THE ROLE OF MICROFINANCE DEPOIST TAKING INSTITUTIONS ON THE REDUCTION OF POVERTY AMONGTS THE YOUTH IN KIMAANYA-KYABAKUZA DIVISION

CASE STUDY: - KIMAANYA A VILLAGE

BY

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DEDICATION

I dedicate this research report to my beloved parent Mr. Male Ssekweyama John, my beloved uncle Mr. Etyang Jimmy Benson for their great financial support to the accomplishment of this study.

Dedication goes to my Best Friend Mr. Kirabira Jeffery for the support and encouragement he has given me to proceed.

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MAY THE GOOD LORD REWARD YOU ABUNDANTLY

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ABBREVIATIONS

AMFIU:	Association of Micro Finance Institutions in Uganda
BoU	bank of Uganda
CERUDEB	Centenary Rural Development Bank
MF:	Microfinance
MFIs:	Microfinance Institutions
MDIS:	Microfinance depositing taking Institutions services
MFPED:	Ministry of finance. Planning and economic development
NAADS:	National Agricultural Advisory services
NGOs:	Non- Government Organization
PEAP :	Poverty Eradication Action Plan
UBOs:	Uganda Bureau of statistics
UN :	United Nations

ABSTRACT

The thrust of the study lies in knowing The role of Microfinance deposit taking institutions services (MDIs) on the poverty Reduction amongst the youth in kimaanya-kyabakuza division concentrating on kimaanya A.

The review of Literature was collected using the set objectives which were, to examine the relationship between savings and poverty reduction amongst the youth, to examine the role of loans on boosting entrepreneurship amongst the youth and to establish the relationship between (MDI services) and poverty reduction amongst the youth in kimaanya– kyabakuza division.

To archive the set objectives, the tools used in study in collecting data involved use of questionnaires, interviewing and secondary data got from various books from the library and from the internet which made data collection and analysis easier .The study involved 35 respondents of which 22 were males and 13 were females.

The study revealed that males are the majority of the clients served by MDI services. Majority of the clients had been in the MDI services for above five years. Research found out that most of the youths fight poverty through getting loans from these financial institutions due to the low rates, through saving in financial institutions rather than at their homes. It was also found that MDI services offer training to few clients over loan usage .

CHAPTER ONE

GENERAL INTRODUCTION

1.1 Introduction

This chapter consists of the background of the study, problem statement, general objectives, and specific objectives, research questions, scope of the study, significance, justifications, conceptual framework, and limitations of the study.

1.2 Background of the study

Microfinance institutions are small banking institutions that provide financial support in terms of short term loans to their registered and share holding members.

Poverty reduction has been a key development challenge over decades. One of the identified key constraints facing the poor is lack of access to formal sector credit to enable them to take advantage of economic opportunities to increase their level of output, hence move out of poverty. This concern for the poor has been responsible for the design of various financial sector policies.

The history of microfinance can be tracked back as long to the middle of the 1800s when the theorist Lysander spooner was writing over the benefits from small credits to entrepreneurs and famers as away getting the people out of poverty. But it was at the end if the World War II with the Marshall plan the concept had a big impact. Therefore, world view about microfinance institutions (MFIs) is nothing new.

1.2.1 Microfinance Sector in Uganda

In the context of Uganda, MFIs are the registered and institutionalized microfinance providers constituted mainly of NGOs (both local and foreign), savings and credit co-operatives.

Compared to other well-advanced microfinance countries like Bolivia or Bangladesh, the microfinance industry in Uganda is fairly new. Informal financial arrangements like ROSCAs have existed in many forms in Uganda for several decades. From the mid-1980s on credit schemes started emerging as side components of social welfare programs. Like in all other parts of the developing world, these components usually followed a project-oriented approach, disbursed credit at subsidized interest rates, had very poor repayment rates and were therefore typically rather short-lived. The first true microfinance institutions like FINCA and Uganda's Women Finance Trust (UWFT) appeared in the early 1990s. However, they did not start to expand in terms of significant client outreach and receive recognition until the mid1990s. With increased interest from donors and NGOs discovering that they can make a lasting impact on poverty reduction by offering sustainable financial services, the micro industry began to take shape.

The MFIs established an umbrella organization the Association of Micro Finance Institutions in Uganda (AMFIU) which is a member based organization incorporated in 1999 under the NGO Act and as a company limited by guarantee .the creation of AMFIU was motive by the need to bring MFIs in Uganda together to share experience and professionalism in the industry through development of industry standards.

The top five institutions (FINCA, PRIDE, UMU, UWFT, and UGAFODE) have already surpassed or are close to full financial sustainability. New providers continue to enter the market and join a relatively mature

The sector now has 26 years of experience providing financial services to households in poverty. Uganda is generally seen as the country with the most vibrant and successful microfinance industry in Africa.

To reduce the rural- urban income gap, the poverty Eradication plan (PEAP) emphasizes among other things the strategic improvement of access to credit by the poor through the microfinance sector. this is because credit helps poor people including the youth to smooth out their consumption patterns during the lean periods of the year (Binswanger and Khandker, 1995) and by so doing credit maintains the productive capacity of poor rural households(Heidhues,1995) .Uganda has made little headway in the fight against poverty.

One of the most pressing challenges for a large number of MFIs in Uganda are high dropout rates, indicating that clients make use of increased competition and shop around, but probably also suggesting that clients are not satisfied with the products offered. In fact, a closer look at the methodologies reveals that the services and products offered by the majority of microfinance providers are very similar to each other and are not adjusted to the specific needs of different client groups.

The motivation if this study is to investigate the role of microfinance as an instrument for poverty reduction amongst the youth.

1.3 Problem statement

According to statistics, all analysts agree that at least 50% of Uganda‘s population live below the poverty line. Uganda still ranks amongst the twenty poorest countries in the world. Poverty is a multi-dimensional phenomenon related to the lack of social, economic, cultural and political entitlements. According to Robinson (2000) Microfinance has proven to be an effective and powerful tool for poverty reduction through their products and services. However, poverty reduction has been an important development challenge over decades. One of the identified constraints facing the poor is lack of access to enable them to take advantage of the economic opportunities to increase their level of productivity and income hence move out of poverty.

The wide spread of poverty with all the problems that come with it is the greatest challenge of our time despite of the increasing microfinance institutions in the country in general and specifically in kimaanya- kyabakuza division in Masaka municipality many youths have continued to suffer because of poverty thus driving the researcher to examine the role of Microfinance Deposit Taking Institutions (MDI services) in poverty reduction.

1.4 General objective of the study

To examine the role of Microfinance Deposit Taking Institutions (MDI services) on poverty reduction amongst the youth in kimaanya – kyabakuza division.

1.5 Specific objectives

- To examine the relationship between savings and poverty reduction amongst the youth in kimaanya – kyabakuza division.
- To examine the role of loans on boosting entrepreneurship amongst the youth in kimaanya – kyabakuza division
- To establish the relationship between Microfinance Deposit Taking Institutions (MDI services) and poverty reduction amongst the youth in kimaanya– kyabakuza division.

1.6 Research questions

- What is the relationship between savings and poverty reduction amongst the youth in kimaanya – kyabakuza division?

- What is the role of loans on boosting entrepreneurship amongst the youth in kimaanya – kyabakuza division?
- What is the relationship between (MDI services) and poverty reduction amongst the youth in kimaanya – kyabakuza division?

1.7 Scope of the study

The study was undertaken in Kimaanya - Kyabakuza division found in Masaka municipality. Masaka is a town in central Uganda lying west of Lake Victoria. It lies approximately 130 kilometers (87 miles) to the south west of Kampala on the high way to Mbarara. The area was purposely chosen because its urbanized and will be possible to find various microfinance deposit taking institutions (MDI services) to meet the researcher`s interest

The study was based on findings carried out between 2015-2017 targeted the role of MDI services on reduction of poverty amongst the youth in Masaka municipality concentrating on kimaanya A.

1.8 Significance of the study

Other researchers might use this study to expand more on Microfinance Deposit Taking Institutions (MDI services) and poverty reduction.

Microfinance Deposit Taking Institutions (MDI services) may use this study to develop new strategies on how to help the youth in fighting of poverty.

