

**MICRO FINANCE INSTITUTIONS AND POVERTY REDUCTION  
AMONG UNEMPLOYED WOMEN: A CASE STUDY OF  
PRIDE MICRO FINANCE MBARARA**

**BY**

**AKANKWATSA BETTY**


**BBA/10067/81/DU**

**RESEARCH REPORT SUBMITTED TO THE SCHOOL OF BUSINESS AND  
MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR  
THE AWARD OF BACHELORS DEGREE IN BUSINESS  
ADMINISTRATION OF KAMPALA INTERNATIONAL  
UNIVERSITY**

**May, 2011**

### DECLARATION

I, **AKANKWATSA BETTY** declare that this research report is my own original work and that it has not been presented to any institution of higher learning or university for any or similar award.

Signature: .....  ..... Date: ..... 06/07/2011 .....

**Akankwatsa Betty**

## APPROVAL

This is to prove that **Akankwatsa Betty's** work has been under my supervision as a University supervisor.

Signature..........Date.....06<sup>th</sup>/07/2011.....

Kibuuka Muhammad T.

## DEDICATION

I dedicate this research report to my beloved parents Mr **Njunwoha Krinerio** and Mrs **Njunwoha Grace**, my beloved uncle Mr Katsigazi Silver and all my sisters and brothers, my grand parents Mr and Mrs Mutikuzi Victor, who have been influential as far as my education is concerned. May the almighty God bless you abundantly.

## **ACKNOWLEDGEMENT**

Thanks go to the almighty God who has been in control of all this successful report. He has made me work under health conditions and given me great wisdom to achieve all this. All glory belongs to him.

Am very grateful for the contribution of my dear supervisor who has worked tirelessly towards the success of this report. I have approached him over and over again for his guidance and indeed he has really guided me. Thank you so much.

I also extend my sincere gratitude to the entire staff of the faculty of business and management who gave me the ability to come up with this report. I can't say it all but may the almighty God bless you all and empower you with more wisdom.

Special thanks go to my family and the family of Mr Katsigazi Silver for their support and encouragement despite all the hardships it costed you. Thank you so much.

To my great friends, Adong Evaline, Nyinawimfura Jacky, Musiime Sheila Agnes, Koojo Mathew, Ssenyondo Kasimu, Mugarura Enock, Nabulime Angela, Apio Prossy, Kyarikunda Rovence, Byangango Moreen, I cannot forget to say thank you so much for your advice and support towards this research.



## TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>i</b>
<b>APPROVAL.....</b>	<b>ii</b>
<b>DEDICATION.....</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>iv</b>
<b>TABLE OF CONTENTS.....</b>	<b>v</b>
<b>ABBREVIATIONS AND ACRONYMS.....</b>	<b>vii</b>
<b>ABSTRACT.....</b>	<b>viii</b>
<b>CHAPTER ONE.....</b>	<b>1</b>
<b>INTRODUCTION.....</b>	<b>1</b>
1.0 Introduction.....	1
1.1 Background to the Problem.....	1
1.2 Problem Statement.....	3
1.3 Purpose of the Study.....	4
1.4 Objectives of the Study.....	4
1.5 Research Questions.....	4
1.6 Scope of the study.....	5
1.7 Significance of the Study.....	5
<b>CHAPTER TWO.....</b>	<b>7</b>
<b>LITERATURE REVIEW.....</b>	<b>7</b>
2.0 Introduction.....	7
2.1 Benefits from Small Scale Credits to Women.....	7
2.2 Small Scale Credit Provide Entrepreneurial Skills to Women.....	8
2.3 Contribution of Small Scale Credit to Self Employment.....	9
2.4 How Women Overcome the Problem of Small Scale Credit.....	10
<b>CHAPTER THREE.....</b>	<b>12</b>
<b>METHODOLOGY.....</b>	<b>12</b>
3.0 Introduction.....	12
3.1 Research Design.....	12
3.2 Population and Sample.....	12
3.3 Sample size.....	13
3.4 Sampling Procedures.....	13
3.5 Data Collection Methods.....	13
3.5.1 Questionnaires.....	13
3.5.2 Interview.....	14
3.6 Data Analysis.....	14
<b>CHAPTER FOUR.....</b>	<b>15</b>
<b>RESEARCH FINDINGS.....</b>	<b>15</b>
4.0 Introduction.....	15
4.1 Profile Characteristics of Respondents.....	15
4.2 Benefits of Small Scale Credits' to Women.....	17
4.3 Contribution of MFIs in the Provision of Entrepreneurial Skills to Women.....	18
4.4 Contribution of MFIs to Self Employment of Women.....	20
4.5 How Women Overcome Problems from Small Scale Credits.....	21

4.5.1 Problems facing women in their pursuit for credits .....	21
4.5.2 Proposed solutions to overcome problems associated with small scale credits.....	22
<b>CHAPTER FIVE.....</b>	<b>24</b>
<b>SUMMARY, CONCLUSIONS AND RECOMMENDTIONS .....</b>	<b>24</b>
5.0 Introduction .....	24
5.1 Summary of Findings.....	24
5.2 Conclusions .....	25
5.3 Recommendations .....	25
<b>REFERENCES .....</b>	<b>27</b>
<b>APPENDICES .....</b>	<b>29</b>

