14	44
Financial loans & Economic Development	45	10	45
Repayment of Loans	42	10	48
Loan recovery process	50	-	50
Relationship between Bank & Customers	58	2	40

When asked whether there is easy access to loans; 48% of the respondents agreed that there is easy accessibility of loans, 47% however disagreed to the statement, while 5% of the people were not sure. By implication therefore, there seems to be a general consensus that loans are accessible. This graphically represented as below.

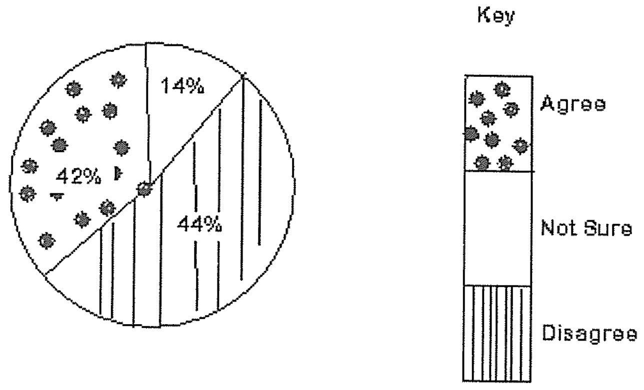
Graph Showing response on accessibility of financial loans.



As to whether every applicant is given the loans, the responses were interesting 42% of the respondents were of the view that clients actually receive some money, although not the actual amount client request for. This is perhaps because the bank presides over what must be given to clients. 44% of the respondents were however discontented. To them banks do not give loans to every applicant. There are some people who do not meet the needs of the banks; others are thrown away because of lack of collateral securities, while others get disappointed during the process and quit. A huge percentage (14%) could not show side, they remained neutral

Pie chart showing responses on loans disbursement

Fig 2.



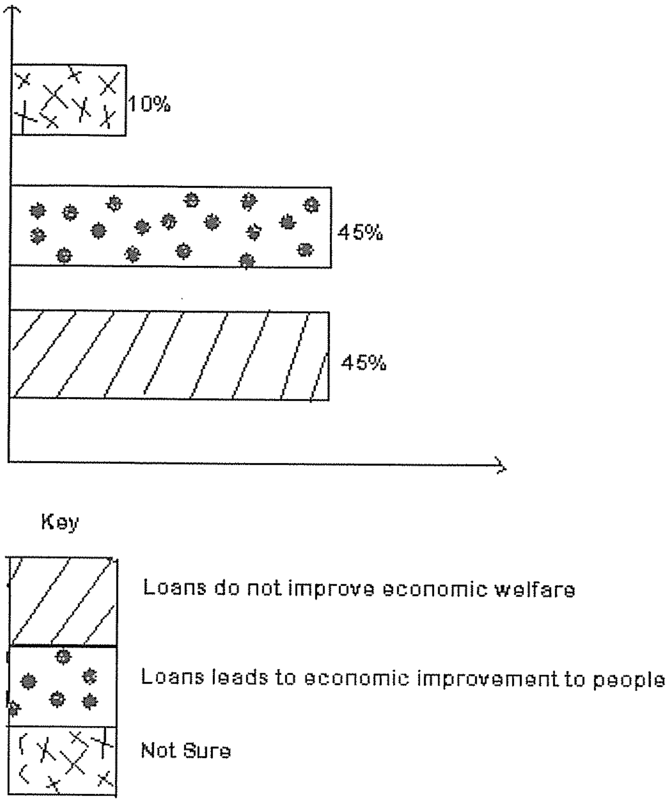
By implication, therefore, not every person who applies for loans are given. This is represented by 44% against 42% in support. Considerations are made basing on loans requirements which some customer lacked. The bank has discretionary power in deciding on what to be given to applicants.

The concern on whether loans given to clients are actually improving on economic development of the people. The responses were again amazing. The client interviewed showed interesting responses, 45% agreed to the fact that loans helps to improve on economic welfare of the clients, while a similar percentage (45%) also disagreed with the statement .This leaves 10% in differenced. This implies that, whether or not loans do improve on economic status of borrowers, it is a question of who receives what and uses it for what? Generally people who disagreed were of the view that bank gives very little money which cannot help them while others argued that loans repayment period is too short, not conducive enough.

Bar graph showing responses on loans and economic development.

Fig 3.

The interview revealed that there is high interest rate on loans. This only works to keep client mark - timing. They can not Progress.



Others noted that extra-charges on defaulters add to disadvantages of the clients. This, therefore affect their level of development. Move-over the amount given as loans is insignificant.

On the question of loans repayment, a large percentage of the respondents (48%) disagreed to the fact that repayment programme is affordable, 42% however agreed to the statement, while 10% were not sure.

