MICROFINANCE SERVICES AND ECONOMIC DEVELOPMENT OF PEOPLE IN WAKISO DISTRICT

CASE STUDY: MUNAKU KAAMA KISUBI SACCO, KATABI SUB-COUNTY

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2014 – M102 - 20036

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A POSTGRADUATE DISSERTATION PRESENTED TO THE FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT IN PARTIAL FULFILMENT FOR THE AWARD OF THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION OF UGANDA MARTYRS UNIVERSITY

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DEDICATION

This research work is dedicated to my late parents Mr. Nyonyi Dominic and Mrs. Kizairwe Dezirata who always treasured education and their wise counsel to me about the value of education.

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I greatly thank the almighty God who enabled me to complete this research work.

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God bless you all.

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List of Abbreviations

AMFIU: Association of Micro Finance Institutions in Uganda

BRAC: Bangladesh Rural Advancement Committee

FFS: Formal Finance Systems

FSD: Financial Services Deepening

GDP: Gross Domestic Product

IFAD: International Fund for Agricultural Development

IFI: Informal Finance Institution

IMF: International Monitory Fund

KWFT: Kenya women finance trust

MFI: Micro Finance Institutions

MSE: Micro and Small Enterprises

NFS: Non-Financial Services

NGO: Non-Government Organization

SPS: Social Performance Standards

SPSS: Statistical Package for Social Sciences

WDI: World Development Indicators

WGI: World Governance Indicators

ABSTRACT

This study investigated the effect of Microfinance services and the Economic development of people in Wakiso district: a case study of Munaku Kaama Kisubi Sacco, Katabi sub-county. The study covered the period 2010 to 2015. The three objectives of this study were; to assess the effect of loan access, to analyze the effect of the availability of micro-saving services and to evaluate the effect of non-financial services on the economic development of people.

The researcher employed the case study research design, quantitative approach, and questionnaires were used to collect data and SPSS software was applied for analysis.

The findings on the microfinance services on the economic development of people showed that, accessibility of micro loan services creates opportunities for self-employment, enables investments, provides the needed capital to help clients expand their businesses, enables the acquisition of assets, protection against risks and increase in income and helps in gaining of financial security. On the availability of micro-saving services the findings indicated that clients secure their finances, reduces the risks of keeping cash, helps poor people who cannot save with commercial banks, accumulation of capital resource for investment, act as security in acquiring and repayment of loans, increase clients' capital resources, and helps people to have a systematic saving culture. Non-financial services have enabled clients to acquire intensive education, capacity building and training, acquiring business related knowledge and saving skills, ensured good practice of preventive and curing health measures for healthy wellbeing, gaining knowledge to help them increase agricultural production, efficiency in management of cost of operation, better skills on leadership and public speaking, planning the loan re-payment and learning how to get out of poverty, illiteracy and disease.

The researcher recommended that microfinance institutions should ease loan access to the people, ensure that there is availability of micro-saving services and they should also provide other non-financial services as they lead to economic development of the people as findings revealed.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

Throughout the world, development has taken the direction of economic dimension. Both the rich and average income earners are involved in the development process although the poor, in comparison to the rich, are marginalized and disadvantaged in various aspects of economic development. Throughout the history of the development process, the development practitioners have tried to identify strategies that could promote equity. Thus various interventions such as microfinance lending have specifically targeted the poor in a bid to improve their economic growth. Therefore, this study was intended to examine microfinance services and economic development of people in Wakiso district: A study of Munaku Kaama Kisubi Sacco, Katabi sub-county. This chapter includes; background of the study, statement of the problem, purpose of the study, objectives, research questions, the scope of the study, and significance of the study

1.1 Background of the study

Since the 1970's microfinance has been growing rapidly with the aim to lift people out of poverty and promote economic development. Its role and importance has been amplified amidst the global financial crisis when trust into formal banking is shaken. Despite global recognition and popularity of microfinance there is mixed evidence of its net benefits and very limited work on its contribution to financial intermediation and economic development (Alimukhamedova 2013).