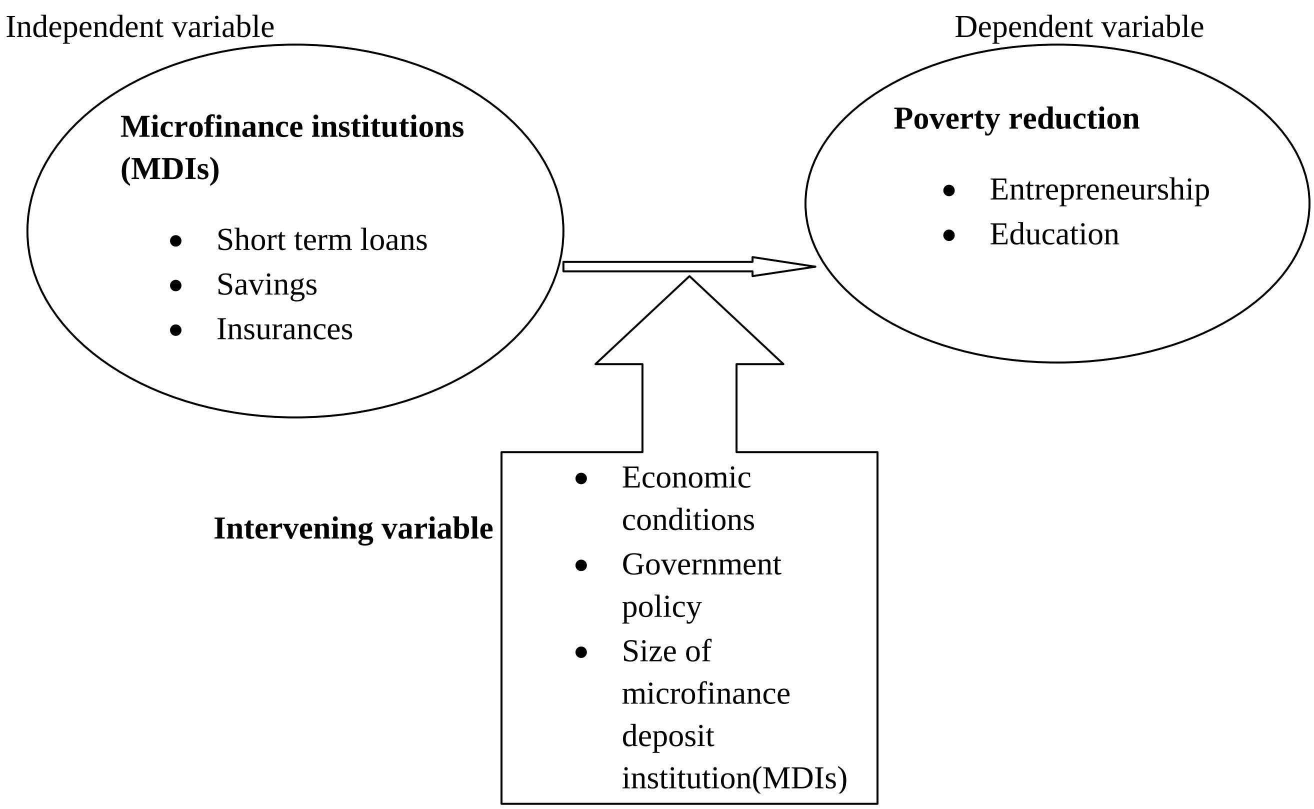
The government may use this study to establish the way to assist the potential youth of the country to reduce poverty through Microfinance Deposit Taking Institutions (MDI services).

1.9 Justification

The research might be of help to the youth who believe that they can fight poverty using the help of Microfinance Deposit Taking Institutions (MDI services) thus justifying the need for this study.

1.10 Conceptual framework

Fig 1 showing conceptual framework



Source: Designed by the researcher referring from Carol (2002**)**

Figure 1 shows that there is a direct relationship between Microfinance institutions and poverty reduction as indicated by Entrepreneurship and the Education level of the youth. Microfinance institutions are indicated by short term loans and savings. However, the figure also shows that there are other intervening factors that affect there is a relationship say; Economic conditions, Government policy and the size of the Microfinance institutions

1.11 Conclusion

This chapter has shown the introduction, background of the study, problem statement, general objectives, specific objectives, research questions, and scope of study, significance, justifications, conceptual frame work and the limitations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter examines different writer`s or authors views on poverty, Loans (micro – credit) and poverty reduction, Savings and poverty reduction, relationship between microfinance and poverty reduction as well as the challenges faced by MDI services in poverty reduction amongst the youth

2.1 Poverty overview

Across the world almost every country has to face the poverty. Poverty is the condition in which low-income people cannot meet the basic needs of life. This situation leads to many fold difficulties like decreased health facilities, high illiteracy rate, decreased quality of life., These difficulties motivate human beings to commit heinous crimes and times suicide. Poverty is defined by several authors as it is the situation of having no enough money to meet the basic need of human beings. While measuring in terms of land Zaman (2000) discussed ultra-poor as people having less than ten decimals of land and the moderate-poor households as having greater than ten decimals of land. Hulme and Paul (1997) had categorized poor into two groups and defined them as the core poor who have not crossed a minimum economic threshold ‘and whose needs are essential for financial services that are protectional, and those above this threshold who may have a demand for promotional credit. In another study Weiss, Montgomery and Kurmanalieva (2003) defined poverty as an income (or more broadly welfare) level below a socially acceptable minimum and micro finance as one of a range of innovative financial arrangements designed attract the poor as either borrowers or savers. In terms of understanding

Poverty a simple distinction can be drawn within the group the poor‘ between the long-term or chronic poor‘ and those who temporarily fall into poverty as a result of adverse shocks, the transitory poor‘.

The researchers have paid attention to microfinance as one of the contributors in reducing poverty, women empowerment, health, education, democratization and environmental improvement (Mayoux, 2001; Chandarsekar & Prakash, 2010)

Schreiner and Colombet (2001) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

2.2 Actual view

2.2 .1 Theoretical relationship between microfinance and Poverty reduction

Poverty, measured by the proportion of population living below the poverty line, is observed to be declining overtime in Uganda. The percentage of poor people living below the poverty line fell from 56% in 1992 to 44% in 1997 and 35% in 2000 but rose to 38% in 2002. According to the 2016 poverty Assessment, Uganda has reduced monetary poverty at a very rapid rate. The national poverty line declined from 31.1% in 2006 to 24.5%in 2009/2010 and to 19.7 in 2012/2013 financial year. Poverty in Uganda is mainly a rural phenomenon, with 67% of the poor living in rural area in 2006 and are highly vulnerable to poverty and it continues to be regionally concentrated. However in income inequality has worsened with the Gini Coefficient r (MFPED, 2012) To reduce the rural – urban income gap (inequality), the poverty Eradication

Action Plan (PEAP) emphasizes among other things the strategic improvement of access to credit by the poor through the microfinance sector.

Mawa (2008) conducted a research study focusing the issue under discussion and concluded that microfinance is an innovative step towards reducing poverty. The author mentioned that microfinance facilities provided to the people help them to use and develop their skills and enable them to earn money through micro enterprises. Moreover provision of micro finance helps them to smooth their consumption level and manage unexpected risks. Micro finance helps the poor to built assets, educate their children and have a better quality of life

Shastri (2009) revealed that there is no way better then micro finance in the war against poverty. Creating self employment opportunities is one way of attacking poverty and solving the problems of unemployment. Therefore the Scheme of Micro-finance has been found as an effective instrument for lifting the poor above the level of poverty by providing them self-employment opportunities and making them credit worthy.

Matovu (2006) mentioned that without any doubt it is obvious that micro finance play an important role in poverty Reduction but the part of micro finance in poverty Reduction is like a drop of water in a sea. Micro finance helps in improving the standard of living of peoples. The main hurdle in this is the finding of relevant data. It is very difficult to find the poor people and help them. It requires a deeper analysis to find the poor people and help them through micro finance. Next hurdle was the kind of poor peoples. It was difficult to divide the poor into different portion and what be the base for this division. Along with positive role, micro finance has also a negative role because micro finance only finds out the symptoms not the real causes. Other portion that is not well developed till now is the woman empowerment by the help of micro finance. It requires much more research for the real empowerment of women by giving a chance to them to get access to the micro financial institutions.

Seibel (2003) proved through the survey that micro finance is that chemical through which the germ of poverty can be killed. The study also showed that micro finance is equally profitable in the poor countries as in the rich countries. He rejects the concept that that Microfinance is a poor solution for poor countries. If properly regulated and supervised, they have great potential in poverty alleviation and development, both in rural and urban areas.

Abiola & Salami (2011) in his study mentioned that a lot of literature is present on the positive role of micro finance in poverty Reduction, but every time and everywhere, micro finance is not so profitable. Many scholars wrote that micro finance is a good tool for poverty alleviation but in many occasion the result is opposite. The main reason behind the negative effect of the micro finance on poverty alleviation is due to the time shortage. The time is not enough for generating the income i.e. the shortness do not give room for loan to generate future income. The researcher mentioned that at the repayment time the loan taker is not in the position to repay the loan, if he so his business will collapse. He shows through the respondents that before the end of the loan the business would have almost collapsed. At the time of repayment he is almost in the middle of the business process. If he pays he has to close the business because the business is not in the position to continue any more. This put an extra pressure on the client. The client lost his time as well as some money in his business.

