

**MICROFINANCE INSTITUTIONS AND DEVELOPMENT OF SMALL SCALE
BUSINESSES IN UGANDA**

**CASE STUDY OF STREET VENDORS IN CENTRAL DIVISION KAMPALA
DISTRICT**

BY

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DECLARATION

I NUWAGABA TIMOTHY MANDELA declare that this field work report is about microfinance institutions and development of small scale businesses(street vendors) in Kampala is entirely my original work and has never been produced before by anybody as a university requirement for the award of a degree.

Signed by:  2012

NUWAGABA TIMOTHY MANDELA

Date: 28 / 06 / 2012

APPROVAL

This is to acknowledge that this report by **NUWAGABA TIMOTHY MANDELA** about microfinance institutions and development small scale businesses (street vendors) in Kampala has been written under my supervision which is now ready for submission.

Signed: 

MR. RUTEGANDA MICHEAL

Date: 

DEDICATION

This work is dedicated to the memory of my mother the Late Oworinawe Justine Nuwagaba (R.I.P) who instilled on me the importance of education and hard work, also I extend gratitude thanks to my father Mr. Nuwagaba Aderton Abel for his financial support, patience, encouragement and understanding during the period of my study not forgetting my lovely brothers; Benjamin, Mike and Jonan my aunts; Joanne,Irene,Rhoda and Doreen my friends; Rashid, Gideon,Patrick,Ibrahim,carol and Grace for the support they gave me during my education and also constantly wished me success, may the Good Lord bless you abundantly.

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LIST OF ABBREVIATIONS

MFIS	-	Microfinance Institutions.
NGOs	-	Non-Governmental Organizations
GGLS	-	Group Guarantee Lending Schemes
SUM	-	Special Unit on Microfinance
UNCDF	-	United Nation's Capital Development Fund
SACCO's	-	savings and credit cooperatives organizations
SSBs	-	Small Scale Businesses

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ABSTRACT

The purpose of this study is aimed at finding out how microfinance institutions lead to the economic development of street vendors in Kampala district. The study analyzed the level of street vendors' business participation in micro finance activities and it critically shows the role of micro finance institutions in economic development of businesses.

The researcher used a cross sectional design in finding out the level of street vendors participation in micro finance activities and its role in economic development. It also assessed the challenges that face the street vendors in accessing microfinance services.

It was discovered and concluded whether street vendors barely access microfinance loans and services because they do not posses bank accounts; they lack collateral security which makes it difficult to acquire loans. However it was recommended that once well utilized, microfinance institutions have a big potential in economically empowering street vendors.

CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

1.0 Background of the study

According to the Private Enterprise Support Training and Organizational development project (PRESTO), microfinance institutions (MFIs) are organizations that provide savings and/or credit facilities to micro and small scale business people, like the street vendors, MFIs provide financial services to the poor people who have experienced difficulties in obtaining these services from most formal financial institutions because their businesses, savings levels and credit needs are all small. MFIs in Uganda include two banks, several companies limited by shares and a large number of national cooperative and credit institutions, companies limited by guarantee, cooperatives and credit unions.

Over the last 25years, microfinance has emerged as an effective vehicle for poverty reduction. Essentially micro finance is the provision of financial services (loans, savings, insurance) to individuals who are otherwise excluded from the traditional banking system due to their low economic status. Uganda is generally seen as the country with the most vibrant and successful microfinance industry in Africa. Some microfinance institutions (MFIs) have experienced strong growth and are now reaching a considerable number of clients, serving between 25,000 and 45,000 clients.

According to the micro credit summit campaign 2001 report, million of the world's poorest people now have access to financial services through specialized microfinance institutions (MFIs), banks, NGOs, and other non bank financial institutions. Low earners account for nearly 74 percent of the 19 million of the world's poorest people are now being served by microfinance institutions. Most of these people have access to credit to invest in businesses that they own and operate themselves. The vast majority of clients of Uganda MFIs are small scale business people. According to the directory of microfinance institutions 2000; loans to business people clients constitute around 75% of the portfolio and 80% of the savings portfolios.

Although small businesses access to financial services has increased substantially the past years, their ability o benefit from this access is often still limited by the disadvantages they experience

because of their low earnings. Some MFIs are providing a decreasing percentage of loans to small scale businesses, even as the institutions grow and offer new loan products. Others have found that on average small business people, loan sizes are smaller than those with large businesses, even when they are in the same credit program, the same community, and the same lending group.