Uganda, in particular, has several microfinance institutions all over the country that are issuing loans and deposit services to the communities. The institutions include Finca, Brac, Faulu (now Opportunity Uganda), Blue, Bayport, Pride Microfinance and other small self-help groups that organize themselves for purposes of accumulating savings and lending to members. In all these microfinance institutions, low income individuals or those who do not have access to typical banking services have always taken an active role and keen interest in the services they provide to them given their disadvantaged positions in the commercial banks.

Microfinance refers to loans, savings, insurance, transfer services and other financial products targeted at low–income clients (United Nations 2005). Menon (2005), defines microfinance as the extension of small loans to individuals who are too poor to qualify for traditional bank loans, as they have no assets to be offered as guarantee. Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services (Christen, Rosenberg and Jayadeva 2004).

The Association of Microfinance Institutions in Uganda (AMFIU) (2008) stated that microfinance can be defined as a form of banking service that is provided to low income individuals or groups who would otherwise have no other means of gaining financial services from formal financial institutions (AMFIU 2008). The researcher therefore will use the term 'microfinance' to mean small loans that are provided to the low income individuals and/or poor people.

Microfinance institution is the term that has been used to mean institutions that provide microfinance services. Microfinance institutions also known as MFIs, offer financial services to undeserved, impoverished communities and these services include savings accounts, insurance, health care and personal development (Brennan 2008). In Uganda, the microfinance institutions are registered formal financial institutions that register depending on the legal status taken by the person/people registering the institution provided that it falls in any of the tiers under the Financial Institutions Statute (Understanding the microfinance industry in Uganda 2008).

The term SACCOs used in this study refers to Savings and Credit Cooperative Organizations. A savings and credit cooperative society is a form of financial institution formal in nature, owned, controlled, used and democratically governed by members themselves. Its purpose is to encourage savings among members and using the pooled funds, to make loans to its members at reasonable rates of interest and providing related financial services to enable members improve their economic and social conditions (Agriculture Support Programme 2010). In Uganda, the savings and credit cooperative organizations are semi-formal financial institutions, registered as limited companies, not regulated by the central bank, member based and owned and allow members to save and borrow money from the pooled funds (Understanding the microfinance industry in Uganda 2008)

Todaro & Smith (2003) looks at development as a multi-dimensional process involving changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty. Therefore, economic development is defined as a sustained community effort to improve both the local economy and the quality of life by building the area's capacity to adapt to economic change to increase the overall well-being of people (Ceres, 2010). Furthermore, Business dictionary (2016) considers the following to be principal number one of economic development: Increase in the capital stock, advances in technology, and improvement in the quality and level of literacy.

Economic development consists of the reduction or elimination of poverty, inequality and unemployment within the context of a growing economy (Todaro & Smith 2003). Hence, economic development occurs when individuals have the opportunity to develop the capacities that allow them to actively engage and contribute to the economy. The greater the number of individuals able to participate in the economy and the society, the greater the opportunity for new ideas to circulate and be put into action. Economic development is measured by rising real per capita income, the distribution of income and wealth as well as indicators of quality of life that range from life expectancy to crime statistics to environmental quality.

Schumpeter (2011) further looks at economic development as transformation of capital from established methods of production to new, innovative productivity. In his view, economic development entails a fundamental transformation of an economy which includes altering the industrial structure, the educational and occupational characteristics of the population, and indeed the entire social and institutional perspective.