## ABBREVIATIONS AND ACRONYMS

<b>BOB:</b>	Bank of Mbarara
<b>FINCA:</b>	Foundation for International Communities Assistance
<b>GDP:</b>	Gross Domestic Product
<b>IMF:</b>	International Monetary Fund
<b>MDGs:</b>	Millennium Development Goals
<b>MFI:</b>	Micro Finance Institutions
<b>NGO's:</b>	Non-governmental Organisations
<b>NPAP:</b>	National Poverty Alleviation Programme
<b>PRSP:</b>	Mbarara Poverty Reduction Strategy Paper
<b>SACCOS:</b>	Savings and Credit Cooperative Societies
<b>SEDA:</b>	Small Enterprises Development Agencies
<b>SMEs:</b>	Small and Medium Enterprises
<b>UNICEF:</b>	United Nations Children Fund
<b>WDF:</b>	Women Development Fund



## ABSTRACT

This study set out to examine the contributions of Microfinance Institutions to poverty reduction among the self employed women in Mbarara Town council, Mbarara district. It was guided by three specific objectives which included examine the; I) benefits to women resulting from their capital access to credit; II) contribution of MFIs towards provision of entrepreneurial skills and promotion of self employment to women; and III) how women in Mbarara overcome problems associated with acquisition of MFI loans. Using a case study and a descriptive correlational and cross-sectional survey design and following a quantitative approach, data was collected through questionnaires and interviews from 40 respondents including food vendors, shopkeepers/owners, tie and die makers and executives Foundation for International Communities Assistance (FINCA), sampled using simple random and purposive techniques. Data analysis was done using SPSS by computing simple and complex frequency tables or cross-tabulations. The findings showed that; i) 16 respondents (42%) used small scale credits to build residential houses followed by 24% who used the loan for paying school fees, 11% increased their business capital, while 8% claimed no benefit; ii) women status has also improved; iii) 32 women (69%) have joined entrepreneurial skills training in 2011, however they need more skills and knowledge on marketing, project planning and successful management of business; iv) food vendors (36%) are the biggest business group who received training from MFIs and on the whole, 22 respondents received training including food vendors, tailors (27%), tie and dye makers (23%) and shop owners (14%). Most respondents who did not get training are those in the tie and dye business (50%) followed by shop owners (30%). The researchers concluded that the contribution of small scale credits to poverty reduction among women in Mbarara is commendable and reasonable. Various benefits have been achieved such as buying land plots, improving shelters by building decent and modern houses, paying school fees for their children in Mbarara primary and secondary schools, and opening more branches for their business projects. The researcher recommended that to some extent loans are weighing heavily on beneficiaries, thus credit terms and conditions should be reviewed in order to accelerate poverty reduction and help to uplift small and medium enterprises (SMEs). Microfinance Institutions (MFIs) should strengthen their education programmes to women who are their customers so that their business can be sustainable. The government should empower women with entrepreneurial knowledge and skills so that they can be aware of loans/credits issues before approaching lending agencies. The government should allocate more money for giving loans to women with fair lending conditions beneficial to women.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Introduction**

This chapter presents the background, problem statement, purpose, specific objectives, questions, scope, and the significance of the study.

#### **1.1 Background to the Problem**

In Mbarara like any other cities, majority of its citizens are poor. As per government of Uganda Poverty Reduction Strategy Paper (PRSP) presented to IMF in 2000, it is stated that since independence in 1961, the government of Uganda has had poverty reduction as its main goal. It further states that in 1977, the government adopted the National Poverty Eradication Strategy which spells out a vision of society without abject poverty and with improved social conditions.

According to Poverty Reduction Report (1994), In Uganda, poverty is more pronounced in rural than urban areas. It estimated that up to 60 percent of rural population is said to be poor living in households whose income is less than 50,000 per year. However, there are differences on the state of poverty from region to region when various issues are considered such as food, income, security and social differences.

The government of Uganda laid down several strategies on fighting against poverty in early post independence days. In less than six years the government embarked on socialism policy based on structures intended to reduce and do away with economic and social inequalities among its people. To that end the government initiated several major intervention programmes in education, health, agriculture and water. But theses programmes were not successful to the intended level, this was due to lack of capital,



technical know how as well as imposition of activities on the people from above which became alien to the people and so lacked their crucial support. Not only that but these programmes also lacked committed and reliable donor financing.

The above scenario to a great extent after the failure and eventually collapse of socialism policy, left many people frustrated with those services which were paid for by the government then needing cost sharing and getting them from private providers. This led many households and individuals plunging into poverty, whereas as some children missed even primary school and those who made it to that level it became helpless for them to be self employed. As a result many Ugandans are in the state of poverty especially women who carry a heavy productive and reproductive responsibilities for her family.

Poverty in Uganda is so wide spread that it cannot be eradicated in a short time. With reference to the government's visions and strategies, and looking at the magnitude of the spread of poverty in Uganda, it is not easy to eradicate poverty totally but it can be reduced.

Recently Uganda has witnessed the establishment of various social economic groups famously known as Savings and Credit Cooperative Societies (SACCOS) and non-governmental organisations (NGO's) tailored to provide microfinance loans. The objectives of these SACCOS and MFIs are tailored to poverty reduction. Some of the SACCOS have their working capital grew tremendously and turned into banks such as Barclays bank, Finca, DFCU, Orient Bank, Post Bank among other financial institutions.

Observation which was made on these Microfinance Institutions (MFIs) dealing with poverty reduction showed that the majority the benefit are women, and some of these, their primary objectives or missions are targeting to assist women.