Some differences in loan sizes may be as a result of greater poverty or the limited capacity of businesses to absorb capital. But they can also indicate broader social discrimination against people which limits the opportunities open to them, raising the question of whether micro enterprise development programs should do more to address these issues. And looking at the leadership of many MFIs, very few small scale businesses are seen in higher position. Their contributions whether setting the vision on a board of directors, designing products and services, or implementing programs are missing. Thus, as the industry becomes more sophisticated in developing targeted products and services, it makes sense to look at both targeting poor people and empowering them.

Therefore, this study was to aim at finding out the role of microfinance institutions to the development of small scale businesses (street vendors) in Kampala central division Kampala district.

1.2 Statement of the problem

Despite governments' effort to fight poverty through credit institutions, the micro finance institutions operating in urban seem not to be an appropriate vehicle to reach the poor savers especially the low income earners. This is because of factors that have traditionally kept them behind from accessing formal financial services such as collateral requirements, salaried guarantor requirements, documentation requirements, cultural barriers, limited mobility, and literacy. Consequently, this has resulted in higher poverty rates among small scale business people (street vendors) and dependence on large scale. This study was aimed at investigating the role of MFIs in empowering street vendors from the grassroots in Kampala district.

1.3 Purpose of the study

The purpose of this study was to investigate micro finance institutions and the economic development of small scale businesses (street vendors) in Kampala central division, Kampala district in Uganda.

1.4 Specific objectives of the study

The objectives of the study were as follows:

1. To examine the level of street vendors in participation and knowledge of MFIs in the development of their businesses.
2. To establish the role of MFIs to the economic development of street vendors in Kampala district.
3. To find out the challenges faced by street vendors in accessing MFI services/loans in pride micro finance limited.

1.5 research questions

The study was based on the following research questions:

1. What is the level of street vendors 'participation in MFIs in Uganda?
2. What role has MFIs played in the economic development of street vendors in Kampala.
3. What challenges do street vendors face in accessing MFIs services in pride microfinance limited in Kampala district?

1.6 scope of the study

1.6.1 Content scope

The study was to aim at finding out the role of MFIs to the economic development of street vendors in Kampala central Kampala district.

1.7 geographical scopes

The study was carried out in Kampala central division Kampala district.

1.8 significance of the study

The findings of the study were expected to be useful to different categories of people in several ways:

First, the study findings was useful to the policy makers especially government Ministry of micro-finance and other authorities in the designing of practical guidelines that can lead to increased participation of business people in MFIs in Uganda.

The findings also were to provide wide knowledge to the public especially the street vendors on what ought to be done so as to encourage and promote community development projects in the country. In addition, the study was to highlight challenges that discourage street vendors 'participation in MFIs and this was contributed to the designing of programs that could enhance street vendors' involvement in economic activities.

The findings were also to contribute much too existing knowledge that may be useful to the academicians who may wish to carry out further studies on a related subject matter.

CHAPTER TWO

LITERATURE REVIEW

2.0 introductions

This chapter reviews to the study in accordance to the major themes of the study. In reviewing the literature, materials were drawn from several sources for the researcher believed that any relevant literature irrespective of the place or time could still be substantial to form a basis for the study. An attempt was made to fill the research gap between the past writers/researchers and the present situation.

It also looks at how different writers talks about definition of small scale enterprises, loan borrowing, utilization of loan borrowing, non performing loans, other factors affecting the growth of small scale enterprises and the relationship between loan borrowing and survival.

2.1 small scale businesses

According to Celina (2004/2005) argues that there is no precise definition of small scale businesses because they vary from country to country, sector to sector. Very few countries have definitions of SSBs. However according to this research, a small scale business is an individual or small groups of people with profit and growth oriented business project. The reason behind this is that which might seem to be large and someone may look to be small business by the number of employee whether it is registered with the government and whether the business operates out of home. However according to Murphy (1996). Small businesses simply take on small undertakings which are characterized by smaller amount of capital invested and small operations managed by very small numbers of people.

According to kiyingi (2002) the pattern of business in Uganda is that small SSBs will continue to be the sources of jobs and growth in the economy. There is evidence that small businesses make a significant contribution to both the house hold and national income with 95%employment contribution.

Obora, 2003 stated that under the informal business, characteristics include, family members as the type of labor force, involved less education and low skills as well as less management qualities and often the location is always anywhere for example roadside hence no fixed station

but could have a fixed place of work. He further gave the characteristics of formal businesses, under the formal business, those managing the business pass a certificate and they operate under government supervision. The type of labor recruited is people with required educational skills and qualifications.

According to kiyingi SSBs contributed to employment growth in the majority of developing and developed countries, small scale businesses are the key providers of employment and they employ up to 75% of the working age group.