1.2.1 Background to the case study.

Munaku Kaama Kisubi SACCO started in 2008 as a project for the youth of the Catholic Parish of Kisubi (Kampala Archdiocese) assisted by Caritas Kampala. It was officially inaugurated on July 27, 2008. By then, the membership stood at thirty. It was registered by the government on February 9, 2010 and given a certificate to operate in Katabi and Ssisa sub counties in Wakiso district. Its main and only branch is located in Kisubi along the road to Nabinoonya Beach, off Kampala-Entebbe highway. It was primarily started to help the youth develop a saving culture and be helped to access funds to raise capital to enable them start up self-help projects. With time, the services of this SACCO were extended to other categories of people other than the youth. It has a client population of 1938 served by 7 staff /employees (Manager, Munaku Kaama Kisubi SACCO 2016)

1.2 Statement of the problem

Despite the apparent success and popularity of microfinance, it is not clearly stated as to what extent microfinance services have an impact on the economic development of people (Armendáriz de Aghion and Morduch 2010). However, with the increased growth of the microfinance industry and the attention, the sector has received from policy makers, donors and private investors in recent years, the existing microfinance services assessment need to be re-investigated; thus, the claims that microfinance successfully enables economic development of people must be scrutinized more carefully.

In Uganda, the microfinance institutions seem to be playing a critical role in providing a range of financial and non-financial services to both urban and rural communities. The services are through the products such as, loans, savings, micro-insurance, and non-financial among others. The provision of such services is expected to contribute to the economic development in terms of business capital, stock accumulation and increase in employment levels to improve household incomes which are the indicators of economic development. However, there is no adequate empirical evidence available to vindicate the contribution of microfinance services in bringing economic development among the people. This study therefore is intended to examine the evidence of microfinance services evaluations towards establishing their effect on the economic development of people in Uganda.

1.4 Purpose of the study

This study investigated the effect of microfinance services on the economic development of people in Wakiso district.

1.5 Objectives

i. To assess the effect of loan access on economic development of people.

ii. To analyze the effect of the availability of micro-saving services on the economic development of people.

iii. To evaluate the effect of non-financial service provisions by microfinance on the economic development of people.

1.6 Research questions

i. What is the effect of loan access on economic development of people?

ii. How does the availability of micro-saving services affect the economic development of people?

iii. What is the effect of non-financial service provisions by microfinance on the economic development of people?

1.7 The scope of the study

This section includes the geographical scope, content scope and time scope**.**

1.7.1 Geographical scope

This study was carried out in Wakiso District, Katabi sub-county, Kitala Parish along Kampala – Entebbe road. Wakiso district is located in central Uganda that encircles Kampala, Uganda's capital city. The researcher chose this area because he knows the place very well, the languages used and the area has many people who access microfinance services and were deemed to have reliable information concerning the study.

1.7.2 Content scope

This study concentrated on the microfinance services and economic development of people in Wakiso District. Microfinance services were analyzed using loan services, saving and non-financial services whereas economic development too was analyzed basing on the level of wages and income, access to education, ability to save and invest.

1.7.3 Time scope

The research intended to cover a period ranging from 2010 to 2015. This time was used by the researcher because it is the time when microfinance institutions have become numerous and thus the need to evaluate their services and the impact they have on the peoples' economic development.

1.8 Significance of the study

The information from the study about microfinance services and economic development of people in Wakiso district: A case study of Munaku Kaama Kisubi Sacco, Katabi sub-county, is likely to be important to the academicians and researchers who can use it as a basis for other studies.

The information is also expected to be used in the information and resource centers of tertiary institutions of learning like universities and colleges that have Microfinance as a course for their students as well as the resource centers in Microfinance Institutions and their umbrella organizations.

It is also anticipated to be useful to policy makers especially District councils, Town councils and the Ministry of Finance, Planning and Economic Development who could utilize it to promote policies and by- laws that will enable more people to access microfinance services and benefit from them.