Despite impressive performance in macro economic aggregates, progress in poverty reduction was slow during the 1990's and for the mainland uncertainty of recent trends remains because of lack of data in 2004/05. Results of the 2007 household budget survey were expected to help establish trends.

The challenge of translating growth into poverty reduction remains, pointing to the fact that, it is only growth that matters, but also the quality of growth. In the mainland, the latest figures indicate a small fall in income poverty (basic needs) during the 1990's from 38.6 percent to 35.7 percent in 2001. However, the actual number of poor people has increased as a result of population growth. During the same period, food poverty decrease from 22 percent to 19 percent, (URT, 2006:8). Poverty reduction efforts in Uganda are guided by BOU short and long-term policy frameworks and strategies. These include the Uganda Development Vision 2025 for mainland.

The then Ministry of Planning, Economy and Empowerment (MPEE), developed a policy of empowerment of Ugandans in order to enable them participate in various economic activities. Small and medium enterprises (SMEs) are being guaranteed by the Bank of Uganda (BOU) when they seek loans from financial Institutions as part of the programme to promote entrepreneurship, (URT, 2006:9).

## **1.2 Problem Statement**

Microfinance Institutions are organs which have been working as well as providing women with education and finance in order to improve their lives. According to the Mayoux (2002:20) 14.2 million of the world's poorest women have had access to financial services, accounting for nearly 74 percent of 19.3 million of poorest women served by microfinance. Various studies conducted in Uganda and outside claimed that microfinance Institutions credit schemes reduce poverty and empower women, (Riria, 2002:7). The studies

emphasize on the effectiveness of credit as a tool for poverty reduction and women empowerment.

Other studies indicate that these credit programmes have a limited impact in poverty reduction as well as empowering women and sometimes many have increased women's burden (Bwado, 2004.35). How far is this true and to what extent does it describe the situation on the ground? Also the contribution of micro finance Institutions to poverty reduction among women who access the microcredit from MFIs is not known. This research will aim at solving this problem and the present study the contribution of MFIs to women in the study area was known. In recognizing the issues above the researcher decided to conduct a study on this area because majority of women have not reached by MFIs that could help them economically. Therefore the research intended to conduct this study to fill this gap.

### **1.3 Purpose of the Study**

The purpose of this study was to examine the contributions of Microfinance Institutions to poverty reduction among the self employed women in Mbarara district.

### **1.4 Objectives of the Study**

- (i) To examine the benefits to women resulting from their capital access to credit from Microfinance Institutions in Mbarara
- (ii) To investigate the contribution of Microfinance Institutions in Mbarara towards provision of entrepreneurial skills and promotion of self employment to women.
- (iii) To examine how women in Mbarara overcome problems associated with acquisition of Microfinance Institutions loans.

### **1.5 Research Questions**

- (i) What is the role of Microfinance Institutions in ensuring capital access to women through provision of small scale credits?

- (ii) How do Microfinance Institutions in Mbarara contribute towards provision of entrepreneurial skills to women for self employment?
- (iii) What is the contribution of Microfinance Institutions in Mbarara to self employment among women?
- (iv) How do women overcome problems associated with Microfinance' Institutions in Mbarara?

### **1.6 Scope of the study**

The study was carried out in Microfinance Institutions in Mbarara district. The study involved visiting of the various headquarters of Microfinance Institutions in Mbarara. It is at these headquarters that all activities of Microfinance Institutions in the district are carried out and so it was appropriate for the study to be based there. The study focussed on the role of Microfinance Institutions in Mbarara towards provision of small scale credits, entrepreneurial skills and self employment among women as well as the challenges women face in dealing with Microfinance Institutions in Mbarara and how they overcome them. The study was carried out between the month of January and July 2011.

### **1.7 Significance of the Study**

The study will contribute to the body of knowledge regarding women's roles in the building of the economy as a result of their participation in micro-credit activities. Hence, this signifies women's role in poverty reduction. The study also will highlight the contribution of Microfinance Institutions to Poverty reduction among women's social and economic empowerment. Therefore, this study will be an important tool on awareness creation to poverty reduction.

This study aimed to provide an insight to policy makers, researchers, credit providers, supporters of the empowerment and the public at large in development issues.



In addition to that, the study will help in setting programmes which are gender specific so as to make sure that women are given a significant role in the overall country development programmes.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter presents what other researchers and authors have found as to what is the contribution of Microfinance Institutions (e.g. through small scale credits) to poverty reduction among women. Reviewed literature is presented in sections based on the literature related to the research objectives and questions. These sections include benefits from Microfinance Institutions to women, Microfinance Institutions provide entrepreneurial skills to women, contribution of small scale credits to self employment and how do women overcome problems associated with Microfinance Institutions in Uganda, notably Mbarara.

#### **2.1 Benefits from Small Scale Credits to Women**

Microfinance Institutions reduce poverty through enterprise development and financial services for use in households' income generation projects. Generally when poor people get financial resources like credit, they start to use their skills and they know very well how to get involved in income generating activities like tailoring, food vending and the like. Microfinance helps empower women to build social capital that is women can share ideas and views with each other without any fear and this benefits the society in general, (Gulli & Berger 2000). Any serious attempt to address poverty must base on sound analysis of different situation of men and women especially in terms of power over resources. This is because access to and control over resources is one of major constraint facing women in development sector,

In many instances implementers of credit schemes have claimed that the work will lead to progressive social change. For example, empowering women and changing gender

relations in the household and in the community, (Adams 1999). In 1993 the government of Uganda introduced women development fund (WDF). The function was to empower women economically by providing them with low interest loans in order to enable them run small business and accumulate capital. Through Ministry of Community Development Gender and Children, this was done after attending Beijing Conference in 1996 by a group of women, (Dickson, 2008).