Murphy (1996) stated that SSBs provide a means of entry in to business for new entrepreneurship talents and they act as seed beds from which new larger companies will grow to challenge and stimulate the established leaders in the industries. They act as the traditional breeding ground from the new enterprises. In Uganda the formal businesses that possess people with certificate and are under the government supervision train entrepreneurs who possess skills for bigger industries. Murphy continues to say that SSBs in Uganda provide competition and therefore help to curb the monopoly tendency of the larger enterprise by offering them complimentary services and absorbing the fluctuation in the modern economy and as a result small and medium enterprises help to diversify a nation's economic base and provide it with the opportunity of responding to a variety of market condition.

2.2 MFIs and Loan Borrowing

Micro finance loans refer to financial services such as savings, loan insurance transfers and others that micro enterprises need to run and expand their business, Muhakanizi (1999). In addition he further argued that much has been got from Uganda's experience with micro finance practices, which revealed insufficient exposure to proper micro finance practices according to Joanna (1998). Micro finance means providing services to low income client including the self employed.

The first micro finance loan was tried in Bangladesh in 1990s. Later due to its successes others followed in Sri Lanka, Indonesia, Malawi and Zimbabwe was replaced by Kenya in part because the 1992 drought made Zimbabwe face a drought environment for search (Halwe, 1992).

The case study of Bangladesh and India where in each of these countries made it possible. Microfinance practices have been with us for about 30years. The introduction of modern micro finance industry goes back just about seven years. Fortunately Uganda benefits tremendously from the history of lessons learnt a mistake made by its sister countries. In Uganda many MFIs are engaged in lending to individuals where as lending to organized groups.

The major aim of developing finance was to avail to the poor at below market interest rates. The underlying premise being that interest rates charged by commercial banks are too high(hold and rib 2003), the experiments carried out by a grameen bank in Bangladesh showed that the people were highly reliable borrowers especially women(internet-world bank paper.(2002).

2.3 lending policy and management,

Lending is the most appropriate policies as considered the important aspect. This was based on a report of UN (1996) globally, argued that resources have not been enough to advance micro entrepreneurs. This necessitates that the integration of a gender perspective in policies and programs as regards to budgeting decision and ensuring that specific programs are adequately for women.

In respect to the government and central bank, they encourage microfinance institution to establish themselves as formal regulated financial institutions. In addition to the above, these institutions are encouraged to mobilize savings prudently as well offering loans to enterprises development according to world banking, (1996).

Aburge (1992) argued that, in Uganda, initiatives and adjustments in government policy have enabled micro enterprises access credit such include **entandikwa** credit scheme, on government organizations(NGOs) like action for development (ACFODE) and (FAULU) to mention, which provide credit to micro entrepreneurs. These should have clear guidelines for their operations to repetition and even save time. In the past the operations of such organizations were questionable since they offered credit with very little payment and monitoring arrangements. The ministry of finance in worship for micro finance Africa institutions network at international conference centre noted that government intended to put more enterprises.

2.4 level of small scale businesses participation in micro finance institutions.

A number of microfinance providers are close to financial sustainability or have already surpassed it. As the impact studies conducted in Uganda (wright et al 1999, eturu et al 2000) have demonstrated that the provision of microfinance services contributes to reduced client vulnerability to economic risks; strengthened linkages of clients and their households to the agricultural sector; and the acquisition of highly needed skill sets.

International aid donors, governments, scholars, and other development experts have paid much attention to micro finance as a strategy capable of reaching business people and involving them in the development process. The microfinance industry has made great strides toward identifying barriers to business people's access to financial services and developing ways to overcome those barriers. A 2001 survey by the special unit on microfinance of the united nation capital development fund(SUM/UNCDF) of 29 microfinance institution revealed that approximately 60% of these institutions clients were small scale business(street vendors). The study was also to show however that those programs offering only individual loans at relatively high minimum loan accounts were tended to have lower percentages on street vendors' clients. These findings were to affirm the importance of designing appropriate loan accounts especially like the group guarantee lending schemes (GGLS).

According to USAID's annual micro enterprise results for 200 approximately 70% of the USAID-supported microfinance institutions clients were small scale business people like the street vendors. Considerable variation among the religions was seen however with percentages of the poor clients in the business ranging from 30% in east to 87% in Asia.

Micro finance institutions around the world have been quite creative in developing products and services that avoid barriers that have traditionally kept street vendors from accessing formal financial services such as collateral requirements, salaries guarantor requirements documentation requirements cultural barriers, limited mobility, and literacy. Nevertheless, in a number of countries and areas few institutions offer financial services under term and conditions that are favorable to street vendors. Together, these findings were confirmed that the type of products offered, their conditions of access, and he distribution of an institution's portfolio among different products and services affect street vendors' access to financial services. They were

suggested that much more can be done to serve poor business men in certain cultural and economic contexts.