Table IV:

Responses on loans repayment.

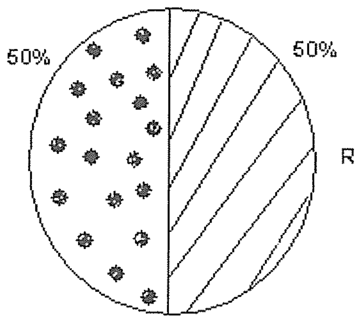
Agree	Disagree	Not Sure
42%	48%	10%

The people interviewed were of the view that, the terms and period of repayment were decided and drawn by the bank. More so delay in the processing of loan, coupled with personal and situational problems provides a palatable ground for failure to pay back the loans in time.

Others observed that the installment (first installment comes too soon). This is because the delay in loans processing and the period taken for investment of loans into the business is not considered by the bank.

It was also revealed that the recovery process of loans is questionable. The study revealed that, loans officials sometimes go with security personnel; others are very arrogant – observed one client. However there was fifty-fifty (50%-50%) response on this matter.

Fig 4.



Responses on loans recovery process.

The question of relationship with customers, there seems to be a cordial relationship between bank officials and customers. This is represented by 58%. 40% of the respondents however disagreed to this statement; while an in significant 2% were not sure.

Table V:

Showing Responses on neutral relationship between bank and customers..

58%	02%	40%
Agree	Not Sure	Disagree

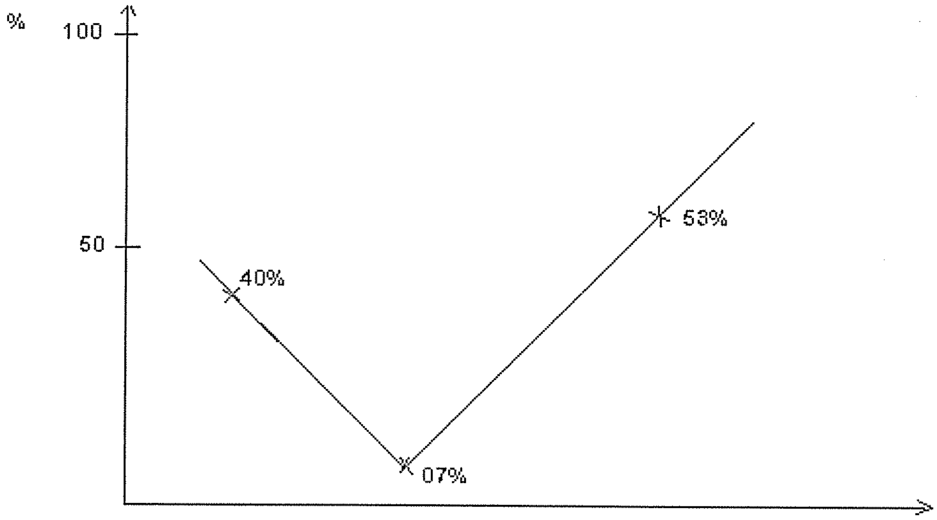
Table VI:Table showing the general responses on asset loan.

Asset loans most preferred	40	07	53
Asset loans affordable	50	0	50
No collateral securities	45	5	50
Amount pegged on asset loan is okay.	38	2	60

In the study, the researcher sought the views of the respondents on the acquisition of asset loans. The question was raised as to whether or not asset loans was preferred by most clients. Out of the 40 respondents reached, 40% of them agreed to the assertion, 07% were not sure whether they prefer asset loans. While a bigger % (53%) completely denied the statement. To them asset loan is a new phenonema, and above all people want physical cash. Graphically this is represented as below.

Line graph showing responses on Asset loans reference.

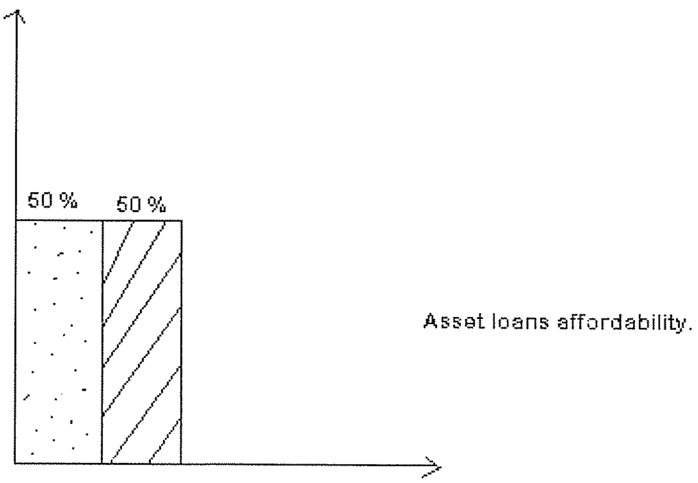
Fig 5.



