THE IMPACT OF MICROFINANCE INSTITUTIONS ON POVERTY ALLEVIATION

CASE STUDY; PRIDE MICRO FINANCE LIMITED (PMFL) UGANDA

An undergraduate dissertation

Presented to the Faculty of Science in partial fulfillment of the

Requirements for the award of degree in Bachelor of

Science Financial Mathematics

Uganda Martyrs University

NAKIBUUKA VENA PAULA

2012-BO61-10005

MAY 2015

DEDICATION

This study is dedicated to my beloved mother Ms. Margaret Lalaam and my father Mr. Damian Kato and my brothers Mr. Otim Andrew and Mr. Katumba Anthony and my sister Ms. Achan Mary Louisa for their great financial support, encouragement, love and inspiration throughout my course. Thank you for being there and believing in me. It is further dedicated to the entire staff and management of Uganda Martyrs University Nkozi and the student's community.

ACKNOWLEDGEMENTS

I thank the almighty God for enabling me to compile this report. I wish to extend my sincere gratitude to my family for their financial support, self-sacrifice, dedication, love and spiritual support to reach this success.

I also wish to extend my sincere gratitude to Mr. Magwiri Deogratias for the guidance and inspiration towards my research.

I would also like to express my gratitude to my supervisor Mr. Perez M.B. Mujuni for the guidance, patience, encouragement and criticism. I highly appreciate the time you gave me.

Sincere appreciations go to all the lecturers especially in the Faculty of science for the work.

Special thanks go to the management of PRIDE micro- finance Nakawa Branch for their cooperation during my research.

Lastly, I would like to extend my sincere gratitude to my classmates (Ingabire Bridget, Namugarura Shifra, Iwutung Solomon Toliva, Lumu Joshua Derrick, Nabbuma Afusa, Nkuruziza Gilbert, Nalowoga Carol, Wanzu Elijah, Akao Becky, Walter Rockford and Kakiika Kawothar) for the academic and moral support and the help given in various ways.

Special thanks go to my dearest roommate Murungi Rita and my friends Kabalimba Priscilla Linda, Namugarura Shifra, Bbosa Herman and Joshua Kato Nsibirwa for the love and care. Thank you very much. May God bless you abundantly.

TABLE OF CONTENT

LIST OF TABLES

LIST OF ACROYNMS

MFIs	Microfinance Institutions.
MSEs	Micro and Small Enterprises
SMEs	Small scale Enterprises.
MDGs	Millennium Development Goals.
IMF	International Monetary Fund
IFAD	International Fund for Agricultural Development
CGAP	Consultative Group to Assist the Poorest
WWB	Women’s World Banking Global network.
UK	United Kingdom.
USA	United States of America.
ASA	Association for Social Advancement
BRAC	Bangladesh Rural Advancement Committee
CARD	Center for Agricultural and Rural Development.

ABSTRACT.

The study was conducted at Pride Microfinance Limited Uganda headquarters located in Victoria Business Park, in Bukoto, a northeastern neighborhood in Nakawa Division and it focused on the concept of microfinance institutions and poverty alleviation. The study was inspired by the persistent poverty in the country despite the existence of micro finance institutions.

The study used two approaches of qualitative and quantitative research methods which were used to generate data. The quantitative method focused on testing the impact of micro finance institutions on poverty alleviation, while the qualitative approach was used to analyze non-numerical statements of respondents, mainly their views, perceptions and attitudes towards micro finance and poverty alleviation in Nakawa division. The research used both primary and secondary data , where the primary data was collected using a questionnaire and an interview guide while the secondary data was accessed through reading text books, reports and journals about the impact of micro finance on poverty alleviation.

The study findings at bivariate level indicated a positive and significant relationship between micro finance products and services and poverty alleviation. Therefore, it can be concluded that if individuals' access micro finance products and services such as savings, loans and skills development, this can generally influence economic growth.

From the data collected, the study revealed a positive significant relationship between poverty alleviation through microfinance institutions where savings enabled individuals to pay fees, pay rent and loan facilities enabled them to startup businesses as well as skills development which enabled access of loans and financial advisory services.

The study recommends that government should carry out vigorous sensitization on the issue of access to the micro finance services and products so that even rural people can have the chance of developing their areas. It also further recommends that the local community at large should ensure that it uses the opportunity of the availability of micro finance services and products such as group lending and savings and also local community leaders should introduce and welcome micro finance institution investment in their areas so as to promote development. Lastly it is also important for future studies to carry out a national survey on how micro finance loans have encouraged poverty among the very poor, the different ways in which people understand microfinance activities in the country, why micro finance institutions are very few in rural areas, how micro finance institutions carry out their activities as well as whether micro finance services and products have really reduced poverty or brought more suffering.

CHAPTER ONE

INTRODUCTION

1. 0 GENERAL INTRODUCTION

The core of this research is to understand the impact of Micro-finance institutions on poverty reduction. The study seeks to establish the extent to which the micro finance institutions contribute to poverty alleviation, a case study of Pride Micro-Finance Uganda. In this chapter the researcher will address a number of issues which include; introduction, background, problem statement, significance of the study, research objectives, research questions, and hypothesis scope justification of the study and the definition of key terms and concepts.

1.1 BACKGROUND OF THE STUDY

MFIs evolved out of the realization that a large proportion of economic activities are done by farmers, fishermen, micro entrepreneurs and casual income earners most of whom have limited or no access to formal financial services. The enterprises are small both in size and capital outlays, but comprise a very vital economic force in the development process. It is this sector that provides employment and income to the rural and urban people and leads to the production of basic goods and services used by low income earners (Kabana, Adriane, Krishnamurthy &Daisy, 2009).

Ganesha (2010) views microfinance programs as a vehicle with potential to build local institutions and empower the poor, especially women who have set up small businesses, facilitating women's access to independent income and financial services, providing cohesive structures of support through solidarity groups. And promoting self-employment, all enhance women's status in the family and their control over family resources. Such schemes promote the family's wellbeing, thus proving to be an important strategy to influence the performance of MFIs.

According to Katanzi and Nasasira (2001), micro- finance has existed in Uganda for a long time in informal ways as self-help groups, cooperative unions and recently in forms of specialized institutions mandated with a task of manifesting and enabling the accessing of microfinance services by the poor who have hitherto been neglected by default or otherwise, by private formal institutions and government. Now MFIs are targeting SMEs to access credit and later pay interest in loans.

The Gau-PRSP, (2005-2008) has identified the Micro Finance as a tool that will enhance financial deepening in SMEs. As much as efforts are underway to encourage SME outreach in rural areas by the formal banks, the socio-economic and cultural set ups in the rural areas do not favor the formal banking system because most rural clients are not bankable and the credit terms do not also favor these small businesses. To this extent, the micro finance institutions law was enacted in April 2003 to allow soundly managed and well capitalized MFIs to intermediate resources in the rural areas

The defined legal status of these MFIs now puts them into the position that should forge links with the formal banking system. With the legal status of the micro finance deposit taking institutions now clearly defined, it is expected that the formal sector will increase their transactions with their institutions (MFIs). MFIs are expected to act as retail institutions for both deposit taking and loan extension to rural areas than the formal banks.

The role of the banks will be to wholesale both deposit taking (encouraging savings) and credit extension (loans) to the MFIs. Such a linkage should increase the provision of financial services (IMF, 2010). The goal of micro finance is to improve the outreach of financial services to more of the poor, and the poorest including now the SMEs (CIDA, 2009) and these financial services.

A large number of people have jumped onto microfinance for a variety of reasons, there are NGOs which gradually become leading institutions thus have become microfinance institutions. for those living in poverty, access to traditional financial services is extremely limited for a number of reasons for example most formal institutions require collateral from their clients upon which to ensure the repayment of loans, however because of their initial financial situation, most of the world's poor have no tangible assets to claim as collateral. Additionally many of the most impoverished individuals belong to the marginalized population for example women or ethnic minorities which have been historically stigmatized making it even more difficult to move out of poverty and obtain assets.

Microfinance institutions especially Pride Microfinance claim they provide small business in order to enable them have self-reliance through entrepreneurship. Pride microfinance is among the non-government organization that has taken the initiative in providing credit and financial services to the poorest or the active poor with the aim of alleviating poverty in Nakawa division.

PRIDE microfinance started as PRIDE Africa registered in Washington DC on February 2nd 1993. PRIDE Africa in Uganda is a project registered as a non- governmental organization November 1995. In September 1999 it was incorporated into a company limited by guarantee under the names of PRIDE Africa (Uganda Limited). In May 2001 the name of the company was changed to Promotion of Rural Initiative and Development Enterprises Uganda limited thus the acronym PRIDE Uganda.

PRIDE's mission is to create a sustainable financial and information services network for small scale enterprises to increases incomes and employment and stimulate business growth in Uganda.

Microfinance can be a critical element of an effective poverty reduction strategy. Improved access and efficient provision of savings, credit, and insurance facilities in particular can enable the poor to smooth their consumption, manage their risks better, gradually build their asset base, develop their micro enterprises, enhance their income earning capacity, and enjoy an improved quality of life. Researchers argue that the Microfinance Institutions (MFIs) are useful as they

1. Reduce poverty through increased income and standards of living.
2. Empower women.
3. Develop the business sector through growth potentials.
4. Develop a parallel financial sector.

It is generally accepted that without permanent access to institutional microfinance, most poor households would continue to rely on meager self-finance or informal sources of microfinance, which will limit their ability to actively participate and benefit from development opportunities.

Due to the decline of the public sector, the role of Micro and Small Enterprise (MSEs) in promoting economic growth and development, offering increased employment and reducing income disparities has been widely recognized. In Uganda, Micro and Small Enterprises contribute 12% and 34% of rural and urban employment respectively as well as up to 32% of the GDP.

The increased participation and contribution of MSEs has led to an increased need for financial services. Credit has been recognized as one of the tools for promoting the development of MSEs. Loans enable the individual member or enterprise to enjoy both benefits of economies of scale and those of new high-value technology.

1.2 PROBLEM STATEMENT

People have continued to be poor and others have even gone to a worse state. As a result of government efforts to reduce poverty in the country, the introduction of MFIs is seen as the best alternative source of financial services for low income earners in rural areas as a means to raise their income, hence reducing their poverty level. As a result of meeting development objectives they have extended small loans to the poor as a source of capital. There has been a tremendous growth of microfinance institutions in almost every corner of the country. However people have continued to be poor and others have gone to a much terrible situation as well as evidence has shown that these MFIs have limited coverage, poor organizational structures and some are donor driven. These findings are what the research will base on to investigate if the coverage of MFIs helps in poverty alleviation in Uganda

1.3 GENERAL OBJECTIVE

The study will aim at finding out the impact of Microfinance Institutions (MFIs) on poverty alleviation in Uganda, case study being PRIDE UGANDA.

1.4 SPECIFIC OBJECTIVES

The study will be centered on the following specific aspects;

i. To assess the impact of savings on poverty alleviation in Uganda.

ii. To assess the impact of loan facilities on poverty alleviation in Uganda.

iii. To assess the impact of skills development on poverty alleviation in Uganda.