Access to credit is a major issue among the urban poor especially street vendors and microfinance institutions, SACCOs (savings and cooperatives), and loan schemes are designed to fulfill this demand. Such organizations often teach community members about the benefits and methods of savings, while offering micro-loans to start small businesses. Along with microfinance opportunities, socio-economically excluded Ugandans need micro enterprise creation and development training to effectively utilize credit.

2.5 roles of MFIs in the development of small scale businesses

According to (Linda m, 1997), micro finance programs are currently being promoted as a key strategy for simultaneously addressing both poverty alleviation and business improvement, where financial service provision leads to the setting up or expansion of micro-enterprises. There are a range of potential impacts including:

Including the small households income levels and control over leading to greater levels of economic independence.

Access to networks and markets giving wider experiences of world outside the home, access to information and possibilities for development of other social and political roles.

Microfinance programs have assumed that high take-up and repayment levels indicate positive impact on street vendors and have not investigated further. Some have anecdotal information from participatory consultations and gender workshops. Existing detailed studies of empowerment, mainly in Bangladesh, have used different definitions of empowerment and different methods of investigation and reached rather different conclusions, even about the same organizations. Nevertheless, despite the patchy nature of information, and debates about the impact of particular organizations, it is clear that;

Many programs have had negative as well as positive impacts on businesses, where street vendors have set up enterprises this is often led to small increases in access to income at the cost of heavier workloads and repayment pressures. In many cases the loans have been used by large businesses to set up enterprise over which small businesses have little control. In some cases they

have been taken as unpaid business workers with little benefit, to others there have been indirect benefits and improvements in various aspects of well-being as a result of greater recognition of their role in the community, or economy, some cases street vendors increase autonomy have been temporary and led to withdrawal of larger businesses support. In some programs there are increasing fears that the street vendors increases in income are leading to a decrease in large business contribution to certain types of house hold expenditure.

Within schemes, impacts often vary significantly between businesses. There are differences between households from different backgrounds. In some contexts schemes mainly benefit those people who are already better off. In others poorer people are free and more motivated to use credit for production, in most cases the poorest people are by-passed in both individual and group-lending programs or are least able to benefit because of their initial low resource base, lack of skills aid market contacts. There are also individual differences between people from similar background and within same industries-

Positive impact on non-participants couldn't be assumed, even where poor people participants are able to benefit. Poor micro-entrepreneurs are frequently in competition with each other and the poorest micro-entrepreneurs may be disadvantaged if programs do not include them. Where street vendors employ laborers' it cannot be assumed that they give better wages and conditions of work than large ones(mayoux 1995) although increased family income channeled through small businesses often benefits poor people considerably, anecdotal evidence suggests they may often still prioritize the interests of others. Negative impacts are even more likely where street vendors do not control the loans.

2.6 challenges faced

Small scale businesses assume risks when taking out a loan which becomes debt with all of its accompanying stresses and responsibilities. In addition some studies of the impact of microfinance programs have raised legitimate concerns about the potentially negative impact that programs can have on street vendors, particularly in highly restricted environments. One often-reported concern is those clients' husbands or other household members take control of their loans, yet the clients themselves retains responsibility for paying of the loans, thus increasing their level of stress and dependency.

Moreover, increased funding has been accompanied by pressures from donors to adopt a financial systems approach which prioritizes cost efficiency and financial sustainability. These emphases have been a reaction to inefficiency, low payments and lack of impact of many previous microfinance programs. This approach takes demand for credit and repayment levels as indicators of success, requires microfinance programs to be ultimately self-sustaining and preferably making a profit. These emphases favor large organizations in order to benefit from economies of scale and group lending where groups take much of the responsibility for savings and loan repayment (Otero and Rhyne 1994).

Targeting small business is being increasingly advocated because of their higher repayment rates. However, evidence suggested that the prioritization of cost efficiency and financial sustainability may further dilute the potential contribution of micro finance programs. This is particularly the case where there is an implicit (and some cases explicit) prioritization of donor interests:-

Impact on empowerment cannot be inferred from take-up of financial services or repayment levels. Street vendors may repay through taking loans elsewhere and getting into serious debt. As noted above, loans may be controlled by large businesses. Some researchers have expressed concerns that business microfinance programs may be merely using street vendors as unpaid debt collectors mediating between development agencies, increasing their dependency on developed countries.