The implication of this is that most clients prefer cash to asset. People prefer money since they can easily use this to access other services.

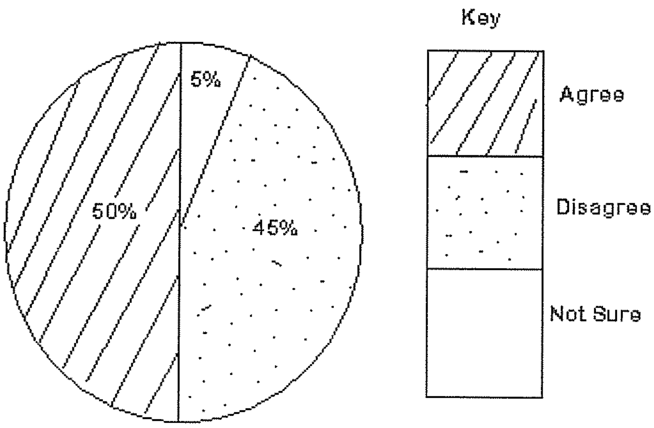
When asked about how asset loans are affordable, there was a 50-50 response. This implies that the loans (asset) are on the balance.

Fig 6.



On the acquisition of asset, the respondents were asked whether they normally present securities or not. To this, it was revealed that collateral securities were asked. This is represented by 50%. 45% of the respondents agreed to the fact that no collateral security is required for loans acquisition 5% of the respondents however were not sure.

Fig 7.



Concerning the value of asset loan, many respondents 60% were of the view that the amount charged on the asset was a bit higher, this is due to the interest rate levied on it. 38% of the respondents were however positive on the statement while 2% were indifferent.

Table VII:

Showing the responses on charges on asset.

38%	02%	60%
Agree	Not Sure	Disagree

Table IX.

45%	5%	50%
Agree	Not Sure	Disagree

As reflected in the above table IX, there is no satisfaction on the trainings bank offers.

On the issue of customer care, a large percentage of 58% were of the view that bank offers customers care, 40% however disagreed, while 2% did not show side.

Fig 9.

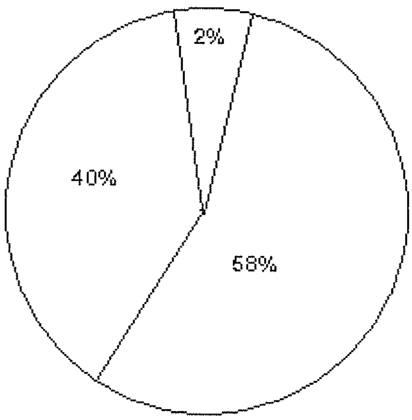


Fig 9 showing responses on customer care.

It has been revealed that bank trainings is free (52%), 46% did not agree, while 2% were neutral.

Accounting to the interview conducted, FINCA Uganda is playing some good role especially in the income generally activities. They offer loans, school fees loans, asset loans and activities like sensitization training of customers.

All customers are sensitized before accessing loans. However there were a lot of doubts in the sensitization programme since it is like a briefing by the bank.

The interview also revealed that access to financial loans generally is affordable. Much as certain requirements may not be easily affordable by other customers, FINCA seems to address specific financial needs.

One respondent however remarked that the amount of loan disbursement to client is un- realistic. This is because the banks only offer what they think is appropriate to the customers but not what the customers actually request for. This therefore affect customer's development programme.

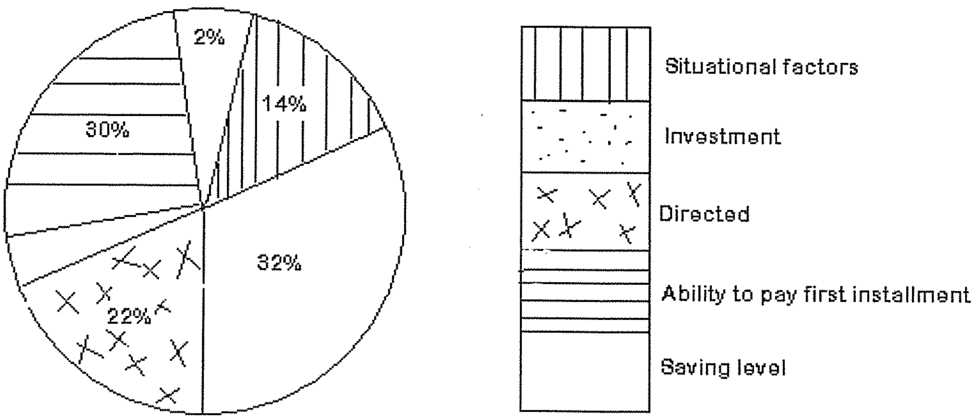
Otherwise the study revealed that FINCA is empowering women in Lira Municipality. Over 65% of the respondents interviewed attest to this fact. However concern is over the repayment programme where women make repayment on fortnight basis. These 2 weeks is too short for a small business person.