In order to improve women's economic empowerment in Uganda, it states that UNICEF analyses have related in general empowerment framework of types of development strategies which targeted women. Such strategies have often been labelled welfare programmes which target women's practical needs, such as income generation, water, health facilities, labour, saving technologies, strategies which target institution formulation geared for women development and sustainability.

## **2.2 Small Scale Credit Provide Entrepreneurial Skills to Women**

Kabeer (1996) argued that, women can be targeted for reasons of empowerment. This emphasizes the need for clarity as to the reasons for targeting women, the means of doing it, and the likely outcome in terms of gender relations. Microfinance intervention may lead to empowerment of women for increasing their incomes and their control over that income, enhancing their knowledge and skills in production and trade, and increasing their participation in household decision making. As a result, social altitude and perceptions may change, and women status in the household and community may be enhanced.

Women need small loans, although this is true for initial access and for very poor women, there is a danger of ghetto - using women within small loan programmes. There is also evidence of prejudice by male staff against granting larger loans to women. Case studies collected by the author indicated that many women want access to larger loans and are



capable of managing them such loans could be made conditional on registration of assets in women's or in joint names and evidence of the women's involvement in the loan activity, including marketing and accounting and production of business plans. These in themselves could give women more confidence and skills in taking strategic approach to saving and using loans rather than simply drifting into debt, Mayoux (2002).

Mersey (1996) argued that, donors support in developing countries to all sectors come in different ways including supporting policy and regulatory reforms and capacity building in social economic level. Many if not all donors currently require their funds to be targeted at the lowest to poor. Many of the donors selected women and youth as their focus. The result is to women who are generally poor than men and who are found predominantly in the informal micro enterprises segment, have been the main beneficiaries. Donors' efforts are largely uncoordinated resulting sometime in duplication of efforts. However there is no clear evidence as to whether the impacts of donors' objectives are ambiguous. While some claim to support enterprise a larger part of the resources are targeted at poverty alleviation and reduction helping poor out of living from subsistence type of activities.

### **2.3 Contribution of Small Scale Credit to Self Employment**

Poverty Profile Executive Summary Mongolia (2001) argued that, poverty incidence among women has increased. BOU poverty and unemployment become conspicuous especially among women who are the household heads. According to statistical data female unemployment rate tends to be higher than male, but it is supposed that more women are entering into informal sector or staying at home, facing the difficulties to continue to work in formal sector having lost universal access to nursery services. The National Poverty Alleviation Programme (NPAP) included a micro credit programme for poverty reduction among women.

The importance of self finance to poor women is consistently under estimated despite their lack of resources. The women do save and their savings are crucial for the investment. Moreover, they like to participate more in household decision making concerning, saving than those to do with credit, Gibb (2002). Students of business should be interested in observing that this great shift in the character of business economics from self – employment to large firm employment has made significant change in the total economic scene and they accompany government philosophy. Business cycles have become far more hazardous for more people, since more people are dependent upon larger firm pay – rolls rather than on largely self supporting firms.

An increasingly larger proportion of women are self employed often in the informal sector. They engaged in an almost limitless variety of activities. This trend is largely due to the shortage of formal employment for women, pressure on rural economies and rapid urbanization in many parts of the world. Women are a particular disadvantaged group when it comes to competition for formal employment due to may be lack of education, training and experience required, Dulansey (2002).

Women generally engaged in self- employment as part of a household production system. In female headed households especially this may constitute the main source of income. Alternatively, women may balance participation in households-based enterprises, wage work, self employment and reproductive work. It has also been observed that women involved in activities that are low risk although often low return, act to guarantee basic consumption, allowing other household member to invest in ventures that are more risky but have greater potential for profit, Downing (1991).

#### **2.4 How Women Overcome the Problem of Small Scale Credit**

Credit can act as a catalyst in expanding BOU enterprises and income. In most cases, economic development for women is not obstructed by financial factors alone, quite apart

from institutional antipathy, a lack of access to resources; raw materials, new technologies, markets, knowledge and training are all serious problems for women. If a credit programme is to be successful, additional services may be required to help women overcome these barriers.

Empirical studies give strong evidence supporting that, although microfinance has had a positive effect on national development, it has failed to reach the poorest of the poor. Microfinance initiatives has been attacked by heavy criticism regarding high interest rates, exploitation of women, loan repayment, unchanging poverty levels and failure to effectively cater for the target groups, Mallick (2002). Datta (2004) argued that micro credit alone is not necessarily the way to help the poorest of the poor. This is a result of understanding of the specific nature and characteristics of the rural economy and of different patterns in poverty dynamics.



## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

The chapter describes the methods and approaches used in the study. It describes the research design, the research instruments used to collect data, the research procedure, and data analysis techniques. It also mentions limitations of the study.