2.2.2 Relationship between Savings and Poverty reduction

The discourse relating to the poor and savings generally follows one of three themes. The first focuses on defending the fact that the poor can save, for instance attacking assumptions that they are too poor to do so. The second theme describes the different ways in which the poor save or provide us with records of savings behavior in particular regions. The third, which is closely related to the first, considers why poor people save, with the debate being how valid these explanations are.

Given the historical bias towards providing only credit services, many proponents of the need for a wider range of services have had to first argue against the assumptions that the poor, by their very nature have little money, are therefore unable to save. Research has otherwise found that the poor do want to save, their capacity to save is considerable, and in the absence of formal mechanisms, quite innovative (Wright and Hossain 1997; Richardson 2000; Rutherford 2000; Karlan et al 2005;Allen 2007; Collins, Morduch et al. 2009; Dupas and Robinson 2009).

The poor save in many and varied formal and informal ways, with one of the most popular mechanisms. Deposit collectors or mobile bankers are both a formal and informal service that has been identified. These deposit collectors visit savers in their homes or place of business, sometimes on a daily basis to collect what is usually very small amounts of money. Often no interest is earned and a fee is charged, indicating that the poor are willing to pay for the security and convenience of having their money safely saved, away from temptation and demanding household members (Miracle, et al. 1980; Rutherford 2000).Giving money to friends or a money guard to hold as well as hiding money in the house or keeping it in a tin box is also a common practice. Shipton (1990) describes the need to avoid having any visible cash in the house to evade claims from relatives. According to (Collins 2005; Collins, Morduch et al. 2009) , Other than these informal mechanism, the poor also make use of formal financial services, including savings accounts, post bank accounts, fixed deposits, pension / provident funds, savings annuities and unit trusts

Although the concern and interest lies primarily in cash savings, it has to be recognized that the poor also save in many non-cash ways. The reasons for this are many and varied and are related to traditional and cultural practices, degree of monetization especially within rural areas, – and access to and trust in formal financial institutions. Additionally, some physical assets held by the poor can also be viewed as investments, such as livestock, which can multiply, and land, which can appreciate. Even more recent studies found this practice to still be common amongst indigenous people, with the Mandika people in Gambia preferring livestock, food, jewellery, tools and household goods (Shipton 1990).

In discussing the reasons to save, according to Rutherford (2000) poor people save money because they need to gain access to 'usefully large lump sums' of money. In the absence of access to credit and insurance, savings is often the only alternative. The poor a great number of risks and are extremely vulnerable to negative changes in their circumstances. Saving for emergencies can take the form of either personal or impersonal. Personal emergencies refer to the death of a breadwinner, injury or illness, loss of a job or crop/livestock, or loss through fire or theft. Impersonal emergencies include events such as war or natural disasters. As a result, and due to the fact that very few have access to insure against such disasters, this is one of the greatest motivations for savings (Rutherford 2000a; Collins, Morduch et al. 2009).

Rutherford (2000) describes a common practice of savings for 'life-cycle needs'. He refers to life-cycle events that require access to lump sums associated with birth, dowries and marriage, and funeral expenses at death, as well as savings for education and homebuilding. Recurrent events including religious festivals such as Christmas, Eid and Diwali also require saving in advance. The poor also save to accumulate assets and wealth such as consumer durables, which can improve their quality of life and provide a buffer in times of economic stress. This phenomena was recorded as early as the 1950 (Warmington 1958; Reining 1959). Delancey also found evidence of savings for community development projects (1977). Richardson provides heavy criticism of the general lack of appreciation within the microfinance industry for the relationship between savings and poverty

One of the most misunderstood concepts of poverty reduction is the relationship between income, wealth, and savings. The focus of many traditional microfinance programmes has been credit-oriented: loans will provide poor people with a means to generate more income. Very little mention is made of wealth, or the difference between what you earn and what you spend ….. It is both heretical and hypocritical to talk about poverty eradication without incorporating savings accumulation into the poverty alleviation strategy. (Hulme et al 2000)

Essentially, what the poor need are mechanisms that help them turn their savings into lump sums that are substantial enough to fulfill a wide variety of consumption, personal, business, social and asset-building needs (Matin, Hulme et al. 2002). These exchanges must provide for not only short term needs, but also medium and long term needs. Such financial services are only effective if they are provided in a format which is expedient, appropriate, safe and affordable.

The need for the poor to save for business or other opportunities is also well documented (Otero 1991; Collins, Morduch et al. 2009). Starting or expanding a 54 of 314 micro-enterprises is a common practice and whilst the majority of the literature focuses on access to credit, few recognize the importance of family savings in contributing to these enterprises. Other opportunities such as the ability to purchase land or another productive asset, or to pay a bribe necessary to get access to a job, paperwork or information, also serve as motivations for delaying consumption and accumulating savings

The microfinance savings by the youth has increased their incomes which help them to solve some poverty related problems and physical weakness or break the poverty trap**.** However, according to Carole (2002) the youth are exposed to fluctuating incomes which means they rotate in and out of poverty because they lack proper written records and how they separate business incomes from their private resources. Dunford (2000) argues out that MFIs are not providing facilities that allow the poor youth to save in a way that would help them to meet their current needs and opportunities and to save for the future as a consequence, the poor youths are often forced to use high- risk (and often high – less) informal saving mechanisms

Participation of microfinance institutions is very crucial as a means of promoting enterprise stability or growth on a sustainable basis. Whereas microfinance is expected to increase incomes and employment opportunities of the primary enterprises operated by the borrowers (youths), however statistics show that 5% of the Ugandan rural population has access to formal financing (PEAP 2005)

Microfinance is considered as a tool to break the vicious cycle of poverty which is characterized by low – incomes, low savings and low investments. According to Hulme et al (1996) most institutions regard low income households as “too poor to save”. Roth (1997) argues that microfinance programs often treat the symptoms and not the causes of poverty. Poverty is frequently the result of powerlessness.

2.2.3 Short term loans and poverty reduction

Microfinance short term loan are loans which are supposed to be prepaid in a period less than a year and may include; income generating loans, individual loans and group loans which are essential in poverty reduction.

A loan is generally provided at a cost, referred to as interest on the debt which provides an incentive for the lender to engage in the loan .in a loan, the borrower initially receives or borrows an amount of money, called the principal, from the lender and is obligated to pay back or repay an equal amount of money to the lender at a later time

By linking credit to saving in their lending methodology, the MDI services inculcate a culture of saving among the clientile. The clients are required to save upfront an amount proportional to the size of the required loan which varies across MDI services (Ranges from 10% - 30%).savings play a critical role in the development process for financing investments

Credit in terms of loans is considered to be an essential input to increase agricultural productivity, mainly land and labour. It is believed that credit boosts income levels, increases employment at the household level and thereby alleviates poverty. Credit enables poor people to overcome their liquidity constraints and undertake some investments especially an improved farm technology and inputs thereby leading to increased agricultural production. Furthermore credit helps the youth to smooth out their consumption patterns during the lean periods of the year (Binswanger and Khandker, 1995)

According to Navajas et al (2000), the professed goal of microcredit is to improve the welfare of the poor as a result of better access to small loans. Diagne and Zeller(2001) argues that lack of adequate access to credit for the poor may have a negative consequence for various household level outcomes including technology adoption, agricultural productivity, food security, nutrition, health and overall welfare. Access to credit therefore affects welfare outcomes by alleviating the capital constraints on agricultural households hence enabling poor households with little or no savings to acquire agricultural inputs. Access to credit in addition increases the poor households risk- bearing ability, improves their risk – copying strategies and enables consumption smoothing over time .By so doing, microfinance is argued to improve welfare of the poor

Hamze (2002) amongst the youth. These short term loans have strengthen the youth position in the agricultural sector through expansion of the amount of land they cultivate and diversifying the crops they grow for sale and domestic consumption. These loans enable them to start up small enterprises and gain entrepreneur skills from microfinance weekly training. Ali & Alam (2010). The need for micro credit is higher in the rural area than urban area. The large numbers of microfinance borrowers show the market opportunity. Study showed that high interest rates on micro credit are one of the problems faced by the microfinance sector. But poor people still favor and want micro credit because they don't have access to the commercial loans, which are collateralized loans. These poor people are very hard working and may have innovative ideas about business but they don't have opportunity. That is why they take micro loans on high interest rate and often they get success in their business and repayment of these loans.