1.5 RESEARCH QUESTIONS

i. What is the impact of savings on poverty alleviation in Uganda?

ii. What is the impact of loan facilities on poverty alleviation in Uganda?

iii. What is the impact of skills development on poverty alleviation in Uganda?

1.6 SIGNIFICANCE OF THE STUDY

This study will be of benefit to MFIs, policy makers and the community at large. The study explores and recommends potential areas that MFIs need to put more efforts when delivering their services. On the other hand, policy makers will also benefit in the sense that, the findings provide informed suggestions on how policy can be improved. With improved and easy ways to implement policies, the community at large will be able to access and benefit from the services of MFIs.

1.7 JUSTIFICATION OF THE STUDY

The fight against poverty alleviation has seen the Ugandan government introduce policies like subsidization in rural areas. However according to the United Nations Conference on Trade and Development report, Uganda still ranks among the poorest countries in the world with an average income of $170.

Among the various policies set by the government, the introduction of Micro Finance institutions like the Pride Micro Finance in Uganda's economy to help tackle the issue at hand has been singled out by past researchers as the most effective.

The study therefore intends to show the extent to which the MFIs have contributed to poverty reduction in Uganda with Pride Micro Finance being the case study.

1.8 SCOPE

The study will be conducted at Pride Microfinance Limited headquarters Nakawa in central Uganda.

It will be carried out to assess the contribution of Micro Finance Institutions on Poverty Reduction in Rural Areas. This will mainly focus on the contribution of employment opportunities, loan facilities and investment opportunities on poverty reduction in rural areas.

Data was collected from a sample of area manager, loan officers and field officers who have worked for PRIDE Uganda at least three years.

Data was collected from a sample of clients who have been saving with PRIDE microfinance for three years.

1.9 CONCEPTUAL FRAMEWORK.

Independent variables

Dependent variables

Microfinance institutions

- Savings
- Loan facilities
- Skills development

Poverty alleviation

- Standard of living
- Per capita income
- Knowledge gap

Intervening variables

- Government policy
- Literacy level
- Political climate

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter presents theoretical models and literature review relating to the objectives of the study. It first presents the theoretical models that help to analyze and understand the formation of poverty alleviation; it then presents the empirical literature review from other studies related to this study. Most of the literature presented is from publications, reports and scholarly articles. Therefore, the literature is reviewed generally by looking at objective by objective.

2.1 REVIEW OF THEORETICAL LITERATURE

Various theoretical models have been developed which describe the process of poverty alleviation as discussed below; (Ahiawodzi and Adade, 2012).

2.1.1 Livelihood approach.

The livelihoods approach has attracted increased attention in research and policy in poor countries which usually depend on one income generating activity to support them. Rakodi citing Chambers and Conway (1992), a livelihood is defined as comprising the capabilities, assets required for a means of living citing (Carney, 1998). He articulates further, coupled to this definition and based on the recognition of the importance of natural resource to rural livelihoods and the vulnerability that so frequently characterizes the poor rural households.

Rakodi (2002) articulates the following household livelihood assets, namely human, social, political, physical, financial and natural capital. At house, community and societal levels, the assets available are said to constitute a stock of capital. These include human capital, social capital (networks, membership of groups, relationships of trust and reciprocity, access to wider institutions of society), physical capital which includes productive and household assets, including tools, equipment, housing and household goods, as well as stocks and natural capital.

2.1.2 Participatory development

Baas (1997) and Mbilinyi (2003) have advocated a participatory development approach in the rural development debate. Baas defines participatory institutional development, in its broadest sense as process which mobilizes locally co-coordinated collaborative linkages between these groups and other local and higher level institutions. Since the poor generally lack economic and physical capital, focusing on strengthening their social capital makes sense.

As it is a pre-requisite for achieving sustainable collective action and useful in acquiring all other forms of capital. Participatory institutional development strengthens localized social capital accumulation processes by mobilizing self-help capacities, progressive skills development, and local resource mobilization (savings, indigenous knowledge) in order to improve ultimately the group member's human, natural, and economic resource base and their political power.

According to Mbilinyi (2003) participatory institutional development is made of four interrelated cornerstones: Process, Empowerment, and Participation in decision-making, and Networking: This refers to the building-up of collaborative action among locally formed groups and their interaction. Brett (1993:100) articulates the benefits of participation. It strengthens managerial competence, the motivation and performance of workers, social and political solidarity and the relative position of poor and marginal groups in society.

2.1.3 Social capital

The concept of social capital has added a new input in the development debate. The nature of this input is aimed at achieving sustainable development at local decentralized levels. According to Ismawan (2000) the effort to alleviate poverty traditionally has used and was based on natural capital, physical or produced capital and human capital. Together they constitute the wealth of nations and form the basis of economic prosperity. His criticism is that the three types of capital determine only partially the effort to keep poverty at a minimal level but forgets to recognize the way in which the poor interact and organize themselves to generate growth and development. The missing link is social capital.

Rakodi (2002) defined social capital as "the rules, norms, obligations, reciprocity and trust embedded in social relations, social structures, and society's institutional arrangements, which enable its members to achieve their individual and community objectives For social interaction to be termed "capital", it must be persistent, giving rise to stocks (for example, of trust or knowledge) on which people can draw, even if the social interaction itself is not permanent. The collective resources are built up through interaction with other people outside the families. It includes trust as the main component, co-operative behavior, helpful networks, and willingness to give and take and to participate in issues of common concern.

Baas (1998) refers to Social capital as the social cohesion, common identification with forms of governance, cultural expression and social behavior that makes society is more cohesive and more than a sum of individuals- in short, to social order that promotes a conducive environment for development and solidarity. He argues that social capital plays an important role in encouraging solidarity in overcoming market failures through collective action and common pooling of resources.

However, serious questions need to be asked about what sorts of norms, networks and associations are to be promoted, in whose interests, and how they can best contribute to empowerment, particularly for the poorest women. Social capital is used as security in the group credit lending methodology. It is considered by many as the best way to reach the poorest who qualify for microfinance, and evidence indicates that group credit procedures are indeed easier to target at clients taking very small loans. Another potential advantage why social capital has become popular to the rural poor is that the association or trust is neither bought nor sold but freely shared.

Social capital is also seen as simultaneously contributing to financial sustainability, poverty targeting and women's empowerment. The assumption underlying the paradigm is that social capital is inherently positive and beneficial and can be used by programs without external intervention to build or increase it. However group credit has come under criticism in that the group may share joint liability in the event of one group member's inability to repay is supposed to be covered by others in the group.

2.3 EMPIRICAL LITERATURE REVIEW

2.3.1 Poverty in Uganda

At independence in 1962, Uganda boasted with a relatively buoyant economy and effective social economic infrastructure. The rapid economic growth came to abrupt end when Amin took over power in a military coup in 1971. Uganda's economy which was dominated by agriculture controlled by small peasants stagnated. This coupled by poor leadership and civil conflicts in the later years led to the deterioration of the economy. The economy was at the verge of total collapse in the late 1970s with massive shortages of even the most basic hand tools. The vacuum in leadership left after the fall of Amin in 1979 increased the level of insecurity and consequently weakening attempts to pursue economic reforms and stabilize the economy 18. However after the NRM government took power in 1986 pursued further the IMF/World bank macroeconomic policies.

Uganda has experienced impressive economic growth rate averaging 6.5% per annum since 1991/1992 19. At the same time, the structure of the economy has been changing positively as a result of donor sponsored macroeconomic policies. Despite the macroeconomic reforms and relatively high growth rates, Uganda remains one of the poorest countries in the world. The country has made little headway in the fight against poverty and there a general consensus that at least over 50% of the population lives below the poverty line. Its economic prospects are threatened by a variety of factors among others the heavy donor dependency (half Uganda's budget is donor financed through budget support), the perpetual civil conflict in northern Uganda for the last 20 years resulting in heavy military spending.

A close analysis reviews that rural underdevelopment remains a fundamental issue of overall underdevelopment. The majority of Uganda's poor who subsist on less than one dollar a day live in rural areas and the majority are women. Poverty is mainly wide spread in rural areas. The impoverished, underfed population also live in the rural areas of Uganda and will live there for several decades in pervasive poverty if the issue is not given the necessary attention.

In Uganda peasants and small holders are a fundamental source of supply of food. In this case, the problem of rural development becomes important with that of agricultural development. What needs to be questioned is the nature of this economic growth which has failed to translate in improved welfare to benefit the rural poor women.

2.3.2 Microfinance: Global Perception

In the global arena there is already the impression that microfinance is successful in reducing poverty. Many policy makers are therefore engaged on how to make microfinance sustainable and available to many poor households in the future. Many stake holders in the microfinance industry especially donors and investors argue that, Microfinance can pay for itself, and must do so if it is to reach very large numbers of poor households (Consultative Group to Assist the Poorest (CGAP, 2010). The overall message in this argument is that unless microfinance providers charge enough to cover their costs, they will always be limited by the scarce and uncertain supply of subsidies from governments and donors. The main underlying assumption in this argument is that microfinance is already good for the clients, and therefore what is really urgent is to make the financial service available to as many poor people as possible. Murdoch (2000) correctly points out that this kind of enthusiasm for microfinance rests on an enticing win-win proposition that: Microfinance institutions that follow the principles of good banking will also be the ones that alleviate the most poverty. The assumption being that with good banking practices it is possible to cover costs and operate in a sustainable manner to continue serving clients and alleviating poverty (Murdoch 2000).

Poverty remains a matter of growing concern in many developing countries of the world. Today, as other continents continue to register sustainable economic growth and development, Africa is not only lagging behind but is trapped in a vicious circle of borrowing and donor dependency syndrome which some critics point out as one of the causes practically sabotaging real development. Africa has perpetually failed to focus its development efforts on the optimum utilization of the immense natural resources that many countries are endowed with to turn it into wealth to propel their economies and people towards a high level of economic and social development and as a consequence eliminate pervasive poverty.

Although Africa is not the poorest continent, it is the only region where poverty is constantly on the increase. As a result millions of people live each day in abject poverty. Children go without food, their bodies stunted by malnutrition which is wide spread. The commission for Africa finds the conditions of the lives of the majority of Africans to be deplorable and an insult to their dignity. Therefore, there is need to change these conditions in order to make poverty history in Africa. Lufumpa (1999) points out that in the mid-1990s close to 50 percent of Africa's population of 700 million lived in absolute poverty and the majority of the poor live in rural areas. In both urban and rural areas, women as a group comprise of a high disproportion number of people in absolute poverty.

One of the biggest problems of Uganda like many other countries in Africa is poverty. The country ranks 158 out of 174 poorest countries in the world 3. Using international poverty measures, 82.2 percent of the population lives below US$1 a day, 96.4 percent live below US$ 2 a day 4. Poverty is not only widespread in rural areas but poverty is rural and yet this core problem has not been given the necessary attention it deserves. The majority of the people who live in rural areas are women and children and many are dependent on agriculture. However, a large sector of agriculture is still subsistence and women are dominating using poor technology. The poor in rural areas are in most cases not reflected in the macroeconomic interventions and because of this scenario poverty is growing. Society holds women responsible for all the key actions required to end hunger, family nutrition, health, education, and increasing family income. Yet women are still enslaved by customs and traditions which systematically deny those resources and freedom of action to carry out their responsibilities. The rural women operate mainly in the informal economy where the whole context for their lives and economic activities do not produce enough surpluses to lift their standard of living. As a consequence they lack the ability to generate incomes, to save, to start economic activities and to access credit from the formal sector is heavily restricted due to lack of collateral. The poor are traditionally disregarded as "unbankable" and "uncreditworthy".