The overriding concern with repayment rates puts further pressure on groups to exclude those likely to experience greatest problems like the low earners (Hulme and Mosley 1996; Noponen 1999).

In some cases, increased funding for large organizations have led to the squeezing out of smaller organizations in the same area who may have been challenging on wider basis (Am and Lily 1992, Ebdon 1994).

In some cases, adoption of this approach has led to cutback in support services. There are dangers that concern with short-term cost-efficiency may jeopardize long term organizational and client sustainability. Long term sustainability requires both attention to developing the skills,

earning capacity and institutional earning which may entail substantial costs in the short-term (Johnson and Rogaly 1996).

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter gives a description of the research design that was used, area of the study, population of the study, sample selection methods and the size, data collection methods, procedure and data analysis methods.

3.1 Research design

The researcher used a cross-sectional survey design in which both qualitative and quantitative methods were applied. The reason for using a cross sectional research design was that it helped the researcher to collect data from different categories of knowledgeable and pre-determined respondents, and this, led to the generation of representative and reliable data. Quantitative methods helped in the investigation of people's ideas about the role of MFIs in empowering business.

3.2 Area of study

The study was carried out in Kampala central division Kampala district. The researcher specifically targeted one MFI operating in the area i.e. (Pride Microfinance). The bank was selected because it has several branches all over the area and is providing financial services to a wide spectrum of clients with a target of helping clients raise household income, improve businesses, and access extra financial spending power and improve their standards of living. The area was also selected because it is near the researcher's study place and this enables the researcher to collect relevant information since the respondents did not doubt his identity.

3.3 Research instruments/tools used

Self-administered questionnaires, interview guides and review of the written documents are to be used during data collection.

3.3.1 Questionnaire

The questionnaire consists both structured and unstructured questions. The questionnaire will be self administered among the respondents. The study will use a questionnaire because it allows respondents to give free and independent opinions for they are not affected by the researchers' presence. It will also help to cover a large number of respondents in a relatively short time.

3.3.2 Interview

Interviews will be conducted with key respondents like microfinance officials, street vendors, and public servants among others. The respondents have the necessary information about the desired issues. The researcher will adopt the interviews because they guarantee an immediate feedback and could

Help collect a wide range of information by using open-ended questions

3.4 Written documents

The researcher made a review of the relevant written documents to the study; such include textbooks, and reports, magazines, newspapers and journals of related records on the role of MFIs. The data to be gathered is vital in consolidating the responses excited from questionnaires and interviews.

3.5 Target population of the study.

The study population is to include mainly street vendors of Kampala district central division. The street vendors were chosen because they carry their businesses around the streets of Kampala and so they are able to give information on how carrying out a business on street has affected their socio-economic life.

The street vendors of Kampala central were chosen or selected because they deal in the selling of their goods around the streets and so they are necessary in the study.

3.6 Sampling and sample size

From the targeted population, a random and non random sample size of 100 people or respondents was selected. The researcher targeted the key streets in Kampala central like

William Street, Namirembe road, Mukwano arcade and others. It was so because the streets believed to accommodate street vendors.

Composition of the sample

Category of respondents/streets	Number of respondents
Mukwano arcade	50
William street	30
Namirembe road	20

3.7 Procedures

The researcher is to first obtain a letter of introduction from the university which will be used to present to the respondents and authorities seeking for permission to carry out the study.

To avoid loss and misplacement of the filled questionnaire, the researcher will ensure that the filled questionnaires are collected immediately.

3.8 Data analysis

Data will be coded and frequencies will be made. The findings will be tabulated and percentages will be made for easy comparison of different aspects as to the total number of observed frequencies. Interpretations and conclusions will be made according to the number of score on each item.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.1 introductions

This chapter presents the findings of the study and their interpretation. This was done in accordance with the three objectives that guided the study. The respondent's bio data were incorporated in this chapter to give a basis of analyzing on other variables.

4.2 back ground information

The study first sought for the respondent's background information (age, nature of the business and the level of education) so as to establish their relationship with the level of accessibility to credit and responses to these questions were presented in table 1 below.

Item	Responses	Frequency	Percentage (%)
Age	20 years below	10	10
	21-30 years	40	40
	31-40years	42	42
	41 and above	08	08
	Total	100	100
Level of education	Primary	22	22
	S.4 and below	38	38
	S.6 level	30	30
	Higher institutions	10	10
	Total	100	100

Source: researcher from the field

Results in the table indicate that majority (42%) of the respondents are between 31-40 years of age, 40% are 21-30 years, 10% are 20 years and below the least percentage 08% were above 41 years of age.