However, Roth (1997) argues that credit is only one ingredient in the mix of factors necessary for a successful enterprise. Most youth drop out from the MFIs loans due to the inadequate loan amounts, the terms of the 4Cs and the high interest rates which limit them from accessing the loans to enable in the reduction of poverty amongst them.

The most-cited source of evidence on the impacts of microfinance is the early set of studies collected by David Hulme and Paul Mosley (1996). The findings of these studies are provocative: poor households do not benefit from microfinance; it is only non-poor borrowers (with incomes above poverty lines) who can do well with microfinance and enjoy sizable positive impacts. More troubling is the finding that a vast majority of those with starting incomes below the poverty line actually ended up with less incremental income after getting micro-loans, as compared to a control group which did not get such loans.

Findings of the Hulme and Mosley studies imply that credit is only one factor in the generation of income or output. There are other complementary factors, crucial for making credit more productive. Among them, the most important is recipient's entrepreneurial skills. Most poor people do not have the basic education or experience to understand and manage even low level business activities. They are mostly risk-averse, often fearful of losing whatever little they have, and struggling to survive.9 This does not mean that they do not want to better themselves .

According to Vijay Mahajan (2005), a social entrepreneur and chairman of BASIX, "Microcredit is a necessary but not a sufficient condition for micro-enterprise promotion. Other inputs are required, such as identification of livelihood opportunities, selection and motivation of the micro-entrepreneurs, business and technical training, establishing of market linkages for inputs and outputs, common infrastructure and sometimes regulatory approvals. In the absence of these, micro-credit by itself, works only for a limited familiar set of activities – small farming, livestock rearing and petty trading, and even those where market linkages are in place." Robert Pollin (2007) has a similar view, and puts it in the following words: "micro enterprises run by poor people cannot be broadly successful simply because they have increased opportunities to borrow money. For large numbers of micro enterprises to be successful, they also need access to decent roads and affordable means of moving their products to markets. They need marketing support to reach customers."

As a matter of fact, most promoters of microfinance do not wholly disagree that microfinance alone cannot do the job. For example, Sam Daley-Harris, Director of the Microcredit Summit Campaign, writes, "Microfinance is not the solution to global poverty, but neither is health, or education, or economic growth. There is no one single solution to global poverty. The solution must include a broad array of empowering interventions and microfinance, when targeted to the very poor and effectively run, is one powerful tool." (2007: 1). In the words of Professor Yunus (2003: 171; emphasis added), "Micro-credit is not a miracle cure that can eliminate poverty in one fell swoop. But it can end poverty for many and reduce its severity for others. Combined with other innovative programs that unleash people's potential, micro-credit is an essential tool in our search for a poverty-free world".

Using gender empowerment among the youth as an impact indicator, some studies argue that micro-credit inform loans has a negative impact on women empowerment (Goetz and Gupta, 1994; Ackerly,1995;Momtgomery et al,1996). Most women have no control over the use of loans and do not participate in funded projects to full control. While its women who are targeted by the credit programme, men take over the management of the loans hence neglecting the development objective of lending women.

Other studies on the other hand argue that loans or micro-credit has had a positive impact on women (Rahman,1983;Pitt and Khanker,1995;Kabeer,2001).The positive impact of microcredit on women empowerment was because joint decision making was interpreted as a positive impact.(Rahman,1983;Pitt and Khanker,1995)using additional empowerment indicators (such as productive asset ownership, political awareness), Kabeer,(2001) concluded that access to credit had a positive impact on women empowerment.

The varying conclusions in the literature with respect to the impact of access to credit may be accounted for by differences in the methods used for impact measurement (qualitative or quantitative methods), failure to control for selection bias and endogenous program placement, differing judgments' as to what kinds of changes constitute evidence of positive impact

Hussain (2012) in Parkstan using logistic regression model supports this study that there is a relationship between levels of loan amount and increase income of MDI services beneficiaries Hermes and Lensink (2007)argues that although MDI services has a positive impact in increased income, it has not reached the poor.

Microfinance is a good strategy for poverty reduction but there is a need to target the poorest borrowers first who are most disadvantaged. It has been stated that loan officers exclude the poor from borrowing because of high risk of bad credit. Mazunder and Wencong (2013) in Bangladesh using multivariate regression model found that one unit increase in loans amount results in 0.055 decreases in poverty. This indicates that microfinance loans have a strong contribution in poverty reduction. However, the study by Haque and Masahiro (2009) in Bangladesh showed contrary results that 71.4 percent of respondents felt that there had no change in their lives stiles. Loss of properties for being loan defaulters and burden of indebtness were cited as major reasons

Despite these development opportunities which credit would offer to poor households, formal banks hardly lend to the rural people engaged in agriculture because they lack collateral that they could offer as security for loans. Furthermore, because of the small size loans, formal banks are averse to lending to the small borrowers because of high transaction costs. Another factor why formal banks are reluctant to lend to people employed in agriculture is the high uncertainty of their incomes. Which is highly dependent on weather and sheer luck (Adugna and Hiedhues, 2000)

2.2.4 Insurance and poverty reduction

The provision of formal micro-insurance is a growing industry. In many respects, as it is not directly linked to the provision of credit, nor is it associated with economic development at the macro level, the provision of insurance facilities designed specifically to meet the needs of the poor essentially falls within the ambit of the Financial Services approach. However, as this industry is in its infancy, available research and literature on the topic is limited. However, it is safe to conclude that demand does exist, and that access to insurance can reduce stress and bring about peace of mind to its clients (Zeller and Sharma 2000; Mosley 2003; Cohen and Sebstad 2005).

Some research into the micro-insurance sector in South Africa has revealed that it predominately takes the form of funeral insurance. However a range of other products targeted at household enterprises are beginning to emerge, including hire-purchase insurance (Ebony Consulting 2001). The evaluation of a health insurance scheme, attached to a microcredit product, offered by two separate MFIs in Uganda found it to demonstrate positive effects on investment and loan growth and to a lesser extent repayment rates (Mosley 2003).

The bulk of the literature relating to the poor and insurance refer mainly to informal insurance mechanisms. Noting that the poor are particularly vulnerable to risk and disaster, many researchers have investigated the different ways in which the poor attempt to protect themselves from such events. Research on two village fishing economies in India found a number of varied ways in which the poor used credit as a form of insurance, including: as a way to insure against the risk of falling into distress via providing interest free, unsecured credit, without an explicit duration – to ensure reciprocity; to minimize the risk of income losses due to lack of labour via wage advances - thus ensuring an obligation to provide labour at the required time; and to ensure a secure access to output via local merchants providing loans in return for a supply of fish (Pl (Platteau and Abraham 1987).

Households have also been found to adhere to a particular structure as a form risk-mitigation. By ensuring that the daughter is married to someone located outside the village this allows for consumption smoothing via cross-region and cross-village income sharing during times of stress (Rosenzweig 1988). Mordoch (1999) identified drawing down savings, engaging in reciprocal gift giving, selling physical assets and diversifying income-56 generating activities as an example of the number of different ways in which the poor deal with economic hardships. These personalized arrangements between individuals and communities were however found to be weak for the poorest households and insufficient in times of a large-scale natural disaster.

2.2.5 Government policies to reduce poverty amongst the youth

A government policy is an intervening factor where the government plays an important role in the fight against poverty. Most people agree that it should at the very least try to help those most in need. However there is an ongoing debate on how this should be done through the different policies below.

Minimum wage laws. Minimum wage laws require all employers to pay their employees a minimum amount of wage that is determined by the government. The idea behind minimum wage laws is it helps the working poor without directly increasing government spending. Labour unions are some of the most influential advocates of minimum wages. However, minimum wages laws are highly controversial, critics argue that they essentially hurt an economy more than they help. This argument is based on the law of supply and demand. If the minimum wage increases above the equilibrium wage, employers can’t afford to hire the same amount of workers anymore unless unemployment increases. As result, those whom are still employed are indeed better off because they profit from a higher wage. But at the same time increase in unemployment will put even more people at risk of poverty.

Social security is another government policy. Social security refers to a number of different government benefits, such as income support, tax credits, social welfare or unemployment benefits. A countries social security is another option the government has to reduce poverty by supplementing the incomes of poor families and individuals. Not unlike minimum wage laws, social security is a controversial topic. Critics argue that it can create wrong incentives for instance, people who work full –time at a low-paying job might have an incentive to stop working and live on unemployment benefits instead. That way, they may lose a small part of their income, but they would not have to get up every morning and go to work anymore.