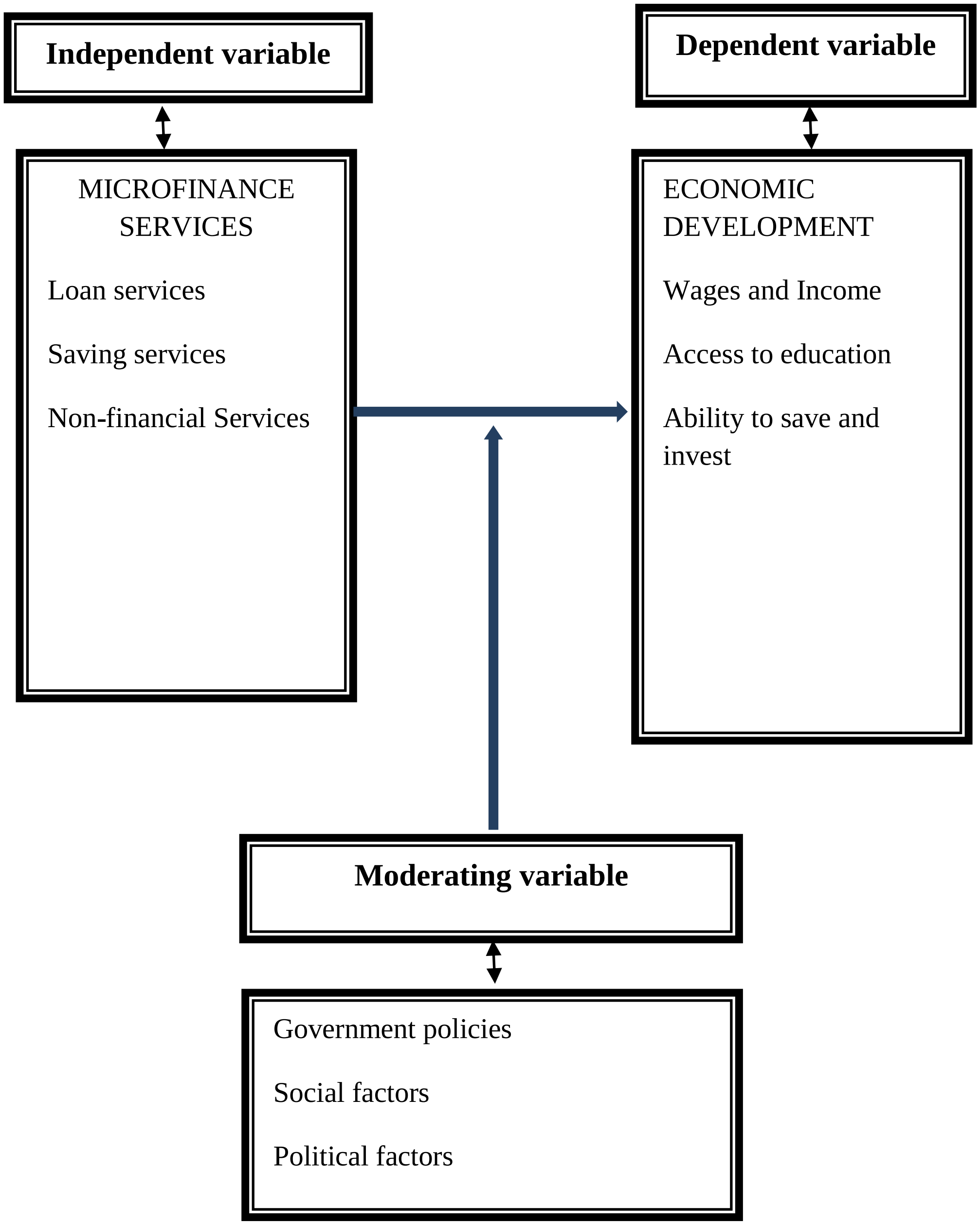
1.9 Justification of this study

Microfinance has been one of the strategies for poverty alleviation in developing countries. Following the success of the Grameen Bank in Bangladesh, the microfinance revolution has stormed the developing countries today. Prior studies have been done on the microfinance services and economic development of people worldwide. For example, Malawi has several governmental and non-governmental organizations offering financial services to the poor. Most of the institutions operate localized and targeted programmes, and very few operate at a national scale. Microfinance institutions in Malawi are largely unregulated and their programmes are not coordinated and accessibility to their services is not universal to the poor. With improvements in the policy environment, the Malawi Microfinance Network (MAMN) was established as a formal association of microfinance institutions with the objective of developing, promoting, coordinating and regulating microfinance activities among member institutions. However, the financial performance of microfinance institutions and their impact on poverty reduction are not adequately documented and known in Malawi, although the increase in micro-credit programmes has been remarkable (Ephraim, 2002). In Sierra Leone it is said that large numbers of developing and transitional countries have experienced situations of crisis, following political, economic or natural disasters, or total crisis, triggered by war or totalitarian oppression. The role of member-owned institutions (MOIs) in the provision of the reparations for victims of human rights abuses or reconstruction in post-conflict and post-disaster situations has been emphasized. MOIs are found to be an appropriate institutional framework, to make the benefits of one-off payments more sustainable and also reinforce the financial sector (Hudon & Seibel, 2007). In Uganda there is paucity of research about the microfinance services and economic development of people. Therefore, the basis for the choice of this study is to empirically establish the relationship between the microfinance services and economic development of people. The result of this study is hoped to be useful to policy makers especially District councils, Town councils and the Ministry of Finance, Planning and Economic Development who could utilize it to promote policies and by- laws that will enable more people to access microfinance services and benefit from them.

1.10 Conceptual Framework

Microfinance services have an impact on economic development. When people receive services from MFI such as training services, they are able to understand how to utilize the loan facilities available and when they have earned profit from the loans received, they are able to save some of the profits for future use (Daley-Harris, Sam, 2002). The profits earned help the people to; have high standards of living, access health facilities, meet basic needs of life, access education and be able to save and make investments. However, Nitisha (2015) asserts that there are other factors that support economic development such as Government policies, Social and Political factors as shown in the diagram below.

Fig 1: Conceptual Framework



Source: Adopted and Modified from Daley-Harris, Sam, (2002) and Nitisha (2015)