The observation made here is that majority 42% fell in the age bracket of 31-40 years because these form the largest number of street vendors in the areas. It was discovered that age has an effect on the street vendors' ability to access loans. The researcher observed that street vendors who were below 20 years and above 40 years expressed fear and rigidity towards micro finances.

38/5 which was of the respondents had attained S.4 certificate, 30% were S.6 drop outs while 22% had attained primary leaving certificates. The least percentage of respondents (10%) had enrolled in higher institutions of learning.

According to the observations made by the researcher, the respondents were seen to have knowledge about the operation and the operations about the microfinance institutions in the area. This can be attributed to the fact that they are semi educated and are able to read and write. It should be noted that the massive advertisements by the institutions and the competition among the microfinance has led to community sensitization about the services offered by the different MFIs in the area.

4.3 level of street vendors' participation in MFIs

In the first research objective, the researcher thought of finding out the level of street vendors' participation and knowledge of MFIs in Kampala central division. In abide to have answers on this variable; several questions were passed o to the respondents. First the respondents were asked to state whether they owned bank accounts in any of MFIs, findings on this issue were presented in the table 2 below

Street vendors who own bank accounts in MFIs

Response	Frequency	Percentage (%)
Yes	30	30
No	70	70
Total	100	100

Source: by the researcher from the field

As it is seen from the table above, it can be concluded that most of the street vendors do not own/have bank accounts in any of the MFIs and so they do not participate and utilize microfinance services. The findings revealed that 70% of the respondents never owned bank accounts in micro finance while only 30% had the accounts.

This observation can be attribution to the fact that most of the street vendors who were engaged in selling their things on streets that provide them daily income for subsistence and consumption, so they could not save enough to keep in the banks.

4.4 knowledge of MFIs and banks

The respondents were asked to state what they knew about micro finances and according to the responses, it was observed that the street vendors had some knowledge about micro finances, though most of the respondents referred to micro finances as organizations and banks that provide credit and financial services to the public.

4.5 borrowing money from a micro finance institution

Street vendors who borrowed money from MFIs

Response	Frequency	Percentage (%)
Yes	40	40
No	60	60
Total	100	100

Source: by the researcher from the field

As seen from the table above, it can be concluded that street vendors in Kampala do not participate and utilize micro finance services. The findings revealed that 60% of respondents had never borrowed money before, and only 40% of the respondents had borrowed money from the micro finance.

This observation can be attributed to the fact that most of the street vendors do not have the collaterals and securities to secure loans which led them to fear loans from MFIs.

4.6 policies followed before extending credit to street vendors.

The researcher came to a realization that there were strict rules and procedures that were followed before giving out a loan to a potential client. The respondents noted that the first rule thumb when signing on a new client is to verify essential information about them. The officials noted that the only criterion for selection of the target market for inclusion in the program is that clients have a viable income generating business here ID verification include the tax ID number for the business, the physical address as well as the mailing address, four numbers and personal identification such as a copy of the potential client's drivers license

In addition, before extending credit to a potential customer, bank officials have to access their creditworthiness. Requiring credit references from current vendors or business associates is an effective for short term repayments (30-90) days. In some cases, the potential customer provides a reference from their banking institutions. A credit policy is considered as contractual agreement and renegotiated annually. The officers also determine the credit worthiness of a customer by obtaining a credit report. A credit report would divulge any judgment or liens against a potential customer along with a payment history that levels the timeliness of payments they have made.

When asked if the finance services clearly reached the neediest portion of the population, it was discovered that in Kampala central the credit program estimates indicate that 60% of the borrowers are single parents and over 75% are the ones with responsibilities. Also, over 90% of customers most of the lives on less than \$ 1 per day, which is below the \$ 2 world, bank universal poverty line.

4.7 roles of MFIs to the development of street vendors

In the second research objective, the study thought to find out the role of MFIs in the development of street vendors in Kampala central division Kampala district.

First they were asked to state if they thought that credit policies of MFIs are fair. It was discovered that street vendors were not happy about the credit policies of MFIs. The responses to this issue were presented in the table below.

Whether credit management policies are fair

Response	Frequency	Percentage (%)
Yes	15	30
No	35	70
Total	50	100

Source: by the researcher from the field

As seen from the table above, the majority (70%) of the respondents reported that the credit policies of micro finance institutions were not fair to the clients. The respondents noted that the financial institutions charged them high interest rates and gave them little time for repayment. However, 30% of the respondents were favorable to them. It was realized that these were the clients who were selling goods of first class not second hand products and they can be able to refund I time.