Again social security is an complex issue. However most people agree that any government should provide at least a basic social security system to prevent people from falling too deep into poverty

Negative income tax is another government policy. Negative income tax that are essentially a subsidy for individuals with a low income. This works well in a progressive tax system where individuals with a higher income also pay a larger percentage of their income in taxes. Apart of those additional tax revenues can be used to subsidize individuals and families with a low income. Many economists consider this a good option to redistribute wealth within a country. According to this system poor individuals and families receive financial assistance depending solely on their income. However this can be seen as an advantage or disadvantage .on the one hand, it does not incentivize certain unfavorable lifestyles.

In- kind Benefits is another policy government uses to reduce poverty. In –kind benefits are non-cash alternatives to regular benefits. They are public services which are provided free at the point of use (or subsided).they mainly involve education and health care. Free education enables those from low income families to gain skills and qualifications which can help lead to better jobs and higher incomes in the future. Advocates of In-kind benefits argue that this type of support ensures that the poor really get access to what they need most. They also prevent recipients from using government benefits to buy undesirable products and services like drugs and alcohol. On the other hand, critics argue that non-cash benefits are inefficient and disrespectful.

They point out that in – kind benefits essentially deprive the poor of their right decision. According to the critics, the government does not know what people need most, so it has no right or obligation to decide for them. However, poverty is a problem everywhere in the world and governments play an important role in the fight against it. They can at least employ four different policies to reduce poverty: Minimum wage laws, social security, Negative income taxes and In – kind benefits

Conclusion

This chapter highlighted relevant literature provided by other scholars in as far as Microfinance services in the reduction of poverty.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter shows the research design, study population, area of study, sample size and selection, sampling techniques, methods of data collection, data management, reliability and ethical considerations

3.1 Research design

Sekeran (2009) defines a research design as the scheme, outline or plan that is used to generate answers to research problem. He adds that a research design is the master plan specifying the methods and procedures for collecting and analyzing the needed information

The method of research adopted was the descriptive technique because it describes systematically detailed facts and characteristics of a given interest

Cross section research design was also used in establishing the relationship between the MDIs and poverty reduction amongst the youth in kimaanya – kyabakuza division.

3.2 Study population

The study population comprised of 60 youth from kimaanya A because it was compared to the targeted population .This study concentrated on the youth in kimaanya A considering both clients and non- clients of microfinance institutions and served as the population of the study.

3.3 Area of the study

The study was conducted in Masaka district Kimaanya – Kyabakuza Division specifically Kimaanya A. Masaka district is found in the central region of Uganda laying west of Lake Victoria, approximately 140 kilometers to south west of Kampala on the highway to Mbarara .the town is close to the equator .According to the 2014 national census, the UBOS estimated the population to 103,829

Kimaanya A being one of the villages in kimaanya- kyabakuza division with one of the largest population of the youth in Masaka municipality according to Uganda Bureau of Statistics (2014) made it to the researcher's area of study.

3.4 Sample size and selection

Sampling is defined by Amin (2005) as the process of selecting elements from a population to represent it. The total size of the study's sample was 60. Out of the sixty (60), the researcher selected Fourty six (46) youths form Kimaanya A for sampling regardless of the gender.

The researcher was able to gather all the necessary information from those respondents in the limited available time.

3.5 Sampling techniques

A non – probability sampling technique was employed in this research to get a sample of the targeted population. The procedure here involved splitting the entire population space into geographical areas, each of which still contained heterogeneous elements. The population in this case was entirely kimaanya-kyabakuza division which is divided into kimaanya A, Kimaanya B, and kyabakuza. The selected sample wards was kimaanya A.

The researcher used Convenience technique because it called for choosing respondents according to their proximity and willingness to volunteer. Purposive sampling technique was also used because it targeted particular respondents (youths) whom had the desired information especially those who were clients of MDIs.

3.6 Methods of data collection

Suzanne (1988) stated that making a choice among the different data collection methods techniques involves considering their appropriateness and relative strengths and weakness. In interest of time, the researcher used a combination of methods and tools, which include;

3.6.1 Primary source

The Customized questionnaire was the major tool for achieving specific objectives to this research. The primary data for the research work were collected through questionnaire. A questionnaire provided an avenue for obtaining data that lied beyond the physical reach of the researcher it was expressed in clear, precise, polite and concise language so as to gain necessary levels of response from respondents .The questions that were asked were both closed-ended and open ended .some few questions required yes or No answers. The open –ended questions were designed to give the respondents the opportunity to express their views on any given questions so that a concise conclusion can be drawn. Or close ended.

3.6.2 Secondary data

Secondary data served as the second source of data that was in this research work. The type of secondary data (information) used in this research work included; relevant text books, journals, newspapers and the internet. The information in chapters one, two and three are purely from this source while information in chapters four and five was based on questionnaires that was administered and collected.

3.6.3 Interviews

However, some of the respondents were illiterate and the researcher also used personal interviews for better provision of explanations to some respondents

3.7 Data management analysis

Data was recorded and edited by the researcher from the respondents for completeness, consistency and uniformity to ensure easy analysis.

Descriptive tools such as tables and percentages were used the total mark of 100% is assigned to each question was counted as a score and frequency of the response. For determining the percentage of each answer; graphs and pie-charts were also being used.

3.8 Reliability and validity

Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials

Internal validity and Reliability was achieved by requesting the researcher’s supervisor to go through the questionnaires before they were being given out to the respondents to ensure accuracy and to check on understandability of the questions.

A sample of attained responses from the interview was considered where questions were assessed to see their likely dimensions

3.9 Ethical consideration

The researcher avoided questions that were so private to prevent embarrassing of respondents.

The researcher requested for permission from the respondents before data was collected from them. Names of the respondents and other identifications like business names were not mentioned on the data collection tools and Respondents will be respected by answering questions at their own will.

3.10 Limitations

This study would have been carried out throughout the whole country but due to time factor, the researcher opted to carry it out in kimaanya -kyabakuza division specifically in kimaanya A.

Financially, the researcher was limited and if that was not the case, the researcher would aim at covering a wider scope. A wider scope in this case would require more data collection tools which would require more money hence being a limitation to the researcher.

Some respondents were not willing to provide required data to the researcher and some of those who were willing did not return the questionnaires in the required time.

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION

4.0 Introduction

This chapter presents the findings of the study and discussion. The researcher in this chapter used both quantitative and qualitative data analysis to present the information collected from the field.

4.1 BACKGROUND INFORMATION

Kimaanya A was used as a case study where the first section deals with the background information of respondents while the second section presents findings in relation to the objective one which is, To examine out the relationship between savings and poverty reduction amongst the youth in kimaanya – kyabakuza division.

The third section presents findings in relation to objective two. To examine the role of short term loans on boosting entrepreneurship amongst the youth in kimaanya – kyabakuza division.

The fourth section presents the findings to the third objective of the study which is to establish the relationship between MDI services and poverty reduction amongst the youth in kimaanya – kyabakuza division.

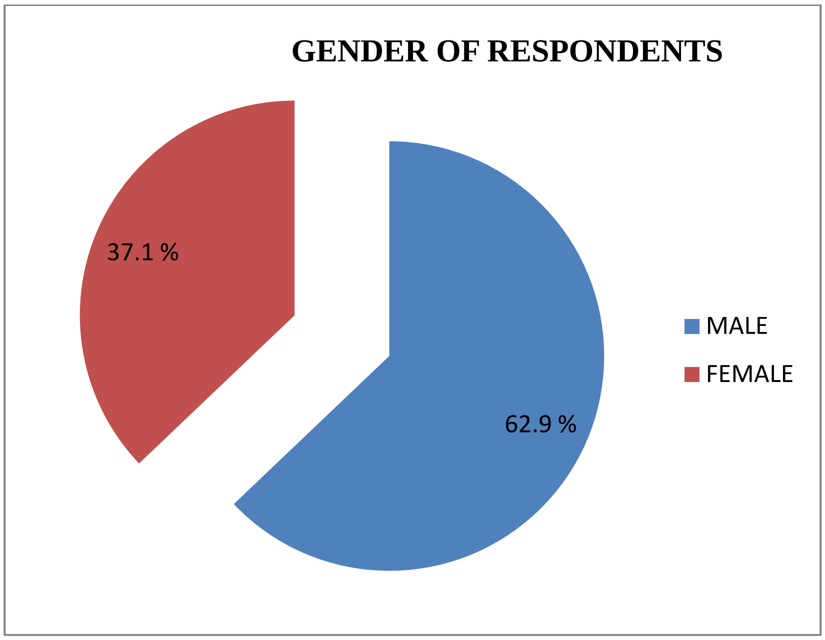
Forty six (46) copies of questionnaires were given out to different respondents by the researcher and only 35 of 46 which is 75% of the questionnaires were collected back from the youths (clients) of MDI services.

The questionnaires being collected by the researcher were made in one form, which was for the youth (clients) of MDI services in Masaka municipality.