The conceptual framework developed has three parts. The first part covers microfinance services as the researcher's independent variable which comprise loan services, saving services and non-financial services. The second part comprises economic development as the dependent variable which includes wages and income, access to education, ability to save and invest. These are the implications of microfinance services mentioned above, to their clients. The third part is the moderating variable which comprises government policies, social factors as well as political factors. They are an assessment of other factors that contribute to economic development. This is so because it is not only microfinance services that are responsible for economic development.

1.11 Conclusion

The chapter introduced the research topic of Microfinance services and Economic Development of people in Wakiso District. The study is primarily aimed at establishing the role of microfinance services in the economic development of people.

The researcher has particular interest in establishing whether there are any benefits accruing to the people of Katabi sub-county in Wakiso District as a result of their participation in and access to the services of the microfinance institutions. The significance of the study in terms of who will utilize the findings was also discussed. The following chapter will discuss the literature review.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The study aimed at establishing the impact of microfinance services and the economic development of people in Wakiso district. The objectives of the research, statement of the problem, research questions that guided the research, the significance and justification for the study were discussed in the previous chapter. Hence, this chapter focuses on reviewing the literature related to the impact of microfinance services and economic development of people. The major aim of this literature review was to analyze what has been researched in relation to the topic under study. This provided profound insight into the topic and facilitated the interpretation of the findings. The source of this literature is textbooks, academic journals, the internet, and reports of specific institutions.

2.1 Theoretical perspective

The study was guided by the Vicious circle theory as advanced by Prof. Nurkse Ragner (1961). He explains that poverty perpetuates itself in mutually reinforcing vicious circle on both supply and demand sides. It is argued that, perhaps, the most important circular relationships of a kind are those that affect the accumulation of capital in economically backward country or society. The supply side, the proponents hold the view that there is a small capacity to save due to low level of real income. The low real income is a reflection of low productivity, lack of capital, resulting in small capacity to save. With regard to the demand side, it is argued that, demand for capital is influenced by incentive to invest.

However, the lack of zeal to invest could be due to low purchasing capacity of the people, small real income and as a result of low productivity. Low productivity, however, could be due to small amount of capital used in the production, which may be caused partly by less incentive to invest. Meanwhile, the low level of real income, due to low productivity, is an issue that is common to both supply and demand sides of the circles.