Therefore the problem of microfinance to enable the poor women to pull out of their poverty situation is critical. Although microfinance is a vital component in poverty alleviation, there is a general consensus among its proponents that it is not for everyone. One wonders who these poor women are to benefit from the intervention. In order for microfinance to produce results, it requires the support of other factors, most importantly, entrepreneurial skills, proper functioning infrastructure like capital markets, financial services like insurance, and working institutions. Therefore Yunis's (1999) belief that he can eradicate poverty using a simple model of microfinance has been put to question in the development debate.

In the quest to promote women empowerment and poverty alleviation, donors are now investing in microfinance programs. The Uganda Women's Finance Trust was originally funded by international aid organizations such as (WWB) Women's World Banking global network. As a pioneer of microfinance, Grameen Bank which started in 1976 by Yunus has been a success story in Bangladesh. GB provides credit to the poorest of the poor without any collateral. At GB, credit is a cost effective weapon to fight poverty and it serves as a catalyst in the overall development of socio-economic conditions of the poor who have been kept outside the banking orbit on the ground that they are poor and hence not bankable. His hypothesis is, it's not people who aren't credit-worthy. Its banks that aren't people-worthy has been tested and proved right. (See, http://www.grameen-info.org/ 2015-02-2)

2.4 THE CONCEPT OF MICRO FINANCE INSTITUTIONS AND POVERTY ALLEVIATION.

The majority of the poor in Uganda especially women lack access to the basic financial services which are essential for them to manage their lives. The poor are excluded from the opportunities of financial services than the informal alternatives that are considered unsuitable. Microfinance is therefore considered as a vital tool to break the vicious circle of poverty which is characterized by low Inc. The majority of the poor in Uganda especially women lack access to the basic financial services which are essential for them to manage their lives. The poor are excluded from the opportunities of financial services than the informal alternatives that are considered unsuitable. Microfinance is therefore considered as a vital tool break the vicious circle of poverty which is characterized by low incomes, low savings and low investment. According to Hulme et al (1996) most institutions regard low-income households as "too poor to save".

In order to generate higher incomes, savings and more investment, there is need to inject capital in the form of microfinance. However capital is only one ingredient in the mix of challenges facing Uganda as is the problem of poverty. Poverty is not only on a steady increase but also wide spread in rural areas. In the quest for solutions to the country's development challenge and poverty alleviation, microfinance is becoming one of the most popular options as credit has been identified as a barrier facing the poor. However there is a general consensus that microfinance is not for all the poor. One wonders how the poor are benefiting from the intervention.

Microfinance is currently being promoted as a key development strategy for promoting poverty reduction and empowerment of people economically. This is because of its potential to effectively address poverty by granting financial services to households who are not served by the formal banking sector. Micro finance can be a critical element of an effective poverty reduction strategy mostly for developing countries. Particularly in Uganda, there is lack of improved access and efficient provision of savings, credit, and insurance facilities to develop their businesses, enhance their income earning capacity, and enjoy an improved quality of life. The objectives of this research are to assess the role of MFIs on poverty reduction, to evaluate how the MFIs help to change their (poor) economy and to point out the significance of the provision of MF service to brake grinding cycle of poverty.

Increasing financial access to the poor and the low income earners through sustainable financial services is one of the important strategies that can effectively contribute to achieving the Millennium Development Goals which is a statement of well-being for underprivileged population in developing countries. It is estimated that Micro finance Institutions (MFIs) in Africa have over 44 million deposit accounts and 20 million loans customers. Overall, there are 23, 000 MFIs doted across Sub Saharan Africa (Mix market 2011). This is just to establish the reason why current development programs cannot afford to exclude MFIs in developing and implementing effective poverty reduction programs.

MFIs are missioned to create social and economic impact as they create or increase financial participation for poor or low income clients who are mostly outside the formal financial sector. In summary, all MFIs strive to achieve threefold objectives which are; improving social impact, increasing outreach and becoming financially sustainable. Uganda has witnessed a sharp growth in the establishment of micro finance institutions over the last decade. The MFI sector has recorded increases in both borrowing and savings clients. Overall, the sector can be described as a vibrant one which is striving to improve financial services across the breath and length of the country. Inspire of the vibrancy characterized by the increasing number of MFIs, deposits and loans, there are many more questions that must be answered to ensure that micro finance in Uganda is able to contribute immensely to social and economic development of the targeted clients. The micro finance sector in Uganda must, therefore, establish the following: Who really are the clients of the MFIs? Can the regional location of MFIs assist in reaching the poor? Are the MFIs capable of contributing to reducing the poverty levels of their clients? And what issues are challenging the sustainability of the Micro finance operations in Uganda?

Considering the overall objective of micro finance and the intent to help contribute to national development by creating positive impact through the delivery of financial and non-financial services, there is the need for all stakeholders to review the happenings within the micro finance sector in Uganda. An appropriate review will enable stakeholders develop appropriate strategies or policies that can help the sector to become relevant beyond just becoming sustainable. The point is that MFIs can become very sustainable and yet not be able impact the livelihoods of its clients. MFIs are important actors in the financial sector and it is important for industry analysts to understand how the sector is evolving.

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 difficulties like decreased health facilities, high illiteracy rate, decreased quality of life etc., these difficulties motivate human beings to commit heinous crimes and sometimes suicide. Poverty is defined by several authors as it is the situation of having not enough money to meet the basic needs of human beings (Hulme and Paul, 1997) Poverty at its broadest level can be conceived as a state of deprivation prohibitive of decent human life. This is caused by lack of resources and capabilities to acquire basic human needs as seen in many, but often mutually reinforcing parameters which include malnutrition, ignorance, prevalence of diseases, squalid surroundings, high infant, child and maternal mortality, low life expectancy, low per capita income, poor quality housing, inadequate clothing, low technological utilization, environmental degradation, unemployment, rural-urban migration and poor communication.

Poverty is caused by both internal and external factors. Whereas the internal causes can be clustered into economic, environmental and social factors, the external causes relate to international trade, the debt burden and the refugee problem.

Christen (1997) defines microfinance as 'the means of providing a variety of financial services to the poor based on market-driven and commercial approaches'(Christen, 1997). In recent times the term 'Microfinance' (MF) became a buzz word in the every corner of the world as well as in the formulation of welfare programs by government. After hearing success stories in microfinance across the developing countries, third world nations started to give more importance to MFs. Since, banks have failed to reach the poorest of the poor of the country s population; microfinance emerged as a potential tool to fill the gap between financial institutions and needy people. Though we are in 21st century where science and technology plays a vital role in the pace of development, many countries across the Africa suffered from hunger, ill health, mass poverty and illiteracy. To curb all these awful conditions, there is a need of massive financial recourses. Microfinance is said to be an effective instrument discovered in 21st century to mitigate poverty in the world. Microfinance helps the poor to come out from many wicked problems. The beauty of the MF is in safeguarding a variety of interests of its members.

MFI schemes were initiated to meet different objectives. The most commonly mentioned objectives include: poverty alleviation and improved living standards, offering financing to the poor, women‘s empowerment, and the development of the business sector as a means of achieving high standards and reducing market failure. Empirical evidences and surveys give mixed results on the performance of MFIs. In some cases debacle stories have been reported, yet there have been success stories. In other cases the reasons for failures or successes have not been well documented.

Recent studies show that, linking MFIs with other interventions such as poverty alleviation often complicates the functioning of MFIs by pushing them to areas not considered sustainable. This implies that there is a conflict in measuring financial performance and poverty alleviation. Most of sustainability indicators focus on the MFI as a profitable institution (loan repayment, profitability and degree of subsidization). Thus for an MFI to meet the microfinance best practices, as given by Consultative Group to Assist the Poorest (CGAP), and be financially sustainable, it has to regard itself as a business venture. As a consequence of this and especially in the rural areas, very few people qualify for a business loan.

Manandhar and Pradhan (2005) state that microfinance is an effective development tool for poverty reduction since the financial services enable the poor and low income households to take advantage of the economic opportunities to increase their living standards through self-employment. They further note that it is now accepted that the poor do not have much money, so low income households need financial support. The importance of microfinance particularly in the countries perceived to be poverty stricken has been increasing in recent times which have led to policy makers of many countries to adopt national micro-finance policies and programs (Manandhar & Pradhan, 2005). The increasing number of microfinance practitioners around the globe is an indication that microfinance sector can play an important role not only to help attain the government policies on poverty reduction but also to help increase the income level of people living with poverty.

Though studies on broader area of microfinance have been done, no study has actually been carried out on the effects of microfinance on poverty reduction. The literature confirms that most microfinance programs do not serve the poorest (Morduch and Haley, 2002). This is because of policies that are put in place. However, the authors affirm that there are some institutions that do and the poorest can definitely benefit from microfinance in terms of increased incomes, and reduced vulnerability.

Morduch and Haley (2002) notes there is evidence to support the premise that it is possible for a microfinance institution to serve the poorest and also achieve financial sustainability. However, Swain (2004) states that microfinance is better used as an instrument along with other policies for poverty alleviation rather than poverty reduction strategy in isolation.

2.5 The impact of savings on poverty reduction

The majority of the poor in Uganda especially women lack access to the basic financial services which are essential for them to manage their lives. The poor are excluded from the opportunities of financial services than the informal alternatives that are considered unsuitable. Microfinance is therefore considered as a vital tool break the vicious circle of poverty which is characterized by low incomes, low savings and low investment. According to Hulme et al (1996) most institutions regard low-income households as “too poor to save”. In order to generate higher incomes, savings and more investment, there is need to inject capital in the form of microfinance. However capital is only one ingredient in the mix of factors necessary for a successful enterprise. Most importantly it requires entrepreneurial skills and efficient markets to reduce poverty.

According to Ismawan (2000) the real idea of microfinance is to help the weakest member of civil society who in this case is the poor. However Roth (1997) has another view. He argues that microfinance programs often treat the symptoms and not the causes of poverty. Poverty is frequently the result of powerlessness. The proponents of microfinance programs as a panacea of poverty ignore the complex matrix of power relations that circumscribe the capacities of the poor to run micro enterprises.

There is general consensus that facilitating savings is important, because there is a high demand for it among the poorest and because savings play a role in protecting against the seasonality of cash-flows and fulfilling an insurance function. In addition, building up deposits reinforces financial discipline for customers and can eventually yield collateral and serve as a source of funding for MFIs. Savings alone, however, have only a minor developmental impact: the protection against shocks might allow children to remain in school or income-earners to get medical treatment and minimize time away from work, but it is slow to create any significant wealth in itself unless credit is also available. (Montgomery, R. 1996).