#### **3.1 Research Design**

The study used a case study design and followed a quantitative research paradigm and used a correlational, cross-sectional survey design. It was quantitative in that variables were measured and analyzed using numbers (Amin, 2005). It was correlational in that the researcher was interested in relating each of the three contributions of Micro Finance Institutions in Mbarara towards poverty reduction among women (Amin, 2005). It was a survey since it involved a large sample (Fanning, 2005 & DeVaus, 1996) and it was cross-sectional, as data were collected at once (Olsen & Marie, 2004). The design was chosen on account of limited time and costs.

#### **3.2 Population and Sample**

Population is a collective term used to describe the total quantity of things' or cases of the same type which is the subject of ones study. It can consist of objects, people or even events (Walliman, 2006:75). This study used the following types of respondents: food vendors, shopkeepers/owners, tie and die makers and executives from Foundation for International Communities Assistance (FINCA). Executive officer, municipal cooperatives officer, tailors and SACCO's leaders.

### **3.3 Sample size**

A sample is a number of people or things taken from a larger group and used in tests to provide information about the larger group (Hornby, 2004). The sample involved 40 respondents. These were grouped into food vendors, shopkeepers/owners, tie and die makers and executives from Foundation for International Communities Assistance (FINCA). These were involved because they are the groups that are targeted in the activities and services of Microfinance institutions and so were helpful in providing information about Microfinance institutions.

### **3.4 Sampling Procedures**

According to Walliman (2006:75) sampling is defined as a process of selecting just a small group of people from a large group. In this study, simple random sampling and purposeful sampling were used to select respondents. Simple random sampling was used to get information from food vendors, tailors, shopkeepers, and tie and die makers. Purposeful sampling was used to get executives from different financial Institutions to provide information.

### **3.5 Data Collection Methods**

In this study two types of instruments were employed in collecting data from the field and these included questionnaire and interviews.

#### **3.5.1 Questionnaires**

According to Kumar (2005:126), a questionnaire is defined as a written list of questions, the answers to which are recorded by researcher. In a questionnaire respondents read the questions, interpret what is expected and then write down the answers. The questionnaire method was used because majority of respondents were literate, therefore they filled the questionnaires on their own with no need of close supervision. There were two types of questionnaires which are: close-ended and open-ended questionnaires. In this study, questionnaires were distributed to food vendors, tailors, shopkeepers, and tie and die makers by the researcher her self.

### **3.5.2 Interview**

An interview is a data collection technique that involves oral questioning of respondents, Joseph (2005). He argues that, semi-structured interview is a method of research which is flexible, allowing new questions to be brought up during the interview as a result of what the interviewee says.

The interviewee in semi-structured interview generally has a framework of themes to be explored. It was used to give and receive information and it was two ways communication. Semi-structured interviews were used in order to get more in depth information. It was used for municipal cooperatives officer, executive officers and microfinance Institutions executives.

### **3.6 Data Analysis**

Data on completed SAQs was edited, categorized or coded and entered into the computer SPSS and were summarized using simple and complex frequency tables or cross-tabulations. The same package was used to analyse data further, by computing relative frequencies, means, standard deviations and other relevant statistics at the univariate level. At bivariate level, the Pearson's Linear Correlation Coefficient was used to analyse data further as deemed appropriate.



which is a characteristic of small activities owners in many local authorities. A large portion of the population in the study area have various sources of income such as petty trading, public and private sector employees and businessmen and women.

Respondents were also described according to sex and business activity type. Here, the researcher used cross tabulations or complex frequency tables as shown in Table 4.2.

**Table 4.2: Respondents distribution by sex and Business activity**

Category of business activity	Sex of respondents		Total
	Female	Male	
Food vendors	10	-	10
Tailors	6	-	6
Shopkeepers	6	-	6
Tie and dye makers	10	-	10
Microfinance Institutions executives	2	4	6
Government officials	-	2	2
<b>Total</b>	<b>34</b>	<b>6</b>	<b>40</b>

Table 4.2 above indicates that most of the respondents are women, who are 34, whereas men constitute only 6. This makes women to given special consideration when it comes to economic empowerment programmes, such as establishing a special bank which will be focussing on empowering women economically.

The main occupations of the population in the study are business, agriculture in food crops and animal husbandry. The main food crops are banana, maize, beans and cassava. The main type of business in the study is retail and some sub whole sale shops. The area also has tourist hotels, main bus stand for regions and for travellers to neighbouring countries, and various industries, this also creates other sources of income to the population.

Respondents were also described according to marital status and in this case, frequencies and percentage distributions were used as shown in table 4.3;

**Table 4.3: Description of respondents by marital status**

Respondents	Frequency	Percentage
Single	8	21
Married	27	71
Separated	3	8
Divorced	0	0
Total	38	100

Table 4.3 above indicates that many of the respondents (71%) are married, followed by singles (21%), separated ones constitute only 8%, whereas no any respondent who was divorced.

#### **4.2 Benefits of Small Scale Credits' to Women**

This section is related to the first objective of the study. Findings revealed that most of respondents benefit from small scale credits. The credits have enabled them to successfully afford costs in various areas of life. Table 4.4 shows respondents' distribution on benefits from small scale credits:

**Table 4.4: Respondents distribution on benefits gained from small scale loans**

Responses	Frequency	Percentage
House building	16	42
Paying school fees	9	24
Increase capital	4	11
No benefits	3	8
Total	38	100

Results from table 4.4 indicate that 16 respondents (42%) showed that small scale credits helped them to build residential houses followed by 24% who said they used the loan for paying school fees. Furthermore, 11% of respondents stated increased capital as their benefit from small scale credits, while 8% of respondents claimed to have reaped no benefit from small scale credits.