Basing on this theory, when the incomes are low, then there is low propensity to save for capital formation, which results in low productivity per person, which perpetuates low levels of income (Perry 2006). Similarly when the incomes are low, market size is too small to spur investment. While relying on the vicious circle of poverty theory, a credit investment framework is constructed and seeks to explain how loans can be used as an instrument for economic development.

Therefore, it could be argued that there are different ways that people can exploit microfinance services which include loan services, saving services and non-financial services to enhance economic development for example, loans are either used to start a new enterprise or expand an existing one. Provision of loans to people who are not working might serve as a start- up capital for them in doing business, thus, in the process creating jobs for them. Job creation could lead to reduction in unemployment of the beneficiaries. As unemployment is reduced, economic development would be enhanced.

2.1.2 Criticisms of the theory

Numerous economists do not consider vicious circle of poverty as an obstacle in the path of economic development. Prof. Hirschman says that the basic problem of economic development in these countries is the lack of decision making ability. The real problem is the lack of capital.

Lewis (2015) asserts that “If in these countries lack of capital is not realized during the war period, then ten percent of national income can be easily saved for economic development.” Therefore, according to these economists, vicious circle of poverty has been over weighted in these countries. Moreover, Prof. Bailer has also criticized the vicious circle of poverty on so many grounds.

2.1.3 Relevance of the theory to the study

When the incomes are low, then there is low propensity to save for capital formation, which results in low productivity per person, which perpetuates low levels of income (Perry 2006). Similarly when the incomes are low, market size is too small to spur investment. While relying on the vicious circle of poverty theory, a credit investment framework is constructed and seeks to explain how loan can be used as an instrument for economic development.

Hence there is need for micro finance services in form of access to loans, micro saving services and non-financial services so as to stimulate economic development of the people

2.2 Overview on Microfinance services

2.2.1 Loan services

Micro-loans is one of the services offered by micro finance institutions that was first developed by a banker in Bangladesh named Mohammad Yunus. It is defined as a very small, short-term loan with a low interest rate, usually extended to a start-up company or self-employed person that started as a solution for poor borrowers in underdeveloped countries (Business Dictionary, 2016). These borrowers typically lacked collateral, steady employment and a verifiable credit history, making them a difficult candidate for traditional financing options. Thus, microloans have been successful in helping to support entrepreneurship and encourage economic development in developing nations.

Micro-loans also refers to programs that are poverty focused and that provide financial and business services to very poor persons for generation of self-employment and income (Ledgerwood & White, 2006). The process involves lending small sums of money, to people who; do not have a measurable credit history, assets to secure the loans, or access to mainstream financial providers. They are designed to be realistic and affordable for borrowers. When they are repaid, the funds are recycled to other borrowers. This way a fund can support a number of different enterprises and help build a diverse and sustainable local economy. Thus, micro-loan service is usually very small, short-term with a low interest rate to create opportunities for self-employment rather than waiting for employment to be created which liberates people from poverty and leads them to economic development (Weber, 2006).

2.2.2 Saving services

Defining micro-saving and its effect is challenging. However, there are several possible approaches depending on whether one focuses on the people saving, the amounts saved, or the institutions in which the saving takes place. However, from the perspective of most poor savers, micro-savings can consist of a large variety of informal, semi-formal and formal practices and defined micro-savings as the mobilization of savings through deposit services run by microfinance institutions (MFIs) (Terrones, 2005).

Thus, micro-savings can be thought of as savings made by low-income or poor people, or as small amounts of savings or as savings held at institutions that specialize in micro-savings. Diop (2007), suggest that there has been a transition toward expanded microfinance, and savings services are seen as a means of securing savings and of encouraging the poorest to save more and more systematically.

2.2.3 Non-financial services

Non-financial services provided by microfinance institutions include social services programs that educate people, promoting the education and enable the clients to receive better healthcare for themselves and their families. These enhance development through job creation and by the improvement of household risk management through microfinance institution training and the building up of social networks. This improvement is said to stabilize village income, reducing the vulnerability of the poorest (Mosley and Rock, 2004).