MFIs that focus on savings more than credit tend to reach a smaller proportion of the poorest, have a lower and slower impact on poverty reduction, and are therefore less conducive to reaching the Millennium Goals by the target dates. While the savings-first institutions are easier to finance by donor agencies (far less start-up capital required), the few comparative studies available show that borrowers fare better than non- borrowers (Chen and Snodgrass 1999; Fruman 1998).

Microfinance compares favorably to other interventions particularly with regard to cost-effectiveness and prospects for sustainability:

Cost-effectiveness: An advantage of microfinance is that donor investment is recycled and reused (Wright 2000). Direct comparisons done by Khandker (1998) show that microfinance can be a more cost-effective developmental tool than alternatives including formal rural financial intermediation, targeted food interventions, and rural infrastructure development projects. Moreover, unlike many other interventions, costs for microfinance tend to diminish with the scale of outreach (Rhyne 1997; Christen et al 1996)

Sustainability: Few, if any, other development tools have the potential to become sustainable such that, after initial start-up grants, new inputs are not required for every future client. There need not be a trade-off between reaching the poorest and attaining financial sustainability. Although there are no rigorous econometric models to substantiate it, there is ample evidence that MFIs targeting the poorest can fare as well financially as those that don’t

(Gibbons and Meehan 2000; Churchill 2000) o There is also ample anecdotal evidence that MFIs that target poorer clients can achieve substantially higher repayment rates than those that target richer clients (Pro Mujer vs. BancoSol; Grameen/BRAC vs. traditional banking system in Bangladesh). It should be noted that emphasizing financial sustainability above all else can have the practical effect of excluding the poorest because of the widespread misperception that the poorest are a greater credit risk and the reality that the unit costs of small loans tend to exceed the unit costs of larger loans.

Group-based microfinance programs usually favor the very poor without collateral. It is seen to have significant benefits for women, contributing not only to poverty alleviation, but also to women's empowerment. It is argued that savings and credit provision in itself is assumed to contribute to a process of individual economic empowerment through enabling women to decide about savings and credit use. At all these levels, group-based programs are assumed to build "social capital" through developing and strengthening women's economic and social networks. Social capital is therefore seen as simultaneously contributing to financial sustainability, poverty targeting and women's empowerment. Group lending, often five in number, organize themselves into groups that offer joint liability for member loans.

2.6 Microfinance loans and Poverty alleviation

"The UN's 2005 'Year of Microcredit' marked the long journey of microcredit from an obscure experiment in the mid-1970s to the status of a worldwide movement. Microcredit has captivated not just the entire development aid industry, but journalists, editorial writers, policy makers and much of the general public in both the North and the South. Virtually every development project I see these days, from maternal and child health, to women's education, to soil conservation, to social forestry, to old fashioned integrated rural development, has a ‘microcredit component’, and everyone from camel herders in Mauritania to peasants in rural China can speak the lingo.” [Dichter, 2006].

If the poverty reduction impact of microfinance is so doubtful, how can one explain the movement’s phenomenal expansion over a short period of three decades? The microfinance movement is enjoying tremendous support from both bilateral and multilateral donors. The movement climaxed with the Microcredit Summit, held in Washington, DC, on February 2–4, 1997, when 2900 delegates from 137 countries attended.

According to the estimate of Microfinance Summit Campaign, there are now more than 3000 microfinance institutions, serving more than 100 million people in developing countries. The total cash turnover of these institutions world-wide is estimated at $2.5 billion. The success of microfinance has now even attracted big mainstream commercial financial institutions, such as Morgan Stanley, Deutsche Bank and Citigroup.

Pankaj Jain and Mick Moore of the Institute of Development Studies (UK) and David Roodman and Uzma Qureshi of the Center for Global Development (USA) have attempted to explain the microcredit movement’s rapid growth and international support. Based on an extensive survey of the literature and interviews with its leading players, Roodman and Qureshi (2005) claim that the success of microfinance is due to innovative business practices involving product design and management, and enabling environments.

Roodman and Qureshi (2006) conclude, “Microcredit, like all credit, helps some people—one hopes, the majority of clients. And like all credit, especially when pushed hard by suppliers, microcredit must hurt some clients too.... [T]his historical emphasis among MFIs on credit rather than savings appears to have arisen for practical business reasons rather than because it has been shown that credit helps clients more... Microfinance investors should therefore work to understand how MFIs succeed on both bottom lines—as businesses and as agents of development.” [Emphasis added].

Roodman and Qureshi’s findings are similar to those of Jain and Moore (2003) who undertook extensive case studies of four leading microfinance institutions in Bangladesh (ASA, BRAC, Grameen and Proshika) and CARD in the Philippines. Jain and Moore found little evidence to support three core claims of microfinance movements: strong social bonds among small borrowers, substantial borrower participation in management and unsubsidized interest rates. According to them, the real explanation for their success lay in careful attention to managerial and strategic ‘fundamentals’. These include keeping transactions costs low, matching loan payment schedules to borrowers’ income and savings potentials, finding ways of obtaining good work performance from large and widely dispersed field staff, etc.

In addition to a business model explanation, Jain and Moore give a political economy explanation for the success of the microfinance movement. According to them, microfinance campaigners successfully.

Projected the image of the movement, such as empowerment of women, which resonates well with the donor community. The birth of the movement roughly coincided with the rise of neo-liberal ideas in the US and the UK, and within the Bretton Woods institutions in the late 1970s and early 1980s. Thus, the notion that microfinance programs are primarily engaged in the promotion of small scale enterprises appealed to major donors. While donors were wary of subsidized credit through state-owned specialized financial institutions, they were quite happy to subsidize microfinance institutions as they appeared to promote a market economy, and more importantly, they helped to diminish the role of the government. Jain and Moore (2003) end their paper with a paradoxical note, “To properly appreciate the great achievements of the micro-credit movement, one has to be more skeptical of its self-image than normally considered polite or respectful.”

In liquidity constrained societies, there is always demand for credit. So, when donor supported MFIs pushed the supply of credit, there was no shortage of takers. As a result, microfinance expanded exponentially. This seems to have created a mistaken belief among advocates of microfinance that supply creates its own demand a la Say's law. The reality is that the supply of credit and other complementary supply-side factors cannot drive the growth of viable businesses if the market itself does not expand rapidly. This can only create debt-burden or underutilization of credit and a downward pressure on the returns to investment.

There is a clear parallel in the labor market. In the early days, after independence, many countries invested heavily in higher and technical education. But as their overall policy framework failed to generate employment intensive growth, the supply oriented human resource policy only contributed to swelling educated or graduate unemployment. This not only amounted to wasteful under-utilization of graduates, but also contributed to the decline in returns to higher education due to oversupply.

However Roth (1997) argues that credit is only one ingredient in the mix of factors necessary for a successful enterprise. He is critical of the microfinance evangelists who create a vision of the rural poor as a collection of budding entrepreneurs, waiting for salvation from credit agencies, which on receipt of credit, will develop successful micro enterprises and leave poverty forever. Their promotional activity gives rise to worrying spectra of a return to a "blueprint", implicit in the new microfinance approach to development. To respond to a potential demand for a good or service, a rural micro-entrepreneur may need access to one or more of the following: transport, communications, power, water, storage facilities, a legal system for enforcing contracts and settling disputes. Apart from infrastructure, micro entrepreneurs need access to information about market trends and skills to run their macro enterprises. Roth cites Weber (1958) who argues that hard work, skills and enthusiasm are essential ingredients for an enterprise to be successful. Non-numerate people struggle to start enterprises by themselves as it is extremely difficult for them to keep track of the flows of income in their enterprise.

Ismawan (2000) calls for differentiation between two categories of the poor. Some are able to increase their income by themselves, create activities that would enable them to move closer to or above the poverty line. Those in the second category are unable to do so and would need permanent financial support from microfinance. The latter category would include the poor who have no capacity to undertake any economic activity, either because they lack personal skills or because they are so destitute that they are in no position to develop any meaningful economic activity in the environment in which they live. Those in the first category are described as the "entrepreneurial poor". The entrepreneurial poor do not need assistance for themselves, but they do need help in setting up an activity that will eventually increase their income. In particular they need assistance in accessing the resources to develop this activity, and to some extent managerial assistance. The non-entrepreneurial poor require direct assistance to survive.

The transfer of resources in terms of credit does not only give the poor access to resources but also the economic empowerment and increased self-reliance. The goal of MFIs as a development organization is to service the financial needs of unserved or underserved markets as means of meeting development objectives. Ledgerwood (1999) identifies the following objectives in development offered by MFIs which include the following among others, to reduce poverty, to empower women or other disadvantaged, population groups, to create employment, to help existing businesses grow or diversify their activities, to encourage the development of the new businesses.

There is much debate in the field of microfinance as to whether access to financial services benefit the “the poorest of the poor”. It has been argued that while there are now many credit institutions serving the poor, there is less experience of successfully serving the very poor, the destitute, and the disabled

2.6 SKILLS DEVELOPMENT AND POVERTY ALLEVIATION

The clients especially those in group lending undergo training for about a month in the entrepreneurial skills, book keeping accounting and loan deposits and administration. They are trained to appreciate what is expected of them with their loans like optimum exploitation of loan use, savings, deposits and loan repayment. Before the initial loan is disbursed, all clients must attend some training which explains the rules of membership, savings requirement and penalties for late payment.

It is argued that stimulating economic growth, making markets work better for the poor and building their capacity is the key out of their poverty situation. There is need to change the whole context of the lives of the poor and economic activities which do not produce enough surplus to lift their standard of living. Some critics argue that the necessary infrastructure has been put in place in some areas for microfinance to trigger economic processes but very little success has been recorded which makes the problem of poverty and the poor very tricky.

Capital in terms of microfinance is just one factor which requires other factors access to markets, information, and training of any kind, business development skills and business networks and entrepreneurial skills. Indeed, microfinance is not a panacea to the problem of poverty but improved access to capital and other financial services are significant to the poor.

The problem is that market failures weaken the effectiveness of microfinance. According to Ferrand, et al (2004) he argues that functioning markets is critical for poverty alleviation. The danger is that it does not work effectively for the poor. Ferrand outlines three steps for the markets to work namely, understanding markets, focusing on factors that inhibit their improved performance and opportunities for their development, developing a vision of the future, a picture of how markets can work effectively, and acting to build markets, to make markets more effective and inclusive. According to Copestake (2002) microfinance has a polarizing effect as there is discrimination in favor of richer clients, who benefit from better access to credit, and exclusion of poorer people. If one of the aims of microfinance is to assist the "poorest of the poor" the microfinance is not always the most appropriate intervention.

Even the vocal critic Thomas Dichter admits that microfinance can help the poor smooth consumption over periods of cyclical downturns or unexpected crises. This positive role of microfinance should not be dismissed altogether. If this consumption smoothing means parents can send their children to school, or buy essential medications, and maintain nutritional in-takes of their children then microfinance is likely to have positive long- term impacts on productivity. As noted by Partha Dasgupta (1995), "At low levels of nutrition and health care, increase in current consumption improves future labor productivity: if nothing else, morbidity is reduced.