Data in relation to the study questions that was formulated from the study objectives is presented in this chapter.

4.1.1 Gender of respondents

Figure 2: Gender of respondents: Clients



(Source: Primary data 2017)

Of the 35 clients respondents that were effective 22 clients with 62.9% were males and 13clients making 37.1% were females.

This means more males are clients of the MDI services in Masaka municipality than females.

N.B: In the study, demographic characteristics were organized inform of male and Female respondents that participated in the questionnaire method of data collection.

Table 1; Sex Distribution of the respondents

Gender	Frequency	Percentage (%)
Male	22	62.9
Female	13	37.1
Total	35	100.0

(Source: Research Field Findings 2017)

The study found that 62.9% of the respondents were male, while 37.9%of the respondents were female. This implies that there were more males than females dealing with the MDI services in Masaka Municipality

4.1.2 Age Distribution of respondents

The table below presents age distribution of respondents in the study. There were four age brackets according to the information given by the respondents. This included 18-20 years, 21-25 years, 26-30 years, 31-35 years

Table 2: Age Distribution of the respondents

Age group	Frequency	Percentage (%)	Cumulative percentage (%)
18-20	1	2.9	2.9
21-25	4	11.4	14.3
26-30	14	40.0	54.3
31-35	16	45.7	100
Total	35	100.0	

(Source: Primary data 2017)

From the above table, most of the respondents were between the age group of 31-35 with 45.7% of the total respondents which formed the section of prominent and mature business youth. 2.9% of the respondents were between 18-20 years of age, 11.4% were between 21-25 and 40% of the respondents were between 26-30 years of age

45.7% of the respondents within the age bracket of 31-35 years implied a good pattern towards poverty reduction in kimaanya A due to the good response towards the acquisition of financial service

Table3: Marital Status

Marital status	**Frequency**	**Percentage (%)**
Married	8	22.8
Single	24	68.6
widowed	3	8.6
Divorced	0	0
Total	35	100.0

(Source: Primary data 2017)

Table 3 shows the marital status of the respondents from the field survey. The table reveals that 22.8% of the respondents are married, 68.6% of the respondents are single. This shows that majority of the respondents are yet to be married.

Table 4: Educational Level

Educational status	Frequency	Percentage (%)
Primary	10	28.6
Secondary	12	34.3
Degree	4	11.4
diploma	3	8.6
Did not go to school	6	22.9
Total	35	100.0

(Source: Primary data 2017)

From Table 4, it is revealed that most of the respondents had attained a certain stage of education. The level of education varies from primary to secondary and tertiary institution. The percentage of those that are not educated is about 22.9 %.this shows that youth in kimaanya a have attained one form of education. It also shows that 34.3 % of the respondents have at least secondary school education therefore have some knowledge on how to manage business using loans compared to those that are not educated.

Table 5: How long have you been in the microfinance as a member or client?

Period	Frequency	Percentage (%)
Less than 1year	2	5.7
1-2 years	5	14.3
2-3 years	9	25.7
3-4 years	10	28.6
4-5 years	5	14.3
Above 5 years	4	11.4

Total	35	100.0

(Source: Primary data 2017)

Table 5 shows that most of the respondents with a percentage of 28.6% of 35 respondents have spent 3-4 years with the microfinance institutions as clients or members therefore, it implies that they a well conversant with the microfinance products since they have spent along period as clients while 5.7 % of the respondents have not even spent a year with these microfinance institutions.

4.2 Presentation and Discussion of findings

The study focused on the youth who are clients of MDI services in Masaka Municipality-kimaanya-kyabakuza division concentrating on kimaanya A. A sample of 46 respondents from Kimaanya A was selected and questionnaires distributed to them.

4.2.1. Savings and poverty reduction

There was a need by this study to find out the extent at which Savings impact on the reduction of poverty amongst the youth in kimaanya-kyabakuza division

4.2.1.1. Why do you save?

Figure 3: Reasons for saving

(Source: Research Field Findings 2017)

Inorder to establish the relationship between savings and poverty reduction amongst the youth, there was a need to find reasons why people save.

Most of the youth 57.1% in the study were saving to accumulate capital as argued out in the literature review by Rutherford (2000) that poor people save money because they need to gain access to 'usefully large lump sums' of money. so as to boost their business by investing in other ventures with a given period of time rather than spending unnecessarily.

22.9% of the youth save for emergencies. These emergencies are both personal and impersonal. Personal emergencies include sickness accidents, funeral arrangements, loss of a job or crop/livestock, or loss through fire or theft. While Impersonal emergencies include events such as war or natural disasters among others that may occur at any time of the day.

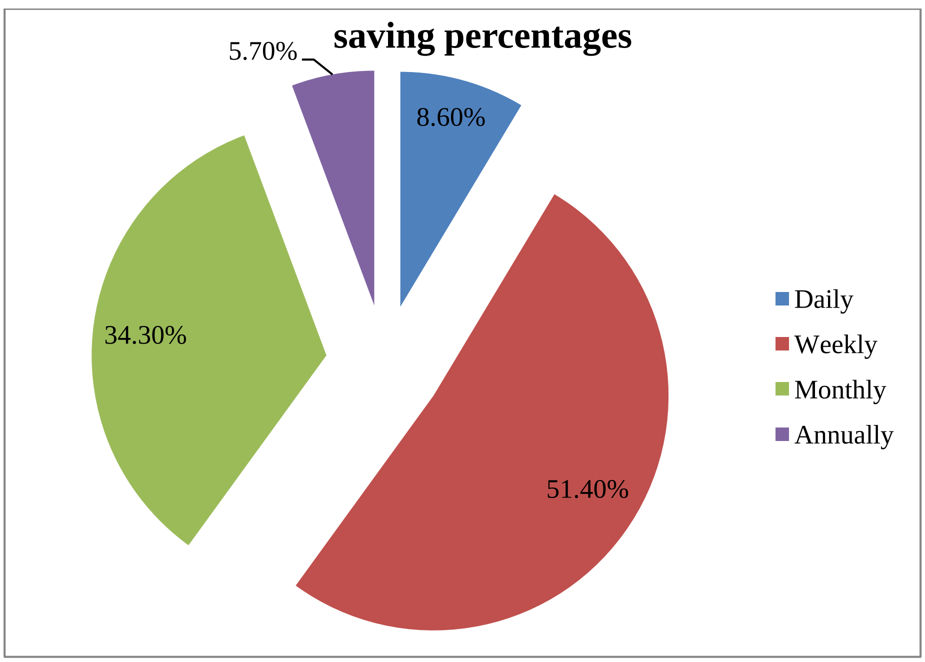
8.6% of the respondents save to pay future fees while 5.7 % save inorder to meet social obligations and under others is 5.7%

To encourage youths to save, MDI services must know the reasons why clients save as a way of designing products and services that best suit their demands. MDI services that want to mobilize savings from low-income earners must understand the ways and reasons why the poor save and analyze each saving procedure (Ledger Wood 2006).

Therefore, MDI Services can design products that meet the needs of the poor better than they can do by themselves.

4.2.1.2. How often do you save?

Figure 4: How often do the clients save?



(Source: Research Field Findings 2017)