Kiani (2013) says that organizations offer many types of services to individuals and communities in an effort to alleviate poverty. Each service potentially plays a vital role in the life of a client. These services are often offered in isolation but in some cases efforts are made to coordinate different kinds of services to enhance accessibility and overall efficiency. Ideally, clients would have access to a coordinated combination of microfinance and other development services to improve their businesses, income and assets, health, nutrition, family planning, education of children, social support networks, and so on. In general, Kiani tends to favor Microfinance Institutions (MFIs) and organizations that offer an integrated approach to poverty alleviation as we feel a more well-rounded approach best serves our clients.

Nonfinancial services can be offered to clients by coordinating the delivery of different sector services to the same people. There are three common methods used to deliver integrated services: linked, parallel, and unified delivery.

Linked: different organizations, different service delivery staff and same end users. In a linked model of delivery, financial services provided by a specialist microfinance institution are offered to clients concurrently with nonfinancial services provided by one or more independent organizations. When there are several specialized service providers in a target area (as in many urban and peri-urban areas), an organization reasonably may choose to specialize as a microfinance institution, instead of also offering a combination of financial and nonfinancial services. Ideally, independent organizations offering services from different sectors would coordinate their marketing, service delivery and referrals according to the needs of clients. Many specialist microfinance institutions are in a position to embrace this scenario, but very few have reached the "ideal" of coordinated marketing and distribution with independent nonfinancial service organizations.

Parallel: same organization, different service delivery staff, same end users In a parallel model of delivery, an organization offers financially self-sustaining microfinance services through specialist microfinance staff at the same time as offering other sector services (usually subsidy-dependent) through other staff to the same clients. While the specialist staffs may be managed in legally distinct entities (like a regulated MFI and a nonfinancial NGO), the multi-purpose organization typically controls them all. If there are few available services in an area, and an organization can afford a long-term commitment to provide two or more services with different specialist staffs, then it makes sense to deliver a variety of complementary services in parallel. BRAC in Bangladesh and its subsidiaries throughout the world is the prime example of this parallel scenario.

Unified: same organization, same service delivery staff, and same end users. In a unified model of delivery, the same staff of the same organization offer both microfinance and other sector services to the same clients. When the clients have access to few, if any, other development services, as in many rural communities, and the organization cannot afford a long-term commitment to provide two or more services with different specialist staffs, it reasonably may choose to field only one set of staff tasked to provide microfinance with another service, most commonly education. Many organizations are able to cover recurrent costs of the NFS solely with revenue generated by the credit service while generating profit to fuel growth of outreach. The Credit with Education programs of Freedom from Hunger partners are the prime examples of this unified scenario. The upcoming series on nonfinancial services will bring in guest speakers from prominent organizations to highlight their areas of expertise in health care, women's empowerment, enterprise services and education.

2.3 Overview on economic development

2.3.1 Wages and Income

Tennant (2015) defines a wage as monetary compensation (or remuneration, personnel expenses, labor) paid by an employer to an employee in exchange for work done. Payment may be calculated as a fixed amount for each task completed (a task wage or piece rate), or at an hourly or daily rate, or based on an easily measured quantity of work done. Wages are an example of expenses that are involved in running a business.

Ezzamel (2004) points out that payment by wage contrasts with salaried work, in which the employer pays an arranged amount at steady intervals (such as a week or month) regardless of hours worked, with commission which conditions pay on individual performance, and with compensation based on the performance of the company as a whole. Waged employees may also receive tips or gratuity paid directly by clients and employee benefits which are non-monetary forms of compensation. Since wage labour is the predominant form of work, the term "wage" sometimes refers to all forms (or all monetary forms) of employee compensation.

Wage labour involves the exchange of money for time spent at work (the latter quantity is termed labor power by Marx and subsequent economists) as Moses I. Finley (1973) lays out the issue in his book "The Ancient Economy".