For example, Pitt and Rozenweig (1985) observed from Indonesian data that an increase in the consumption of fish, fruit, or vegetables by 10 percent reduces the chances of illness there by 9, 3 and 6 percent respectively." Microfinance, thus, fulfils an important safety-net task, especially in countries where there is no state-sponsored social security system. In difficult times, the poor can first turn to family and neighbors. But in a situation of generalized poverty or economy-wide crisis, the poor will have to go to money lenders or to the employer/landlord for whom she or he works. If MFIs extend lending to the very poor in these circumstances then they can help break the power and hold of such creditors who operate in the inter-locking credit and factor markets.21 although high, the interest rates charged by the MFIs are lower than the rates charged by informal creditors (money lenders/employers/landlords).

Unfortunately, however, most MFIs have been found lacking when it comes to lending to the very poor. Nonetheless, it seems that microfinance has significantly dented the informal credit markets by undermining debt-bondage and usury in some agrarian societies. Thus, microfinance is having a modernizing impact, even if inadvertent, unacknowledged and unsung. More importantly, by "democratizing" the credit market the microfinance movement has not only curtailed the power of money lenders, but also constrained MFIs' own behavior. Some abuses of employees of MFIs, as reported by Anisur Rahman (1999), cannot be hidden under the carpet for too long. For example, when some MFIs officials went to collect repayments as part of their regular job immediately following the devastating cyclone Sidr in Bangladesh, this was widely reported in the national newspapers. As a result, the MFIs acted quickly to suspend loan recovery and to offer softer loan conditions.

In other words, the rapid expansion of microfinance has empowered not just women, but all small borrowers. Even if they do not participate effectively in MFIs' decision making or management (as found by Jain and Moore), the ability of the MFIs to foreclose on any tangible property of loan defaulters seems to have shrunk significantly. So, one should not be surprised by the findings of the Wall Street Journal's reporters that Grameen was often rolling over unpaid loans. Whether Grameen was driven by any humanitarian consideration or forced to do so to avoid bad publicity is, of course, moot.

There is also the learning-by-doing effect. Even when own labor in micro-enterprises is given a zero shadow price, the people who are involved benefit. They learn some basic principles of business, and

With luck, and perhaps some help, may be able to become more viable and even expand. This is akin to apprenticeship where the apprentice gets a low wage, but in exchange, gets training in a trade. So, with their support and training programs, many MFIs are making some useful contributions.

Microfinance, thus, gives the unemployed and the poor some opportunities, hope and self-esteem.

Being employed (whether self-employed or by an employer) gives a person a significant boost to his/her sense of self-respect and dignity. Furthermore, microcredit allows people to signal their creditworthiness. If their success makes banks more willing to lend them larger sums and leads to even more economic activity, then that should help reduce poverty in the long run.

Finally, being successful business ventures, microfinance institutions themselves have also created a large number of good paying jobs. In the words of Roodman and Qureshi (2006) “We should not lose sight of the fact that commercially successful microfinance institutions are remarkable organizations, employing hundreds or thousands of people at tasks once thought impossible”. Good jobs created by successful MFIs should have considerable multiplier effects.

Thus, beyond the “hype”, microfinance is making some important positive contributions of microfinance. However, many of these effects cannot be measured in monetary terms, and hence will remain largely unacknowledged in the literature focused on the traditional income or expenditure measures of poverty. The question, nevertheless, remains as to how long microfinance can continue to provide consumption-smoothing support or extending the payments schedule. To be able to serve as a viable poverty reduction strategy, micro-credit financed enterprises must expand and create decent jobs for the growing labor force

CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

After reviewing other scholars' work regarding the impact of microfinance institutions on poverty alleviation and having identified the gap between the current situation of poverty alleviation and the ideal situation, this chapter discusses the methodology that was used, the appropriate design, the strategy of the study, and the techniques of analysis and interpretation. Thus, this study employed the use of primary data to bring out the impact of microfinance institutions on poverty alleviation in Uganda.

3.1 STUDY DESIGN

The methodological approach of this study was cross sectional involving both qualitative and quantitative methods. Cross sectional study is a type that uses data available at a single point in time. The type of data that was collected was quantitative as questionnaires and personal interviews were used to capture empirical data. As such, the quantitative paradigm was used in data analysis and presentation where by figures and tables were employed. Qualitative research was conducted in order to understand phenomena of microfinance institutions and poverty alleviation historically and also to take care of interviewee's perception, experience, opinions and attitudes, thus constituting of the sample size of this study.

The strategy that was used is a case study since it allows an in depth inquiry in to a case and then to the population. In this setup, social-economic and institutional factors affecting people can easily be related to microfinance institutions such that, by induction, the findings were generalized to reflect the whole country which was the real focus of this study.

3.2 STUDY PROCEDURE

After the approval of the proposal, interview guide and the questionnaire, a letter from the Faculty of Science, Uganda Martyrs University was obtained introducing the researcher to the authorities of Pride Microfinance Limited. The researcher then proceeded to make contacts to book those to be interviewed especially with respondents that don't live in the sample area. The copies of questionnaires were dispatched and the interview programs were arranged, the materials for research were organized, followed by training of the research assistants that reinforced the data collection exercise.

3.3 AREA OF STUDY

The study was carried out in Pride Microfinance Limited. The headquarters of PMFL are located in Victoria Business Park, in Bukoto, a northeastern neighborhood in Nakawa Division, an administrative area within Kampala, Uganda's capital and largest city. This location is situated approximately 6.5 kilometers (4.0 mi), by road, outside the city's central business district. The coordinates of this location are: +0° 20' 41.00"N, +32° 35' 40.00"E (Latitude: 0.344723; Longitude: 32.594445). Besides being the area the researcher comes from, this particular area was considered for research because of its uniqueness in that it shares both peri-urban and rural characteristics making it an ideal place to examine the effect microfinance institutions on poverty alleviation in Uganda.

The population in this area of study is a mixture of different ethnic groups in Uganda. This is due to accessibility of the area and open access to the microfinance activities to whoever has interest. For this reason two common languages were used including Luganda and English. The main activities included; trade, transport, processing and small scale businesses. Because of these economic activities, the area is mainly dominated by literate class of the population.

This partly or even wholly explains why there is some attitudinal change to compliance with microfinance institutional products and services in the area.

3.4 STUDY POPULATION

An estimated number of a research population which has the same characteristics for the study was considered. Since the study was based in Kampala, where geographical mobility of people is the order of the day, an estimated population of 100 respondents basing on Krejice and Morgan (1970) tables was considered.

3.5 SAMPLE SIZE

Basing on Krejice and Morgan (1970) tables for determining sample size for research activities from a given population and including persons purposely selected to participate, the sample for this study was 80 out of a population of 100 respondents. These included; 40 customers of pride microfinance Limited, 20 employees, 10 administrators and 10 opinion leaders in the study area

The respondents were purposively selected to cater for validity of the required data and response. The sample size is summarized below.

Sample category

Population	Sampling Technique	Sample Size	Data collection tool/instrument
Pride microfinance Customers	Random sampling	30	Questionnaire
Pride microfinance Employees	Purposive Sampling	30	Questionnaire
Pride microfinance, administrators	Random sampling	10	Interviews
Opinion leaders (Consultants)	Purposive Sampling	10	Questionnaire
TOTAL		**80**	

3.6 SAMPLE SELECTION

Mainly Pride microfinance beneficiaries and management authority in the study area were considered. The research also employed simple random sampling where each individual was chosen randomly and entirely by chance, such that each individual had the same probability of being chosen during the sampling process. A simple random sample is an unbiased surveying technique and therefore avoids sampling errors and facilitates low variability. The sampling also involved non-probability and engaged purposive sampling where respondents were selected on the basis of their key positions and roles

3.7 DATA COLLECTION TECHNIQUES

The questionnaires were used to generate mainly quantitative data on social-economic and institutional factors and variations in microfinance institutions and poverty alleviation, while interview guides were used for getting qualitative data for the same issues. These instruments were used because of the nature of the data required and objectives of the study.

3.7.1 Questionnaire

The questionnaire was the main instrument for data collection. Each item in the questionnaire was developed to address a specific objective or hypothesis of the study. Both open and closed ended questions were used such that open ended questions allowed the respondents to freely express their views about the study topic. The questionnaire was structured in a way to have both closed and open ended questions to generate adequate quantitative data within limited time. The questionnaires were mainly for the literate class of respondents.

3.7.2 Interviews

This was useful to obtain data from administrators whose input was necessary for this study. The questions asked were both open and closed ended so as to allow full expressions by respondents on their knowledge and experience about the research study.

3.8 DATA QUALITY CONTROL

Validity and reliability of research instruments was ensured in the following ways;

3.8.1 Validity

Validity is the extent to which the research instrument measures what it is supposed to measure and performs as it is designed to perform though it may be rare, if nearly impossible, that an instrument can be 100% valid (Amin, 2005). There are numerous statistical tests and measures to assess the validity of quantitative instruments, which generally involves pilot testing. The content validity index (CVI) was measured by the formula; dividing the number of valid questions by the total number of questions in the questionnaire and the CVI will have to be not less than 0.7 so as to have a valid questionnaire.

$CVR = (n_e - N/2)/ (N/2)$

Where CVR= content validity ratio, n_e= number of valid questions N= total number of questions in the questionnaire.

3.8.2 Reliability

The reliability of a research instrument concerns the extent to which the instrument yields the same results on repeated trials (Creswell, 2003). Although unreliability is always present to a certain extent, there will generally be a good deal of consistency in the results of a quality instrument gathered at different times. One of the easiest ways this research used in order to determine the reliability of empirical dimensions was by the pretest method in which the same questions which were given to the same people after a short while. The reliability of the instrument was estimated and found to be good by examining the consistency of the responses between the two periods.

3.9 DATA ANALYSIS AND PROCESSING

The research data was analyzed discussed and interpreted basing on the themes derived from a research, objectives and study variables in the conceptual framework. Quantitative analysis involved manipulating and quantifying study results to enable gaining of inferences on the variables under study while qualitative analysis involved handling of study findings which cannot be quantified but form the basis for drawing conclusions (Amin, 2005). The data captured on the questionnaires was coded and entered in SPSS software.

3.9.1Univariate analysis

Univariate analysis looks at single variables as typically the first procedure a researcher does when examining data being used for the first time. Frequency tables were generated showing background characteristics of respondents. Generally, frequencies were used for analyzing detailed information on categorical data and describing the results.

3.9.2 Bivariate analysis

Bivariate Analysis will be performed to ascertain any relationship between two variables and the strength of the relationship using chi-square test for Pearson correlation analysis for the continuous variables.

3.9.3 Multivariate analysis

For multivariate analysis, the variables that were found significantly related with the dependent variable at $p<0.05$ in the bivariate analysis were considered for this analysis.

3.10 ETHICAL CONSIDERATIONS

Clearance was sought from the area council authorities with the help of the introductory letter from Uganda Martyrs University. It was my responsibility to ensure that the consent of respondents is sought calmly and politely. Confidentiality, self-control and language use was maximally upheld especially in regard to information that people are in control of. Besides respect for human dignity, the researcher was to always explain the purpose of research at every stage of data collection and so, the respondents were kept informed with the research they were dealing with. This created confidence in the respondents throughout the whole process.