Other women who now have already employed themselves said, women's status has also improved in their localities; some of them said that before employing themselves as food



vendors, they suffered lack of respect as they were casual labourers. Others said they had reliable source of income and so they were no longer borrowing money from their neighbours.

### 4.3 Contribution of MFIs in the Provision of Entrepreneurial Skills to Women

This section is concerned with the findings of the second objective. The findings from this objective revealed that MFIs offer training in entrepreneurial skills before giving them credit to ensure sustainability of their business. The history of the MFIs offering training on various skills to their customers is as old as the credits provision itself. This is due to the fact that MFIs cannot make profit unless the money they have is taken by entrepreneurs through loans or credits and are repaid with good interest. Therefore, for the MFIs to ensure the sustainability of their business (loans/credits provision) they found it necessary as part of their marketing strategy, to ensure the sustainability of their customers' business ventures and enterprises. Table 4.5 below shows frequencies and percentage distributions of respondents who got such training:

**Table 4.5: Distribution of women who were trained in entrepreneurial skills**

Type of respondents	Frequency	Percentage
Food vendors	8	36
Tailors	6	27
Shop owners	3	14
Tie & dye makers	5	23
<b>Total</b>	<b>22</b>	<b>100</b>

According to results in Table 4.5, food vendors (36%) are the biggest business group who received training from MFIs. However on the whole, 22 respondents showed that they had received training and these included food vendors, tailors (27%), tie and dye makers (23%) and shop owners (14%). It was also found that the better way to ensure this training was to offer training in entrepreneurial skills. Also the findings from the field revealed that the



small scale credits scheme for small scale business women has greatly increased their entrepreneurial skills and hence enabled them to successfully employ themselves by doing various kinds of business.

According to loan/credit officers and executives from various MFIs who are operating in the study area, the training they gave to women focused more on forming groups in order to benefit more from the loans they get. Another area where the training focused was effective use of loans for sustainable development of MFIs and their customers or entrepreneurs.

In a total of 32 women (69%) of respondents have been trained in entrepreneurial skills during the year 2010 by getting education concerning small credits. Table 4.6 shows the distribution of women who were trained during the year 2010.

**Table 4.6: Distribution of women who got no training in entrepreneurial skills**

<b>Respondents</b>	<b>Frequency</b>	<b>Percentage</b>
Food vendors	2	20
Tailors	0	0
Shop owners	3	30
Tie & dye makers	5	50
<b>Total</b>	<b>10</b>	<b>100%</b>

Table 4.6 shows that most respondents who did not get training are those in the tie and dye business (50%) followed by shop owners (30%). This implies that these are so busy with their businesses so they do not have time to attend training sessions arranged by MFIs.

In spite of the training provided by microfinance Institutions (MFIs) through which knowledge and skills in entrepreneurship has been gained by women, most of the respondents in the study area show that the training did not fulfil their needs to perform the economic activities efficiently. They explained that they needed more skills and knowledge on marketing, project planning and successful management of business. A total of 22

respondents were involved in giving their responses on this point. On what they explained about this, table 4.7 below summarise the results:

**Table 4.7: Show respondents who need more training in entrepreneurship**

<b>Respondents</b>	<b>Training unsatisfactory</b>	<b>%</b>	<b>Satisfactory training</b>	<b>%</b>
Food vendors	8	80	2	20
Tailors	6	100	-	-
Shop owners	3	50	3	50
Tie & dye makers	5	50	5	50
<b>Total</b>	<b>22</b>		<b>10</b>	

#### **4.4 Contribution of MFIs to Self Employment of Women**

For a good business person to ensure the sustainability of his/her business is to have a reliable market with enough purchasing power. For a financial institution wishing to have thriving business needs to have many customers, but with its goods being money lending to entrepreneurs, it is always difficult to get many entrepreneurs who satisfy the Institutions' needs.

Since many women especially in third world countries are not educated and so facing unemployment at an alarming percentage. Therefore, microfinance Institutions providing loans to this group are surely contributing much to enable them employ themselves by doing various businesses.

The finding from the study area show that many women who had nothing to do in the past are now doing business and their life has since changed. The following table describes how small scale loans have enabled women to become self employed women in Uganda, particularly. In Mbarara Region. Table 4.8 show responses' distribution on respondents' types of employment after getting small credits.

**Table 4.8: Responses' distribution on respondents' types of employment by getting small scale loans**

Type of employment	Frequency	Percentage
Food vending and catering	16	54
Tailoring and embroidery	6	20
Retail shop business	6	20
Tie & dye making	2	6
<b>All</b>	<b>30</b>	<b>100</b>

Due to the above self employment projects the women explained that they have been able to cover various costs which in the past they could not manage, such as buying land plots, improving shelters by building decent and modern houses, paying school fees for their children in Mbarara primary and secondary schools, and opening more branches for their business projects. Not only that but also their social status has improved as they command a good respect from community members something which was not there when they had no income.

#### **4.5 How Women Overcome Problems from Small Scale Credits**

Women who are main participants and beneficiaries of small scale credits, in their endeavours to uplift themselves face a number of problems which hinder them from being as much industrious as possible. These problems may be real, but on the other hand they may be due to the misconception or overgeneralization on the part of the loans/credits providing Institutions.