The clients gave reasons for departing that MFIs program tend to relate more to the lending methodology than problems with loan repayments. For example the institutions give inadequate loan amounts and terms and mandatory weekly meetings. In addition, most of the street vendors are arranged in groups before securing a loan from microfinance institutions and most cases if one member fails to pay the loan; the other members have to pay the defaulter. It was also noted that most people were excluded from getting loans just because they did not have bank accounts with the microfinance institutions. As required, the clients had to first open savings account with the MFIs before they could receive a loan.

4.8 impacts of MFIs and banks on the street vendors in Kampala central Kampala district

The researcher asked the respondents opinion on how micro finances had impacted them. According to the responses, it was discovered that micro finances had impacted less on street vendors positively. This attributed to the fact that most of the street vendors had not fully utilized the services of the micro finances in the area. MFIs target was to reach most the neediest poor more so the street vendors but it is unfortunate that they do not access the services. It was

discovered that lack of collateral security and fear of the high interest rates would hinder street vendors from accessing loans from MFIs.

It was further noted that the street vendors who have accessed the loans from MFIs, have been able to expand their business and improved their livelihood. MFIs have provided street vendors with financial resources and expertise on how to manage their business. In addition, by expanding their business, this has impacted positively on their income base. These street vendors have been empowered economically and others have been able to take on political positions because of their financial independence.

4.9 business challenges

The respondents were asked to state some of the challenges that are faced in their businesses. It was discovered that the biggest challenges were limited capital. The respondents reported that they lacked enough capital to expand their businesses and they have no collateral security/properties to secure loans from banks.

In addition, the high costs of living were another challenge s mentioned. It was revealed that due to the high costs of living, the street vendors were finding it difficult to save incomes to expand their businesses as mentioned by one the respondent that they spend almost half of their profits on food and transport.

4.10 other sources of credit

When asked if they borrowed from somewhere else other than MFIs, some of the respondents agreed that they had borrowed money from friends and family members. It should be noted that most of the respondents did not have collateral security to acquire loans from banks. This means that they resort to their friends and family members to raise capital and that they do not put to use of credit services an available.

4.11 Why Street vendors borrow

When asked to state the main reasons as to why they borrow money, it was discovered that most street vendors borrow money to pay school fees for their children. The researcher came to a realization that the businesses that street vendors were involved in did not raise enough income fro to meet their children's needs. The observations made were that even if street vendors were

to borrow from MFIs they would not invest the money in productive businesses so it would be hard for them to pay back the loans.

4.12 challenges in borrowing

In the last objective, the study sought to find out the challenges that street vendors face when securing loans from MFIs and other bank. The respondents noted that the institution charged them high interest rates and gave them limited time for repayment. The clients reported that there were many challenges which prevented them from getting loans from the credit service institutions. It was revealed that MFIs programs tend to relate more to the lending methodology than problems with loan repayment. For example the institutions give inadequate loan amounts and terms, mandatory weekly meetings and others.

CHAPTER FIVE

RECOMMENDATIONS AND CONCLUSIONS

5.1 introductions

In this chapter, the findings from chapter four were summarized, conclusions and recommendations were made. This was done in accordance with the objectives and research questions that guided the study. Finally cases for further research were suggested.

5.2 conclusions

In view of the study findings, the following conclusions were made in accordance with the major objectives of study.

5.3 level of street vendor's participation and knowledge of MFIs

From the study findings, it can be rightly concluded that although the street vendors in central division Kampala district had knowledge about microfinance, many of them do not participate in utilizing microfinance services. This was attributed to the fact that most street vendors in central division did not have bank accounts and either did they have collateral securities to secure the loans. These two factors hindered their participation.

5.4 roles of microfinance institutions to the development of street vendors

A conclusion was made that micro finances had impacted less vendor's economic and social lives. Street vendors do not borrow from banks because they lack collateral security and fear the high interest rates charged by the MFIs.

It was also concluded that it is very hard for street vendors to access loans from MFIs since they are not part of formal businesses or do not have addresses for which they can be traced. As a credit requirement for MFIs low income earners (clients) have to be arranged in groups before they can secure loans and incase of one member fails to pay the loan, the other members have to pay for group members who defaulted.

The biggest challenge facing businesses is limited capital, it was discovered that lack of enough capital has hindered street vendors from expanding businesses and that they have no collateral security/properties to secure loans from banks.

It was discovered that most street vendors borrowed money so as to pay fees for their children. The researcher came to a realization that the businesses that street vendors were involved in did not raise enough income for street vendors to meet school needs for their children. This observation implies that even if street vendors were to borrow from MFIs, they would not invest the money in productive businesses, so it would be hard for them to pay back the loans.