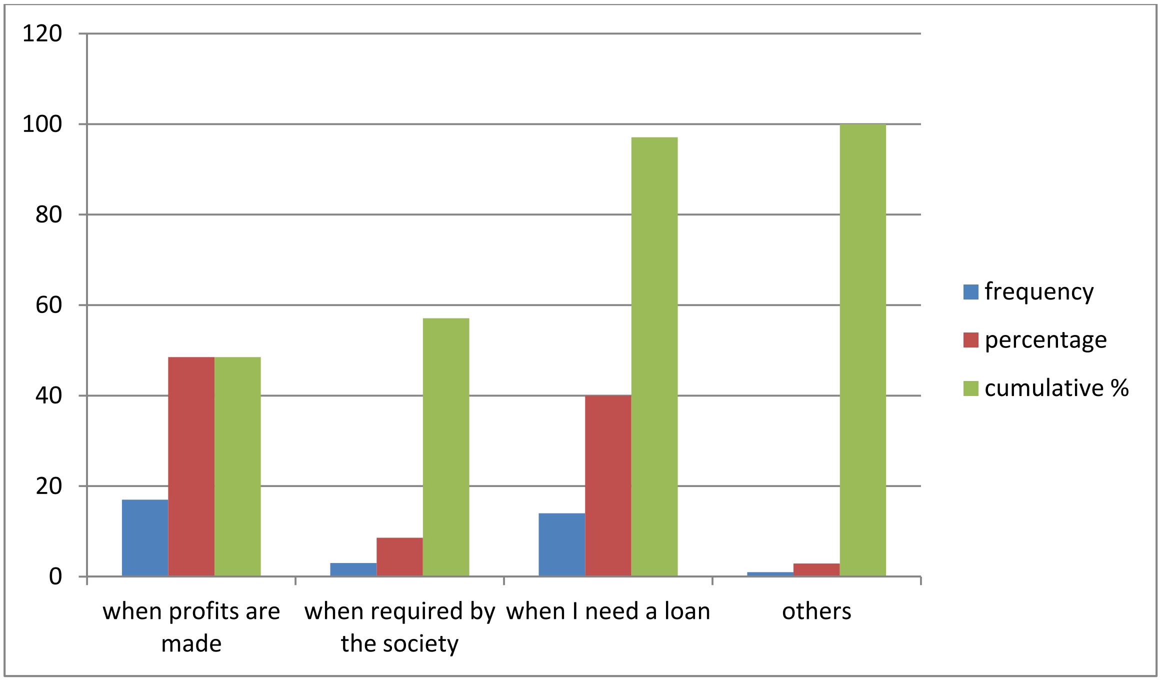
To establish the capacity of youths (clients) to sustain their Microfinance institutions in financial terms, an investigation to find out how often they save was undertaken. It was revealed that most youths save weekly raising to 51.4 %, 34.3% of the respondents save monthly,8.6% save daily and only 2 respondents that is 5.7% save annually. Therefore, it indicated that youth save when they have accumulated profits which are not obtained daily and most of the respondents concluded that these profits are ploughed back into their business to accumulate more wealth but may be weekly or evenly monthly.

4.2.1.3. When do you save?

Table 6: when do youths (clients) save?

Response	Frequency	Percentage (%)	Cumulative percentage (%)
When profits are made	17	48.5	48.5
When required by the society	3	8.6	57.1
When I need a loan	14	40.0	97.1
others	1	2.9	100
Total	35	100.0	

Figure 5: when do youths (clients) save?



(Source: Research Field Findings 2017)

There was need to determine conditions under which youth (clients) save inorder to Examine out the relationship between savings and poverty reduction amongst the youth in kimaanya – kyabakuza division.

Table 6 Reflects that 48.5% of the respondents save when they make profits, 40% save when they need to access a loan which requires a given balance on their accounts, 8.6% save when required by the society so as to encourage people`s development and 2.9% of the respondents save for other reasons. Inorder to increase savings, the youths should therefore be motivated to invest in profitable business ventures as a way to increase their profitability and thus their savings.

4.3 Short term loans on boosting entrepreneurship

Table 7: Benefit of the loan to the clients.

Response	Frequency	Percentage (%)	Cumulative percentage (%)
Strongly agree	8	22.9	22.9
Agree	19	54.3	77.2
Neutral	6	17.1	94.3
Disagree	2	5.7	100.0
Strongly Disagree	0	0.0	
Total	35	100.0	

(Source: Research Field Findings 2017)

The research filed findings revealed that out of 35 respondents 19 (54.3%) agreed that the loans provided by MDI services were beneficial to them. This was reflected in various activities which included agriculture through the expansion of the amount of land the youth cultivate and diversifying the crops they grow for sale and domestic consumption. These loans enabled them to start up small enterprises and gain entrepreneurial skills from microfinance weekly training as it was argued out in the literature review by Ali & Alam (2010).

17.1% of the respondents had no decisions to take whereas 22.9% strongly agreed that the loan provisions was beneficial .however two respondents (5.7%) disagreed arguing that the loans provisions was not beneficial due to the strings attached such as security

Table 8: Loans repayments were timely and consistent

Response	Frequency	Percentage (%)	Cumulative percentage (%)
Strongly agree	10	28.6	28.6
Agree	15	42.9	71.5
Neutral	5	14.2	85.7
Disagree	4	11.4	97.1
Strongly Disagree	1	2.9	100.0
Total	35	100.0	

(Source: Research Field Findings 2017)

According to the information in table 7, Time granted by the MDI services for repayments of the loans is consistent. This is evidenced by 71.5% of the response in agreement with time. Which includes 10 (28.6%) responses on strongly agree and 15 (42.9%) clients whose response was agree.

Other respondents are neutral and others disagree with the time being given to them due to the fact that some respondents by the time they have to pay would not have made profits out of their business

Table 9: Provision of a grace period before repayment of the loan

Response	Frequency	Percentage (%)	Cumulative percentage (%)
Strongly agree	16	45.7	45.7
Agree	9	25.7	71.4
Neutral	7	20	91.4
Disagree	2	5.7	97.1

Strongly Disagree	1	2.9	100.0
Total	35	100.0	

(Source: Research Field Findings 2017)

The revealed differences in clients over the grace period provided before prepayment of the loans. Differing responses from various youths revealed that MDI services provide a grace period before processing of the loan where71.4% of the respondents were in agreement with the grace period provided , while 28.6 % the respondents argued out that the grace period was not fair because that before the end of the loan, the business would have almost collapsed. At the time of repayment the loan taker is almost in the middle of the business process. If he /she pays, he has to close the business because the business is not in the position to continue any more. This put an extra pressure on the client. And leads to the loan taker losing his time as well as some money in his business.

Table 10: The installment charge for the repayment of the loan was fair

Response	Frequency	Percentage (%)	Cumulative percentage (%)
Strongly agree	9	25.7	25.7
Agree	16	45.7	71.4
Neutral	7	20	91.4
Disagree	2	5.7	97.1
Strongly Disagree	1	2.9	100.0
Total	35	100.0	

(Source: Research Field Findings 2017)

According to table 9, 45.7% of the clients agree with the installment charge for the repayment of the loan given out to them by these MDI services and 25.7% of the respondents strongly agree that the installment charge was fair while the rest of the respondents say that the installment charge was not fair due to various reasons.

Table 11: Advice was given on how to best utilize the loan for profitability

Response	Frequency	Percentage (%)	Cumulative percentage (%)
Strongly agree	10	28.5	28.5
Agree	16	45.7	74.2
Neutral	5	14.3	88.5
Disagree	3	8.6	97.1
Strongly Disagree	1	2.9	100.0
Total	35	100.0	

(Source: Research Field Findings 2017)

The study findings revealed that MDI services facilities are being provided to the clients to help them to use and develop their skills and enable them to earn money through micro enterprises. Table 9 above shows that w 74.2% of the respondents were in agreement with the provision of advice given to them by the staff management while 8.6% of the respondents argued out that they were not being given financial advice on how to utilize the loans. As long the financial institution saw potential in them to repay the loan they did not mind about advising them.

Table 12: Minimum deposit balance

Response	Frequency	Percentage (%)	Cumulative percentage (%)
UGX 10,000	26	74.3	74.3
Not required	9	25.7	100
Total	35	100	

(Source: Research Field Findings 2017)

Table 12 shows the revealed differences in clients over the minimum deposit balance required to acquire a loan from MDI services. 74.3 % of the respondents agreed that inorder to get a loan you must have a minimum deposit balance of Ugx 10,000 and you must be a member and having an operating account with the microfinance institution

25.7 % of respondents who were clients of FINCA (MDI) Masaka denied the minimum deposit balance as a condition to access a loan. For finica as long as you have collateral or security worth the loan, you can access a loan even if you don't have an account with them. You first access a loan then you become a client.

Table 13: Security was required before the loan processing

Response	Frequency	Percentage (%)	Cumulative percentage (%)
Yes	35	100	100
No	0		
Total	35		

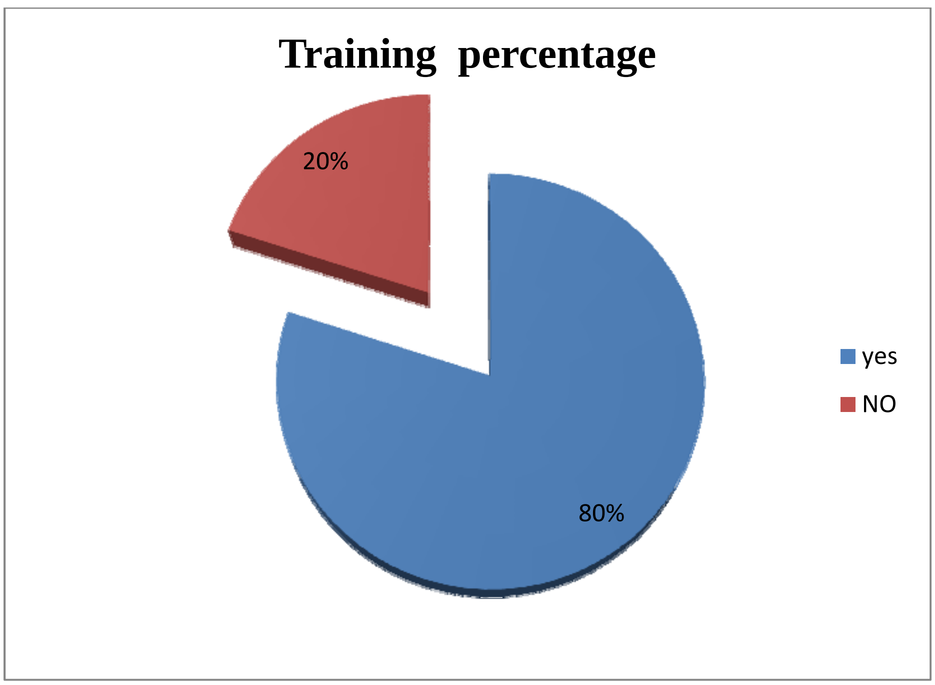
(Source: Research Field Findings 2017)

All the respondents agree that all MDIs require collateral or security inorder to access a loan. Such security is needed by MDI services inorder to compensate for their money in case in failure for the client to pay the loan taken.