##### **4.5.1 Problems facing women in their pursuit for credits**

Women who engage in small scale enterprises or ventures by getting capital through small scale credits provided by microfinance Institutions (MFIs) as well as savings and credit cooperative societies (SACCOs) are faced with various problems, as follows to mention but a few of those problems:



Firstly, loans/credits offered by MFIs are not provided to individuals, it is difficult for individual woman to be provided with small scale credit/loan. This is because they are not trusted whether they can manage the loan very well and repay it effectively.

Secondly, women in their efforts to achieve poverty reduction is the fact that the grace period provided before starting repaying the loan taken is very short. Due to this most women find themselves starting loan repayment using the capital itself instead of the income generated from the business they are doing using the loan concerned. Thirdly, it was found to be the loan repayment package required to repay the loan being much bigger compared to the business and the market situation for the products or services being done by the loan beneficiaries.

Furthermore, loan repayment instalments are required to be paid within very short period of time compared to business on the ground. For instance, one respondent said she was required to pay 30,000 every week, sometimes she took money from her savings as her project was unable to cover the costs effectively. Also the percentage interest which is associated with the loans was cited as another setback or problem facing women in the study area. It was asserted that the interest demanded by loan providers is too big compared to the economic situation of Uganda.

#### **4.5.2 Proposed solutions to overcome problems associated with small scale credits**

Below are some proposed solutions to overcome the above problems, which women can use in their endeavours to have profitable and sustainable business projects: The first proposed solution is the formation of groups with more committed and faithful members ready to take loans and repay it according to loan terms and conditions; instead of grouping with defaulters.

Secondly, the researcher proposes that women should look for other loan providers with fairer terms which are beneficial to BOU parties. Also looking for MFIs with fair repayment packages beneficial to BOU parties, is the third proposed solution.

Furthermore, it is proposed that a task force which will negotiate with MFIs on reviewing repayment instalments beneficial to BOU parties be formed for that particular purpose. Lastly, looking for MFIs and SACCOS with good interest beneficial to BOU parties in another proposal in order to overcome the problems associated with small scale credits, which are facing women in the study are, but which can be found in other parts of Uganda too.

Contribution of small scale credits to poverty reduction is commendable and reasonable. However, to some extent the loans are weighing heavily on beneficiaries, thus credit terms and conditions should be reviewed in order to accelerate poverty reduction and help to uplift small and medium enterprises (SMEs). This will also broaden the government's tax base and consequently increase government revenues and the GDP.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter shows the summary of the study findings, conclusions and recommendations to the local community as well as the government and other stakeholders on how to empower women and reduce poverty among them.

#### **5.1 Summary of Findings**

Study findings from the field show that, 16 respondents (42%) small scale credits helped them to build residential houses followed by 24% who said they used the loan for paying school fees. Furthermore, 11% of respondents stated increased capital as their benefit from small scale credits, while 8% of respondents claimed to have reaped no benefit from small scale credits.

Other women who now have already employed themselves said, women's status has also improved in their localities. Some of them said that before employing themselves as food vendors, they suffered lack of respect as they were casual labourers. Others said they had reliable source of income and so they were no longer borrowing money from their neighbours.

Study findings show that, in a total of 32 women (69%) of respondents have been joined entrepreneurial skills training during the year 2001 by getting education concerning small credits. In spite of the training provided by microfinance Institutions (MFIs) through which knowledge and skills in entrepreneurship has been gained by women, most of the respondents in the study area show that they need more skills and knowledge on marketing, project planning and successful management of business.

Also findings from the study area show that many women who had nothing to do in the past are now doing business and their life has since changed due to employing themselves.



## **5.2 Conclusions**

The contribution of small scale credits to poverty reduction among women in mbarara is commendable and reasonable. However, to some extent the loans are weighing heavily on beneficiaries, thus credit terms and conditions should be reviewed in order to accelerate poverty reduction and help to uplift small and medium enterprises (SMEs). This will also broaden the government's tax base and consequently increase government revenues and the GDP.

Not only that but also various benefits have been achieved such as buying land plots, improving shelters by building decent and modern houses, paying school fees for their children in Mbarara primary and secondary schools, and opening more branches for their business projects. Some of women said their social status has improved as they command a good respect from community members something which was not there when they had no income.

## **5.3 Recommendations**

In view of the findings presented above, this research would like to give the following recommendations as a result of what has been seen from research findings.

Microfinance Institutions (MFIs) should strengthen their education programmes to women who are their customers so that their business can be sustainable whereas in the final analysis BOU parties could benefit and be sustainable. Not only that but also the government should empower women with entrepreneurial knowledge and skills so that they can be aware of loans/credits issues before approaching lending agencies.

The government should allocate more money for giving loans to women with fair lending conditions beneficial to women, like those in . . so that they can excel in their endeavours to improve and uplift the standard of life.

Furthermore, a special bank responsible for supervising and coordinating women empowerment initiatives with a wide network from the grassroots must be formed, if the country is to make women good, responsible and productive citizens.

If all these recommendations are worked on, and where necessary more researches are conducted on how to empower women, and be implemented satisfactorily, the welfare and development of women will improve to the great extent.