Otherwise, there is a general agreement that FINCA is impacting on the lives of women in Lira Municipality. There are however some challenges, this is both on the bank and clients side. On the bank, side, there is managerial problem. Complaints are coming from customers about unfair methods of loans collection, women being made to pay for monies given to their group members who might have defaulters or disappeared. The banks do apportion the blame to group members who are innocent. Another challenge is the unfair disbursement of fund that is offered is too little to sustain the women's business.

On the part of the customers, misallocation of the money; some customers do not use the money offered to the direct use.

Some of these monies find their ways into other programs. This affects their repayment and investment level. The level of savings is very poor and there are other challenges that are situational.

Fig 10.


2%
14%
30%
32%
22%
Situational factors
Investment
Directed
Ability to pay first installment
Saving level

CHAPTER FIVE

SUMMARY, CONCLUSSION AND RECOMMENDATION

5.0 Summary

The challenges of micro finance institutions in Uganda is perhaps how best they appeal to the customers. If development is to be achieved, FINCA Uganda needs to focus on the way they disburse their loans so as to meet the needs of the customers. Generally the study revealed that the amount of loans in terms of cash is not adequate enough to cause development to the customers safe to the bank. The study further observed that, on the whole FINCA is contributing to the economic development of the people but this is then swallowed up in the name of interest. This has led to the customers actually not progressing at all. This is in line Rowstow's theory of economic development which noted that the poor always end up in the vicious circle of poverty.

5.1 Conclusion

In conclusion therefore, the study observed that the loans disbursement, pay back period and methods of loans recovery is a bit harsh and thus needs to be re assessed. In addition to that, more attention be on the customers since they are the reasons banks actually exist. Otherwise FINCA Uganda is contributing to the social and economic welfare of the people. their school fees loans is timely and many customers have benefited from this although they pay back with a lot of discomfort

5.2 Recommendation

The study thus recommends that FINCA needs to pay attention the plight of the customers. The collateral security for small loans especially women who are in groups need not be allowed to provide this since the group themselves are securities.

The amount of interest rate should also be reduced so as to ease the stress of the customers.

The bank should look into the loans portfolios so that a significant amount with less interest is granted the clients. For people with big loans repayment period be revisited. The weekly or fortnight re payment is un fair to the

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Appendix II: Time frame

S/no	Activity	Time
1	Development of proposal	July 2012
2	Development and piloting data collection instruments	August 2012
3	Data collection	August 2012
4	Data organization, Analysis and interpretation	September 2012
5	Typing, editing, report submission	September 2012

Appendix III: Budget estimate

S/no	Item	Amount
1	stationary	30,000
2	Refreshments	20,000
3	Transport	70,000
4	Personnel	40,000
Total		**160,000**

Appendix IV: Sample questionnaire

Dear respondent,

I am John Hassan a student of Kampala International University pursuing a bachelors' degree in Commerce. I am carrying out a study on "The contribution of micro finance to the economic empowerment of women", a case of Lira Municipality. I request you to offer your vast knowledge to the effect of the questionnaires. All information here will be confidential and it is for academic purpose only. Your assistance is highly appreciated.

Tick in the box or fill in writing where appropriate.

Bio data:

1. Name (optional)..

2. ☐ Male ☐ ale

3. Marital status:

Single ☐ Married ☐ Divorced ☐ Widow/widower ☐

4. Do you get loans from micro finance institutions in your area?

Yes ☐ No ☐

5. If yes, when did you begin getting the loans?

....

6. How have you benefited from the credits provided by lending institutions?

....

7. How many micro finance institutions are there in your area?

....

8. Are there micro finance institutions that specifically target women?

Yes ☐ No ☐

9. Do you find problem as a woman in accessing micro finance services?

Yes ☐ No ☐

10. If yes, what are some of the problems?

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

11. In your own opinion what can be done to mitigate these problems?

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

Thank you.

Appendix V: Interview guide for key informant interview

2. What do you know about microfinance and how does it help in the economic empowerment of women?
3. Do women have problems in accessing microfinance services in your area and what are some of these problems?
4. Do microfinance institutions in your area have deliberate policies that target women?
5. In your own opinion what do you think can be done to mitigate the challenges women face in trying to access microfinance services?