Such security includes land titles, cars, and buildings among others. Most of respondents responded that they usually offer land titles and motor bicycles as security inorder to access a loan while others are unable to acquire loans due to the heavy security required by these financial

4.4 : Have you ever received any training from the MDI services?

Figure 6



(Source: Research Field Findings 2017)

Inorder for MDI services to retain their clients, 28 over 35 respondents which is 80% of 100% agreed that these financial institutions give training to the clients on how to use the loans and gain profits and how to manage their business

4.4 conclusions

This chapter highlighted the findings obtained from the data collected from different respondents. The findings presented were in line with the research objectives which were discussed in chapter two. Data was presented in tabular form, graphs and pie charts showing variances in frequencies and percentages.

The findings in this chapter were then used in chapter five to provide a summary, conclusions, and recommendations to the study as well as making suggestions for further research areas.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of the major findings of the study, draws conclusions and gives recommendations from the study and area of further research.

5.1 Summary

This study started with the foresight of the entire study comprising the introduction of the subject matter of the research work which is the role of Microfinance Deposit Taking Institutions (MDI services) on poverty reduction amongst the youth in kimaanya – kyabakuza division.

In the review of Literature, was collected using the set objectives which were, to examine the relationship between savings and poverty reduction amongst the youth in kimaanya – kyabakuza division.

To examine the role of loans on boosting entrepreneurship amongst the youth in kimaanya – kyabakuza division

To establish the relationship between Microfinance Deposit Taking Institutions (MDI) and poverty reduction amongst the youth in kimaanya– kyabakuza division.

The research methodology the study used in collecting data involved use of questionnaires, interviewing and secondary data got from various books from the library and from the internet which made data collection and analysis easier .The study involved 35 respondents of which 22 were males and 13 were females.

The study revealed that males are the majority of the clients served by MDIs. Majority of the clients had been in the MDIs for above five years. Research found out that most of the clients save when profits are made and also have different reasons for saving such as For emergencies, pay future fees, to meet social obligations, accumulate capital among others.

It was revealed that MDIs offer training to their clients in many different fields such as training on saving and loans, Training on small customer care service and medium enterprises among others

5.2 Conclusions.

Basing on the objective one, savings and poverty reduction, the study revealed that savings play a great role on reduction of poverty. This is because the youths who have saved with MDIs have been able to recapture returns at the end of a given period of time.

The study concluded that services provided by MDIs need to publicize so as to make members of the society aware of the credit facilities. MDIs should also note that clients will save an institution that easily accessible in terms of distance as well as services available

Basing on the objective two, loans on boosting entrepreneurship, research revealed that many people acquire loans to boost their businesses.

Data was collected using tools such as questionnaires which were being distributed to different respondents and provided appropriate answers related to the topics. data collected was fed into tables, pie charts and presented in form of figures and tables in chapter four. Their implications were based on the research questions and study objectives.

Research was also concluded that training is an important aspect in all microfinance institutions.

5.3 Recommendations

The study revealed that MDIs activities are influenced by political and economic environment. Therefore, the government should provide suitable political and economic environment. This is because if an MDI is to mobile saving effectively, there must be a suitable economic and political environments in the country in which it is in operation.

The study revealed that many clients are famers and farming is their major source of income. It is therefore recommended that the government should put much emphasis on development of agricultural marketing information, development of infrastructure such as roads for easy transportation of their products and provide access to markets by the rural farmers so that they can sell their produce with efficiency and effectiveness.

The study revealed that most of the youth (clients) keep their money at home as alternative way of saving apart from the microfinance institutions. it is therefore recommended that people should avoid keeping large amount of money with them because they may induce to unnecessary spending. And keeping money at home may lead to attraction of robbers or thieves due to lack of good security

Research found out that most clients are not motivated to save. The management should encourage their clients to save by sensitizing them about the benefits of savings

5.4 Suggestions for further research.

The findings of the study suggest research in establishing The role of microfinance deposit taking institutions (MDI services) on poverty reduction amongst the youth in kimaanya-kyabakuza division.

The following are the suggested questions for further research

The impact of the government on the performance of MDI services

The effect of internal controls on the performance of microfinance institutions

The role of government policies in business performance

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QUESTIONNAIRES FOR THE YOUTHS (CLIENTS) OF MDIs

Dear Respondent,

I am Nakalembe Madrine a final year student of Uganda Martyrs University in the faculty of Business Administration and Management. Am carrying out a research under the topic. '**The role of Microfinance Deposit Taking INSTITUTIONS (MDIs) on poverty reduction amongst the youth in kimaanya- kyabakuza**

I kindly request you to answer the following questions without any fear since your information will be treated with great confidentiality and will be used for academic purpose only.

To provide answers, tick one or more options that are appropriate and give detailed information where required.

Part 1: Back ground information

Sex : Male ☐ Female ☐

Age: 18-20 ☐ 21-25 ☐ 26-30 ☐ 31-35 ☐

Marital status: Married ☐ Single ☐

Divorced ☐ Widowed ☐

Highest level of Education

Primary ☐ Secondary ☐ Certificate ☐

Diploma ☐ Bachelors ☐ Masters ☐

Others (please specific)…………………………………….

How long have you been in the microfinance as a member or client?

Less than I Year ☐ 1-2 Years ☐

2-3 Years ☐ 3-4 Years ☐

4-5 Years ☐ Above 5 Years ☐

Part II: Objectives

Savings and poverty reduction

1. Why do you save?

a) To accumulate capital ☐
b) To meet social obligations ☐
c) For unexpected emergencies ☐
d) To pay future fees ☐

2. How often do you save?

Daily ☐ Weekly ☐

Monthly ☐ Annually ☐

3. Apart from your Microfinance where else do you save?

Bank ☐ Assets ☐

Keep the money at home ☐

Any other (specify) ………………………….

4. When do you save?

a) When profits are made ☐
b) When I need a loan ☐
c) When required by the society ☐
d) Others (specify) ………………………

5. Does your Microfinance motivate you to save?

Yes ☐ No ☐

Loans, Financial literacy and poverty reduction

6. What are the conditions given to you to apply for a loan?

a) Security ☐
b) Social security by other members ☐
c) A minimum deposit balance ☐
d) Others (please specify)……………………………………………………………

7. What do you normally offer as security to access a loan?

a) Land titles ☐
b) Vehicles ☐
c) Houses ☐
d) Others(please specify)

……………………………………………………………………………………………………
……………………………

6 . For the following questions choose by ticking a number that appears more appropriate for you using the scale below.

1-Strongly agree, **2**- Agree, **3** – Neutral, **4**- Disagree, **5** – Strongly disagree

Questions

Question					
a). The loan granted helped me to achieve the desired needs.	1.	2.	3.	4.	5.
b). The loan repayments periods were timely and consistent	1.	2.	3.	4.	5.
c).Security was required before the loan processing	1.	2.	3.	4.	5.
d).The loan granted was insured by the institutions	1.	2.	3.	4.	5.
e). A grace period was given before the repayment of the loan stated	1.	2.	3.	4.	5.
f). A loan had a fair interest rate proportional to the management granted	1.	2.	3.	4.	5.
g).Advice was given on how to best utilize the loan for profitability	1.	2.	3.	4.	5.
h).The installment charge for the repayment of the loan was fair	1.	2.	3.	4.	5.

7. Does the microfinance offer training services to you?

a) Yes ☐

b) No ☐

8. If yes, how often do they offer training services?

Weekly ☐ monthly ☐

Quarterly ☐ Annually ☐

Others (please specify)…………………………………………………………………….

Thank you for your time