5.5 Challenges.

In the last objective, the study sought to find out the challenges that street vendors face in trying to secure from MFIs and banks.

Lending strategies of MFIs appear to be more of deterrent to continued participation than factors within the client's households and enterprise. The clients gave reasons for departing that MFIs program tend to relate more to the lending methodology than problems with loan payment. For example the institutions give inadequate loan amount and terms, mandatory weekly meetings and others.

In addition, the low income earners (clients) are arranged in groups before they can secure loans from banks like pride micro finance and in case one member failing to pay the loan, the other members have to pay for group members who default . It was also noted that many people were excluded from getting loans just because they did not have accounts with banks. As a requirement, the clients had to first open savings account with the MDI before they would receive loans.

5.6 recommendations

In review of the study findings, the following recommendations were made.

First the study revealed that street vendors do not access loans because they lack collateral security, therefore government should design policies that allow street vendors to have easy access to loans. This can be done by government offering interest free loans to street vendors that they can increase on their businesses.

In addition, street vendors should be sensitized on the role of MFIs and the procedures for loan accessibility so that they can have knowledge of the services offered at the MFIs. This will halt the fear that some street vendors have on MFIs.

MFIs need to put in place credit policies that are fair to street vendors' easy accessibility to loans. The researcher came to a realization that most of the respondents were not happy with the credit policies. Therefore, it is recommended that credit service providers redesign policies that suit the low income earners since they are the intended clients.

5.7 areas for further research

There is need to carry out a study on the impact of credit policy on loan accessibility among street vendors.

A study can be carried out to access the impact of MFIs to the development of street vendors in Uganda.

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APPENDIX A : QUESTIONNAIRE

TO THE STREET VENDORS

Dear respondents,

You have been selected to participate in this study without prior knowledge of your existence. The purpose of this study is purely academics and so you're kindly requested to tell the truth and the information you give will be treated with utmost confidence.

Tick and fill in where necessary:

Background of the information

Name:.....

Age:.....

Sex:.....

Nature of business:.....

1.Level of education

- A. Primary
- B. Secondary
- C. University

2.How many children do you have?

- A. 1-3 children
- B. 4-6 children
- C. Seven and more
- D. None

3.How much capital did you start with?

- a) One hundred thousand
- b) Three hundred thousand
- c) Five hundred thousand
- d) More than five hundred thousand

4.Who are most of your customers?

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

5.How much do you earn a day?

- a) Less than 10000 a day
- b) 10000-20000
- c) 20000-30000
- d) More than 30000

6.How much do you spend a day?

- a) Less than 5000
- b) 6000-10000
- c) More than 10000

7.For how long have you been in this business?

- a) Less than a year
- b) 1-2 years
- c) 3-4 years
- d) More than four years

8.How many times do you deposit money in the bank in a month?

- a) Once
- b) Twice
- c) More than that
- d) None

9.Level of street vendors and the knowledge of MFIs

Do you own a bank account in any micro finance institutions?

- a) Yes
- b) No

If yes, which bank?

.....

.....

.....

10.What do you know about micro finance institutions and other banks?

.....

.....

.....

11.Have you ever borrowed money from a micro finance institution?

- a) Yes
- b) No

If yes, how many times?

.....

.....

.....

12.How did you get to know about the services provided by MFIs?

- a) A friend
- b) Advertisement
- c) After a promotional drive

13.Which other services do you acquire from micro finance institutions?

.....

.....

.....

14.What impact has MFIs had on the social economic development on you as street vendors?

.....

.....

.....

APPENDIX B : QUESTIONNAIRES
TO THE MICRO FINANCE OFFICERS

1. What is the state of borrowing by the street vendors?

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.....
.....

2. Do you think that the establishment of micro finances has had an impact on the political atmosphere of street vendors and if yes, how?

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

3. In your view, how have micro finance services and banks impacted on street vendors in Kampala central division?

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

4. How are street vendors benefiting from micro finance institutions (MFIS)?

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

5. What are the common challenges that you have faced in your business?

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

6. Other than the MFIs, where else do the street vendors borrow money from?

.....

.....

.....

7. What is the main reason for borrowing money from MFIs?

.....

.....

.....

8. What are the major problems faced while using MFIs services?

.....

.....

.....

ACTUAL BUDGET

Item	Amount
Transport	50,000
Air time	30,000
Accommodation	75,000
Stationary	45,000
Total	200,000

ACTUAL WORK PLAN

Month(period)	Activity
Dec 2011	Dev't of concept
Jan-march	Proposal writing
April-may	Field work
May-June	Report writing