## REFERENCES

- Adams, D.W (1999). Rural Financial Markets: The Case Against Cheap Credit. *Ceres*, Vol. 19. No 1. Pg 15 – 18.
- Bouman F.J.A (1989). *Small, Short and Unsecured: Informal rural finance in India*, Delhi, Oxford University Press, page 136.
- Business Times (2001). President Mkapa Benjamin's Speech. Mbarara, page 2
- Bwalo J. (2004). *Women Employment and Microcredit Access*, Unpublished MBA dissertation, University of Mbarara.
- Datta, D. (2004). Micro-credit in Rural Bangladesh, Is It Reaching the Poor? *Journal of Microfinance* 6, (1) page 55.
- Dickson P. H. (2008). Entrepreneurial Selection and Success: Does Education Matter, in *Journal of Small Business and Enterprises Development*, Volume 15:2, pp. 239 258.
- Downing J, (1991). Gender and the growth of Micro enterprises, *Small Enterprise Development*, Vol. 2 No; 1 Pg 4.
- Dulansey, M and J. Austrin (2002). *Small scale Enterprise and women. Gender Roles in Development A. case Book*. West Hartford, Kumarian Press, page 79.
- Gibb A (2002). Microfinance and Poverty Alleviation in the Caribbean, *Journal of Microfinance* 6 (1) pg 83.
- Gull. H. and Berger M. (2000). *Microfinance and Poverty Reduction, Evidence from Latin America*. Small Enterprise Development.
- Hornby A.S (2004). *Oxford Advance Education Learners Dictionary of Current English*.
- Joseph W. et al (2005). *The Essential of Practical Geography Advanced level*, Mbarara. Afroplus Industries Ltd.
- Kumar R. (2005). *Research Methodology*. SAGE Publications Ltd London. Thousand. Oaks. New Delhi.
- Mallick R. (2002). *Implementing and Evaluating Micro credit in Bangladesh*.
- Mayoux L, (2002). *Microfinance and Women's Empowerment, Rethinking Best Practice*.
- Mayoux, L (2002). *From Access to Empowerment Widening the debate on Gender and Sustainable MFI*. Report on a One World Action Conference London, May, 2002.
- Moser, C.O.N (19989). Gender planning in the third World: Meeting Practical and Strategic Gender needs. *World development*, Volume 17, No 11, Pg 1799.



P. (1994). Gender and Poverty Alleviation in Uganda, Issues for Research in Bagachwa,  
M.S.D Education Poverty Alleviation in Uganda, Recent Research issues DSM,  
DUP.

Pinda C. (2001), EIAIS Project Manager Documents, Provided by DFID.

## APPENDICES

### APPENDIX A

#### QUESTIONNAIRE FOR WOMEN INVOLVED WITH SMALL CREDITS

##### Personal information

Location:.....  
Age:.....  
Marital Status:.....  
Type of economic activity involved:.....

- 
1. (a) In your daily activities, have you received any small credit from any financial institution (e.g. SACCOS, FINCA, SEF)? Yes ( ) No ( )  
  
(b) If Yes, explain briefly how your activity/business was improved by the credit received.....  
.....  
.....
  2. (a) Have you received any training related to small credits? Yes ( ) No ( )  
(b) If Yes, for how long .....  
(c) Do you think the time for training was adequate to enable you perform what is required? Yes ( ) No ( )  
(d) Has the training enabled you to improve your activities using the small credits?
  3. What accomplishments have been done using the small credit received? (tick)  
(a) Building a house ( )  
(b) Taking your children to school ( )  
(c) Others (mention them) .....
  4. What are other important accomplishments that you think were facilitated by the small credits:  
i. ....  
.....
  5. What problems have you encountered in receiving and using the small credits?  
i. ....  
ii. ....  
iii. ....  
iv. ....
  6. What did you do to solve those problems?  
i. ....  
ii. ....  
iii. ....

## APPENDIX B

### INTERVIEW GUIDE FOR CREDIT OFFICERS (SACCOS, FINCA AND SEF)

1. Mention areas that your institution is involved in implementing the Credit policy by providing small credits.
  - i. ....
  - ii. ....
  - iii. ....
2. What do you do to ensure that women without formal employment are reached?
  - i. ....
  - ii. ....
  - iii. ....
3. (a) What do you think are the major problems facing your target group in receiving and utilizing effectively the small credits?
  - i. ....
  - ii. ....
  - iii. ....(b) What do you propose to be done in order to solve those problems?
  - i. ....
  - ii. ....
  - iii. ....
4. (a) Do you provide entrepreneurship trainings to your customers? Yes ( ) No ( )  
(b) What type of training have you provided?
  - i. ....
  - ii. ....
  - iii. ....(c) (i) Do you think the training was successful? Yes ( ) No ( )  
(ii) If, Yes mention the successful areas.
  - i. ....
  - ii. ....
  - iii. ....



## APPENDIX C

### INTERVIEW GUIDE FOR EXECUTIVE OFFICER

Municipality: .....

- i. Are there any Institutions or NGOs which provide small credits in your Organisation? Yes ( ) No ( )

If yes, mention them.

1. ....
2. ....
3. ....
4. ....
5. ....

- ii. Among these, which ones provide credits to women who have no formal employment?

1. ....
2. ....
3. ....

- iii. How many women have benefited from such credits?

.....

- iv. (a) In your opinion, do you think these small credits help women?

Yes ( ) No ( )

- (b) If Yes, how?

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

- v. What are your views regarding the contribution of small credits in poverty reduction particularly for women?

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

- vi. What is the contribution of these small credits to the development of your Organisation?

1. ....
2. ....
3. ....
4. ....