3.11 LIMITATIONS OF THE STUDY

The following limitations were faced during the process of collecting data;

The researcher was constrained by the unpredictable work pattern of the employees and administrators of Pride microfinance that some of them were missed.

Another problem was that some respondents wanted to be paid before giving out their information since most projects have conditioned them to giving transport and lunch allowances whenever they need information from them. This is an inherited syndrome by many Ugandans who will always demand for **"kiitu Kidoogo**" (something in return for a favor).

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 INTRODUCTION

This chapter presents the interpretation and discussion of the findings obtained from the field interviews and questionnaire responses carried out during the study. The results are presented in logical order as per the research objectives and finally in a comparative manner with findings of other researchers.

4.2 DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

This section presents the sex distribution and marital status among the respondents, education levels and age distribution of all respondents.

Table 4.2.1 Age of respondents

Age group	Frequency(f)	Percent (%)
31-40 years	22	27.5
41-50 years	20	25.0
50+ years	9	11.2
Total	**80**	**100.0**

Source: Field survey data; 2015.

Basing on the findings in table 4.2.1 above, it was revealed that 22 (27.5%) of the respondents were the age bracket 31-40 years, 20 (25.0%) were in the age bracket 41-50 years, while the rest with 9 (11.5%) were 50 years and above. This result implies that all the respondents in the study were mature enough to give valid information as per the research topic, since none of them was below the age of 18 years.

Table 4.2.2: Sex distribution of respondents

Gender	**Frequency(f)**	**Percent (%)**
Female	48	60.0
Male	32	40.0
Total	**80**	**100.0**

Source: Field survey data; 2015.

According to the results in table 4.2.2 above, the percentage composition of the respondents interviewed by sex was 48 (60.0%) and 32 (40.0%) for females and males respectively, implying that more female respondents participated in the study more than male respondents. This result means that women are more active in the microfinance business compared to men in Uganda today.

Table 4.2.3: Education level of respondents

Level of Education	**Frequency (f)**	**Percent (%)**
None	17	21.2
Primary Level	22	27.5
Ordinary Level	19	23.8
Advanced Level	13	16.2
Tertiary Level	5	6.2
University Level	4	5.0
Total	**80**	**100.0**

Source: Field survey data; 2015.

The findings in table 4.2.3 above clearly show that; 17 (21.2%) of the respondents had not attained any kind of education, while 22(27.5%) had studied up to primary level, 19(23.8%) reached ordinary level, 13(16.2%) in Advanced level of education, 5 (6.2%) reached tertiary level education and lastly 4(5.0%) had reached university education level. The findings express that at least the majority of the respondents had attained some level of education, despite the 17(21.1%) that had not attained any level of education. This means that microfinance institutions offer services to even the illiterate people in Uganda compared to the educated as shown above.

Table 4.2.4: Marital status of respondents

Marital status	Frequency (f)	Percent (%)
Single	25	29.4
Married	32	37.6
Divorced	15	17.6
Separated	8	9.4
Total	**80**	**100.0**

Source: Field survey data; 2015.

The findings of the study in the above table, also reveal that 25(29.4%) of the respondents were single, 32(37.6%) were married, 15(17.6%) divorced and lastly

8(9.4%) of the respondents were separated. This result suggests that majority of the microfinance customers in the study area married. The married mostly engage in the microfinance business with a goal to achieve and also to better maintain and expand their small family businesses, implying that microfinance institutions have more trust in married clients because they are more committed and focused to their businesses.

4.3 UNIVARIATE ANALYSIS

Under this analysis, the descriptive properties including; frequencies and percentages for each variable of analysis were established as shown below;

Table 4.3.1 Number of pride microfinance branches operating in the area

Category	**Frequency(f)**	**Percent (%)**
Less than 2	37	46.2
Less than 3	32	40.0
Less than 4	3	3.8
Less than 5	5	6.2
Less than 6	3	3.8
Total	**80**	**100.0**

Source: Field survey data; 2015.

The respondents were asked to identify the number of pride microfinance institutions branches that were operating in their area. Findings from the study confirm that 37(46.2%) of the respondents identified less than 2, 32(40%) identified 3 branches while 3(3.8%) also stated 4 branches 5(6.2%) identified 5 branches and 3(3.8%) identified 6 branches that existed in their areas as represented above. These results imply that at least in every section of the study are, there was at least a pride microfinance institution operating. Given their wide spread, it meant that its services and products were widely used especially by the small business people in the community, whose businesses greatly depended on them to perform better.

This is also in agreement with Manandhar and Pradhan (2005), who state that microfinance is an effective development tool for poverty reduction since the financial services enable the poor and low income households to take advantage of the economic opportunities to increase their living standards through self-employment. They further note that it is now accepted that the poor do not have much money, so low income households need financial support. The importance of microfinance particularly in the countries perceived to be poverty stricken has been increasing in recent times which have led to policy makers of many countries to adopt national micro-finance policies and programs (Manandhar & Pradhan, 2005). The increasing number of microfinance practitioners around the globe is an indication that microfinance sector can play an important role not only to help attain the government s policies on poverty reduction but also to help increase the income level of people living with poverty.

Table 4.3.2: Saving with pride microfinance limited

Response	**Frequency (f)**	**Percent (%)**
No	60	75.0
Yes	20	25.0
Total	**80**	**100.0**

Source: Field survey data; 2015.

From the table above, respondents were asked to indicate whether they had saved with pride microfinance before, and majority of them with 60(75.0%) responded with yes whereas 20(25.0%) of the respondents disagreed with a no response. This means that not all respondents were saving with pride microfinance due to the existence of maybe other microfinance institutions or ignorance. However having the majority saying that they had saved with pride microfinance institution, implies that it has been in existence and offers services to a big number of people in its area of operation.

Table 4.3.3: How often the respondents saved with pride microfinance limited

Period	**Frequency (f)**	**Percent (%)**
Daily	24	30.0
Weekly	25	31.2
Monthly	22	27.5
Annually	9	11.2
Total	**80**	**100.0**

Source: Field survey data; 2015.

From the table above, it was revealed that 24(30%) of the respondents saved with pride microfinance daily, 25(31.2%) saved with each week, while 22(27.5%) of the respondents saved money with the institution monthly, while 9(11.2%) saved with pride microfinance annually. The results suggest that majority of the people (respondents); do save with the institution almost every day. This also means that its services and products are demanded highly by a number of customers almost every day, which show how important the microfinance institution is in the process of reducing poverty in Uganda through savings.

The findings are in line with Hulme et al (1996), who states that the poor are excluded from the opportunities of financial services than the informal alternatives that are considered unsuitable. Microfinance is therefore considered as a vital tool break the vicious circle of poverty which is characterized by low incomes, low savings and low investment. According to most institutions regard low-income households as "too poor to save". In order to generate higher incomes, savings and more investment, there is need to inject capital in the form of microfinance. However capital is only one ingredient in the mix of omens, low savings and low investment. According to institutions regard low-income households as "too poor to save".

In order to generate higher incomes, savings and more investment, there is need to inject capital in the form of microfinance. However capital is only one ingredient in the mix of challenges facing Uganda is the problem of poverty. Poverty is not only on a steady Hulme et al (1996) most increase but also wide spread in rural areas. In the quest for solutions to the country's development challenge and poverty alleviation, microfinance is becoming one of the most popular options as credit has been identified as a barrier facing the poor. However there is a general consensus that microfinance is not for all the poor. One wonders who the poor are benefiting from the intervention.

Table 4.3.4: Amount of money saved

Amount	Frequency(f)	Percent (%)
10,000- 160,000	13	16.2
160,001-310,000	25	31.2
310,001-460,000	26	32.5
460,001+	16	20.0
Total	**80**	**100.0**

Source: Field survey data; 2015.

From the table above, 13(16.2%) saved money with pride microfinance daily between 10,000-160,000 Ugandan shillings, 25(31.2%) saved between 160,001-310,000 shillings weekly, 26(32.5%) saved 310,001-460,000 shillings monthly and lastly 16(20.0% saved 460,001+ and above every year. This implies that majority save with the microfinance institution monthly, which money is in form of salary payments, accomplished business deals and realized profits. This clearly shows how respondents had prepared themselves for emergency problems, which enabled them live a better life and also reduce poverty levels in the long run.

Table 4.3.5: Type of saving applied by respondents

Type of saving	Frequency (f)	Percent (%)
Individual	14	17.5
Collateral	23	28.8
Group	37	46.2
Others	6	7.5
Total	**80**	**100.0**

Source: Field survey data; 2015.

Having indicated the respondent's amounts and periods of savings with pride microfinance limited, respondents were still requested to state which type of saving that they applied or used to save their money. As displayed by the table 4.3.5 above, 14(17.5%) of the respondents identified individual saving, 23(28.8%) indicated collateral savings, 37(46.2%) identified group savings while 6(7.5%) of the respondents also identified other ways of savings such as personal savings. The findings above imply that majority of the respondents embraced the group savings which is mainly applied by many microfinance institutions in Uganda, through SACCOs of women and men aimed at eradicating poverty and financially empowering the rural poor.

Table 4.3.6: How microfinance institutions have reduced on poverty levels

Category	**Frequency (f)**	**Percent (%)**
Pay school fees	39	48.8
Meet home basic needs	34	42.5
Start up a business	2	2.5
Buying property (land, houses etc.	3	3.8
Others	2	2.5
Total	**80**	**100.0**

Source: Field survey data; 2015.

From the table 4.3.6 above, most respondents were asked to give ways in which microfinance institutions had helped to eradicate poverty and their responses were recorded below; It was revealed that 39(48.8%) of the respondents sated that it helped them to pay school fess for their children and themselves, 34(42.5%) indicated that it enabled them to meet home basic needs, 2(2.5%) stated that it helped them in starting up small business by providing start-up capital, 3(3.8%) indicated that it enabled them to buy property such as land build houses and also buy cars, lastly 2(2.5%) of the respondents stated that it enabled them earn profits through using the loans accessed from the institution. This clearly showed that microfinance services and products had a positive impact on poverty reduction in Uganda, which justifies the reducing trend of poverty levels among Ugandans today.

Table 4.3.7: How microfinance loans help to alleviate poverty

Response	**Frequency (f)**	**Percent (%)**
Enabled individuals' start-up businesses.	3	3.8
Helped in facilitation of already existing businesses.	12	15.0
Facilitated infrastructural development.	17	21.2
Enabled parents pay school fees.	23	28.8
Helped people acquire property.	17	21.2
Enabled people access home basic needs.	8	10.0
Total	**80**	**100.0**

Source: Field survey data; 2015.

Of all the respondents interviewed, it was revealed that majority of the parents had been able to pay school fees for their children with 23(28.8%), followed by 17(21.2%) of the respondents who were able to facilitate infrastructure and acquire property respectively, while 12(15.0%) had their existing businesses boosted, 8(10.0%0 of the respondents indicated that microfinance loans helped them to start-up businesses and lastly 3(3.8%) identified that loans from microfinance enabled them to access home basic needs. This implies that almost all the respondents agreed positively to the contribution of microfinance loans in that all of them could not do away with out accessing a microfinance loan if they were to reduce

Table 4.3.8 Skills development offered by pride microfinance limited

Response	**Frequency (f)**	**Percent (%)**
Loan management skills	22	27.5
Financial management skills	21	26.2
Savings development skills	32	40.0
Others	4	5.0
Total	**80**	**100.0**

Source: Field survey data; 2015.

Findings from table 4.3.8 above reveal that most respondents with a percentage of 32(40%) responded by pointing out the savings skills as the major skills development offered by pride microfinance, followed by loan management skills with 22(27.5%), also followed by 21(26.2%) of the respondents who suggested that they had acquired financial management skills from the skills development offered by pride microfinance limited. This implies that microfinance institutions like pride microfinance offer skills development which is aimed at improving the standards of living of people as indicated above.

Table 4.3.9: How skills development has helped in the process of poverty alleviation

Response	**Frequency (f)**	**Percent (%)**
Accessing loans and financial advisory.	18	22.5
Improved standards of living.	33	41.2
Increased investments.	24	30.0
Others	5	6.2
Total	**80**	**100.0**

Source: Field survey data; 2015.

Having indicated the various skills development offered by pride microfinance, the respondents were also requested to state some of the ways in which these development skills had helped them in the process of poverty alleviation as displayed by the table above. It is evident that it enabled 18(22.5%) of the respondents to access loans and advisory services, it also improved the standards of living of 33(41.2%) respondents, and it increased investments as identified by 24(30%) of the respondents and lastly brought about a number of changes in the lifestyle of the people. This implies that if one accesses the skills development offered by the pride microfinance, it is very easy to reduce or eliminate poverty rates in the community they are in. so this calls for constant practice and access to microfinance skills development trainings whenever they are available so as to be able to fight the problem of poverty in the communities in support of the Millennium Development Goals of poverty eradication.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter presents the summary of the major findings of the study. Conclusions are also drawn from the study findings and presented. At a later stage it unleashes the recommendations aimed at assessing the impact of microfinance institutions on poverty alleviation using Pride Microfinance Limited Uganda.

5.1 SUMMARY OF THE FINDINGS

5.1.0 General conclusions from the study

Based on the research objectives and the research questions, the study has made the following conclusions:

The study concluded that, indeed Pride microfinance institutions in Uganda have a positive impacted on poverty reduction.

The study was also composed of a sample of 80 respondents including; Pride microfinance customers, employees, administrators and opinion leaders.

The findings of this research were basically based on three specific objectives which were in line with the research questions.

Findings of the study according to objective one, which is to assess the impact of savings on poverty alleviation in Uganda, it was revealed that almost all the respondents were saving with pride microfinance. Basing on that, these pride microfinance savings helped them in paying school fees for their children, the savings also enabled them to meet home basic needs such as food, rent, and clothes among others, the savings also facilitated their buying of property like land, houses and cars. All these clearly showed how Pride microfinance savings helped in the process of poverty alleviation in Uganda.

As per objective two, this was to assess the impact of loan facilities on poverty alleviation in Uganda, It was found out that the pride microfinance limited loans enabled individuals to startup businesses in their areas, they also helped in the facilitation of already existing business, these loans also facilitated infrastructural development, they also enabled parents pay school fees through access to school fees loans and lastly enabled people access home basic needs, all which help to improve the living standards of people.

Lastly, on the third objective of assess the impact of skills development on poverty alleviation in Uganda, it was revealed that skills development helps people to access loans and financial advisory services, enables them to improve standards of living and also to increase their investment opportunities. When one has attained the desired skills in financial management, he/she can easily plan or startup some business opportunity in the skills they are good at such as brick making, consultancy, farming, carpentry, repairing of phones, bars and restaurants, which also enable them fight poverty in the country.

5.2 CONCLUSION

In regard to the above findings, a number of people have been empowered by Pride microfinance through skills development, financial empowerment through loans and savings. These facilitate community member participation in small and big development projects such as small businesses, entrepreneurial trainings, Agricultural production among others. In the long run, these have contributed to the reduction of poverty levels among the Ugandans as evidenced in the responses in chapter four above.

5.3 Recommendation

In reference to the discussions and conclusions, the following recommendations should be implemented.

Government should carry out vigorous sensitization on the issue of access to the microfinance services and products, so that even those rural poor people can also have the chance of developing their areas through opportunities like receiving a loan, saving some money and also being empowered with development skills to get them out of the poverty trap.

The local community at large should ensure that it uses the opportunity of the availability of the microfinance services and products such as collateral and group lending and savings to help them easily access finances to improve their businesses and standards of living

The local community leaders should introduce and welcome the microfinance institution investments in their areas so as to promote development and also enable the community members easily access finances and skills through trainings offered.

5.4 AREAS OF FURTHER RESEARCH

This study reviewed the impact of savings on poverty alleviation in Uganda; it assessed the impact of loan facilities on poverty alleviation in Uganda and lastly examined the impact of skills development on poverty alleviation in Uganda. However, the research suggests the following areas for further research including;

1. How microfinance loans have encouraged poverty among the very poor.

2. The different ways in which people understand microfinance activities in the country

3. Why microfinance institutions are very few in rural areas
4. How microfinance institutions carry out their activities
5. Have microfinance institution services and products really reduced poverty or have brought more suffering?

REFERENCES.

Swain, R., B. 2004. *Is microfinance a good poverty alleviation strategy?* Evidence from impact assessment. Swedish International Development Cooperation Agency, SIDA. [Online]. Available at: www.sida.se/publications Accessed on 2nd March 2015.

Morduch, J., and Haley, B. 2002. *Analysis of the Effects of Microfinance on Poverty Reduction*. NYU Wagner Working Paper No. 1014. Online. Available: http://www.nyu.edu/wagner/workingpa pers.html .Accessed on 2nd March 2015.

Kiambu District Strategic Plan 2005 2010 for implementation of the National Population Policy for Sustainable Development. Published by National coordination Agency for Population and Development.

IFAD 2009. *Enabling poor rural people to overcome poverty in Kenya*. Online, Available: http://www.ifad.org/operations/projects/ regions/pf/factsheets/kenya.pdf. Accessed on 2nd March 2015.

Todaro, M.P. and Stephen, C.S. 2006. *Economic Development.* Essex: Pearson Education Limited.

Dupas, P. and Robinson, J. 2008. Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya. California Center for Population Research On-Line Working Paper Series.

Manandhar, K. B. and Pradhan, K. K. 2005. *Microfinance: Practices and policy Environment in Nepa*l. Paper presented at World Congress on Agriculture and Rural Finance, Addis Ababa, Ethiopia, November 25th 28th.

Mugenda, O. M., & Mugenda, A. G. 2003. Research methods: Quantitative and qualitative approaches. Nairobi: Acts Press.

Zeller, M., and M. Sharma. 1998. Rural finance and poverty alleviation. Food policy report. Washington, D.C.: International Food Policy Research Institute.

Montgomery, R. 1996. *Disciplining or Protecting the Poor?* Avoiding the Social Costs of Peer Pressure
In Micro-Credit Schemes. Journal of International Development, Special Issue, Sustainable Banking with the Poor. 8 (2).

Hossain, M. 1988. Credit for the Alleviation of Rural Poverty: The Grameen Bank in Bangladesh. Research Report No. 55. IFPRI. Washington DC.

Braverman, Avishay and J. Luis Guasch. 1989. Rural Credit in LDCs; Issues and Evidence. Journal of
Economic Development (Korea). 14 (June) p. 7-34.

Hossain, M. 1988. Credit for the Alleviation of Rural Poverty: The Grameen Bank in Bangladesh. IFPRI Research Report No. 65. International Food Policy Research Institute. Washington DC.

Hossain, Mahabub and Binayak Sen. 1992. Rural Poverty in Bangladesh: Trends and Determinants. Asian Development Review. 10 (1) p. 1-34.

Rahman, H. Z. 1995. Rethinking Rural Poverty. University Press Limited. Dhaka.

Wright, Graham A.N. M. Hossain and S. Rutherford. 1997. “Savings: Flexible Financial Services for the Poor (and not just the Implementing Organization)”. In Who Needs Credit? Poverty and Finance in
Bangladesh (eds.) G.D. Wood and I. Sharif. University Press Limited, Dhaka and Zed Books, UK.

Chowdhury, A.M.R. and M.A. Alam. 1997. “BRAC’s Poverty Alleviation Efforts: a Quarter Centruy of
Experiences and Learning”. In Who Needs Credit? Poverty and Finance in Bangladesh (eds.) G.D. Wood and I. Sharif. University Press Limited, Dhaka and Zed Books, UK.

Agripolicy (2006) Structure and competitiveness of the milk and dairy supply chain in Bosnia and Herzegovina, Country Report prepared for the CEEC Agri Policy project (513705).

Ahmed, Shamim, and Ezazul Islam (2006). "Interest Rate Responsiveness of Investment Spending in Bangladesh: A VAR Approach". Bangladesh Bank Working Paper 0608.

Banerjee, Abhijit, Esther Duflo, Rachel Glennerster and Cynthia Kinnan (2009) "The Miracle of Microfinance? Evidence from a Randomised Evaluation" Department of Economics, Massachusetts Institute of Technology (MIT) Working Paper, May

.

Bateman, Milford and Ha-Joon Chang (2009), "The Microfinance Illusion", http://www.econ.cam.ac.uk/faculty/chang/pubs/ Microfinance.pdf, accessed on February. 28Th, 2015.

Bhaduri, Amit (1973). "A Study in Agricultural Backwardness under Semi-Feudalism". Economic Journal, 83: 120–137.

Boudreaux, Karol, and Tyler Cowen (2008). "The Micro magic of Microcredit". Wilson Quarterly, winter.

Chowdhury, Anis and Iyantul Islam (1993). The Newly Industrializing Economies of East Asia. Routledge, London,

Daley-Harris, Sam (2007). "Debate on Microcredit". Foreign Policy in Focus, http://www.fpif.org/fpiftxt/4324, accessed on March. 2, 2015.

Dasgupta, Partha (1995). An Inquiry into Well-Being and Destitution. Oxford University Press, Oxford.

Dichter, Thomas (2006). "Hype and Hope: The Worrisome State of the Microcredit Movement". The Microfinance Gateway, http:// www.microfinancegateway.org/content/article/detail/31747?print=1 accessed on March. 2Nd, 2015.

Easterly, William (2006). The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good. Penguin Press, New York.

Hulme, David, and Paul Mosley (1996). Finance against Poverty. Routledge, London.

Huq, Hamidul (2004) "Surviving in the world of microdebt: A case from rural Bangladesh" in Hotze Lont and Otto Hospes (eds.) Livelihood and Microfinance, Delft: Eburon.

Jain, Pankaj, and Mick Moore (2003). "What makes Microcredit Programme Effective? Fashionable Fallacies and Workable Realities". IDS Working Paper 177, Institute of Development Studies, University of Sussex, Brighton.

Jomo K. S. [ed.] (2001). Southeast Asia's Industrialization: Industrial Policy, Capabilities and Sustainability. Palgrave, Houndmills.

Karlan, Dean, and Jonathan Zinman (2009). "Expanding Microenterprise Credit Access: Using Randomized Supply Decisions to Estimate the Impacts in Manila". Working Paper, July, Department of Economics, Yale University, and New Haven.

Karnani, Aneel (2007). "Microfinance Misses its Mark". Stanford Social Innovation Review, summer.

Yunus, Muhammad (2003). Banker to the Poor: Micro-lending and the Battle Against World Poverty. Public Affairs, New York.

APPENDICES

APPENDIX A: SEMI STRUCTURED QUESTIONAIRE FOR KEY INFORMANT (CUSTOMERS OF PRIDE MICROFINANACE LIMITED, EMPLOYEES, AND OPINION LEADERS)

Dear respondent

The questions that follow are intended to facilitate a study on the impact of microfinance institutions on poverty alleviation. Please take a few minutes of your precious time and answer them. Your responses will be used for academic purposes only and will be treated with utmost confidentiality.

SECTION A: BIO DATA (Please tick where appropriate)

1. In which age group do you fall?

   (1)20-30 yrs. ☐

   (2) 31-40 yrs. ☐

   (3) 41-50 yrs. ☐

   (4) 50+ yrs. ☐

2. What is your sex?

   (1)Female ☐

   (2)Male ☐

3. Marital status

   (1)Single ☐

   (2)Married ☐

   (3)Divorced ☐

   (4)Separated ☐

4. Education Level

   ☐

(1) None

(2) Primary Level ☐

(3) Ordinary Level☐

(4) Advanced Level☐

(5) Tertiary Level ☐

(6)University level ☐

5. What is the number 0f pride microfinance branch operating in your area?

Less than 2

(1) 3 ☐

(2) 4 ☐

(3) 5 ☐

(4) 6+ ☐

SECTION B: MICROFINANCE SAVINGS AND POVERTY ALLEVIATION

6. Have you ever saved with Pride microfinance Limited before?

(1) No ☐

(2) Yes ☐

7. If yes, how often do you save with Pride Microfinance Limited?

(1) Daily ☐

(2) Weekly ☐

(3) Monthly ☐

(4) Annually

8. What amount of money do u save in the period mentioned above?

(1) 10,000-160,000

(2) 160.001-310,000

(3) 310001-460,000

(4) 460,001+

9. What type of saving do you apply?

   (1) Individual saving

   (2) Collateral saving

   (3) Group savings

   (4) Others (specify)……….

10. How have microfinance savings helped you improve your standards of living?

(1) Pay school fees

(2) Meet home basic needs

(3) Start up a business

(4) Buying property (land, houses etc.)

(5) Others (specify)……….

11. Do you think microfinance institutions have helped alleviate poverty in your area?

(1) Yes

(2) No

12. If yes, state how?

(1) Offering savings services

(2) Offering financial advise

(3) Training of customers

(4) Offering of group savings

(5) Employment opportunities

(6) Others (specify)…………..

SECTION C: LOAN FACILITIES AND POVERTY ALLEVIATION.

13. Does Pride microfinance offer loan services and loan facilities?

(1) Yes

(2) No

14. What kind of loans does Pride microfinance offer?

(1) Individual loans

(2) Group loans

(3) Savings loans

(4) Business loans

(5) Others (specify)…………

15. How have the microfinance loans offered, helped in alleviating poverty?

(1) Enabled individuals startup businesses

(2) Helped in facilitation of already existing businesses

(3) Facilitated infrastructural development ☐

(4) Enabled parents pay school fees ☐

(5) Helped people acquire property ☐

(6) Enabled people access home basic needs ☐

16. Have you accessed a loan from Pride Microfinance institution?

(1) Yes ☐ (2) No ☐

SECTION D: SKILLS DEVELOPMENT AND POVERTY ALLEVIATION

17. What kinds of skills development are offered by Pride microfinance?

(1) Loan management skills ☐

(2) Financial management skills ☐

(3) Savings skills development ☐

(4) Others (specify)………. ☐

18. Given the skills in 17 above, how have they helped in the process of poverty alleviation according to you?

(1) Accessing loans and financial advisory ☐

(2) Improved standards of living ☐

(3) Increased investments ☐

(4) Others (specify)…………………….. ☐

19. Skills development in microfinance institutions is the most effective service offered in the process of poverty alleviation

(1) Strongly agree ☐

(2) Agree ☐

☐

(3) Disagree

(4) Strongly disagree ☐

(5) Uncertain ☐

Thank you for your precious time

APPENDIX B: AN INTERVIEW GUIDE FOR ADMINISTRATORS.

1. As an administrator, does PRIDE microfinance offer savings services?
2. How have savings helped people out of poverty in your area?
3. Do u think loan services have helped people improve their standards or worsen their standards?
4. Would u advise your people to access microfinance loans, if yes why?
5. Are the skills that have been offered by microfinance institutions been able to alleviate poverty in your area? If yes how?
6. What specific skills do u recommend microfinance institutions to offer that have been ignored?

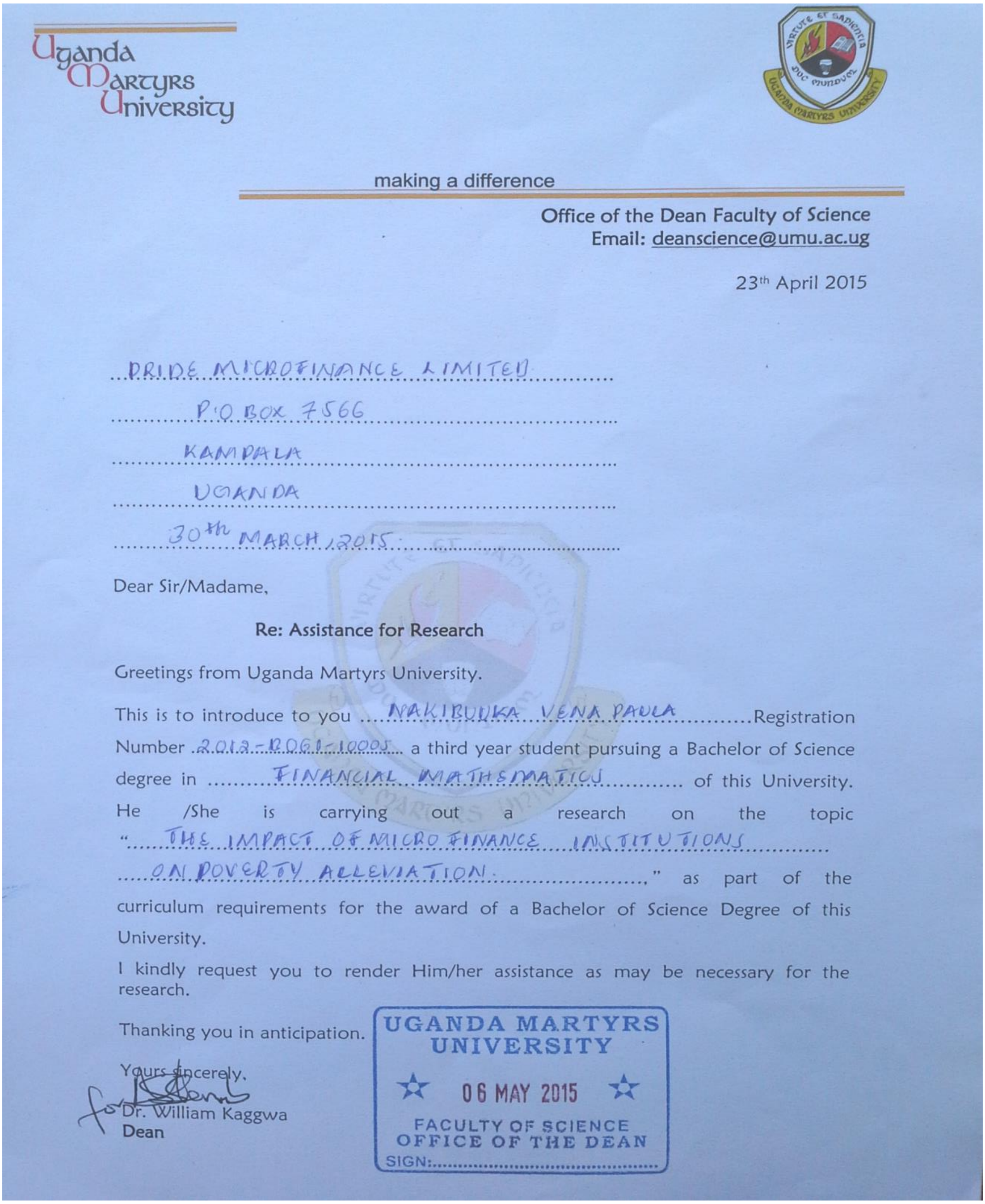
APPENDIX C: PROPOSED BUDGET

S/N0	ITEMS	AMOUNT(UG.SHS)
1	4 reams of photocopying paper@12000	48000
2	4 box files @ 3500 and 1 punching machine @ 5000	19000
3	20 pens @ 500 and 5 pencils@ 300	11500
4	1 stapler @ 7000	7000
5	3 packets of staple wires@ 500	1500
6	Meals	50,000
7	Transport	50,000
8	Secretarial services	50,000
9	Binding 2 reports @ 20,000	40,000
10	Miscellaneous	20,000
	TOTAL	**297,000**

APPENDIX D: WORK PLAN

ACTIVITY	PERIOD(MONTH -2014-2015)					
	DECEMBER (28TH -31ST)	JANUARY (10TH – 30$^{TH)}$	FEBUARY (1ST -28$^{TH)}$	MARCH (4TH -30$^{TH)}$	APRIL (2ND -27TH)	MAY (2ND – 8$^{TH)}$
Proposal writing						
Data collection						
Report writing						
Submission on report.						

Appendix E: Letter For Data Collection


Uganda Martyrs University

making a difference

Office of the Dean Faculty of Science
Email: deanscience@umu.ac.ug

23th April 2015

PRIDE MICROFINANCE LIMITED
P.O BOX 7566
KAMPALA
UGANDA
30th MARCH, 2015.

Dear Sir/Madame,

Re: Assistance for Research

Greetings from Uganda Martyrs University.

This is to introduce to you ....NAKIBUUKA VENA PAULA..........Registration Number .2012-B061-10005... a third year student pursuing a Bachelor of Science degree in ....FINANCIAL MATHEMATICS........... of this University. He /She is carrying out a research on the topic "....THE IMPACT OF MICRO FINANCE INSTITUTIONS ON POVERTY ALLEVIATION........................" as part of the curriculum requirements for the award of a Bachelor of Science Degree of this University.

I kindly request you to render Him/her assistance as may be necessary for the research.

Thanking you in anticipation.

Yours sincerely,

for Dr. William Kaggwa
Dean

UGANDA MARTYRS UNIVERSITY
06 MAY 2015
FACULTY OF SCIENCE
OFFICE OF THE DEAN
SIGN:..