The very idea of wage-labour requires two difficult conceptual steps. First it requires the abstraction of a man's labour from both his person and the product of his work. When one purchases an object from an independent craftsman, one has not bought his labour but the object, which he had produced in his own time and under his own conditions of work. But when one hires labour, one purchases an abstraction, labour-power, which the purchaser then uses at a time and under conditions which he, the purchaser, not the "owner" of the labour-power, determines (and for which he normally pays after he has consumed it). Second, the wage labour system requires the establishment of a method of measuring the labour one has purchased, for purposes of payment, commonly by introducing a second abstraction, namely labour-time (Moses, 1973).

The wage is the monetary measure corresponding to the standard units of working time (or to a standard amount of accomplished work, defined as a piece rate). The earliest such unit of time, still frequently used, is the day of work. The invention of clocks coincided with the elaborating of subdivisions of time for work, of which the hour became the most common, underlying the concept of an hourly wage (Thompson, 1967).

Depending on the structure and traditions of different economies around the world, wage rates will be influenced by market forces (supply and demand), legislation, and tradition. Market forces are perhaps more dominant in the United States, while tradition, social structure and seniority, perhaps play a greater role in Japan (Magnusson & Charlotta, 2015).

Income is the consumption and savings opportunity gained by an entity within a specified timeframe, which is generally expressed in monetary terms mainly from the wages generated by labor, the interest created by capital, and profits from entrepreneurial ventures. However, for households and individuals, income is the sum of all the wages, salaries, profits, interests' payments, rents, and other forms of earnings received in a given period of time. Thus the term may further refer to the accumulation of both monetary and non-monetary consumption ability (Business Dictionary, 2016)

2.3.2 Access to education

Education in every sense is one of the fundamental factors of development. No society can achieve sustainable economic development without substantial investment in human capital. Education enriches people's understanding of themselves and the world. It improves the quality of their lives and leads to broad social benefits to individuals and society. Education raises people's productivity and creativity and promotes entrepreneurship and technological advances. In addition it plays a very crucial role in securing economic progress and improving income distribution. (Ozturk, 2008)

Kiani (2013) says education is essential to the social and economic development of a country. It plays an imperative role in capacity building and hastens the growth of whole economy through skills, knowledge and creativity. With better education poverty and income inequality can be reduced, health status can be improved and good governance can also be implemented for better policies. The many-sided impact of education formulates it an essential component for policy outline. Most of the world's people living in developing countries require to restructure their education in order to enhance their productivity in many sectors of the economy through providing highly skilled laborers and dealing with their development needs for speedy industrialization, which is also the need of the hour.

Kiani (2013) the most significant impact of the education can be witnessed into two ways in developing countries. Firstly, education will provide people with power of decision-making which could instill gender equality. Secondly, educating the people of developing country means to make more sustainable choices which will create a better world to live in. Primarily, the linkage between economic growth and education, distribution of income and reduced poverty are well-recognized. Knowledgeable and skilled people through better education expect more from the society and need to have high income and better employment opportunities.

2.3.3 Ability to Save and invest

Saving and investing are closely related. Saving is putting aside part of the income earned for the future use mostly in the long term assets such as land or income generating assets such as stocks. On the other hand, investment is putting savings in the productive activity that yields some level of returns. This is to ensure that money keeps growing when it is invested properly. All this indicates economic development. (Uganda Bankers Association 2016)

Scott (2003) defines savings as income not spent or differed consumption. The savings mobilization has recently been recognized as a major force in microfinance. In the past, micro finance focused almost exclusively on credit; savings were the "forgotten half" of financial intermediation. The importance of savings mobilization has been highlighted in several papers in the context of micro finance. Microenterprise programs can play a significant role to foster savings among the poor populations, with considerable benefits both for the savings and for the programs. Harper (2003) domestic savings provide the assets for the economy's investment in future production and through accessing micro finance services clients can boast of healthy living Agricultural production has been enhanced which are indicators of economic development. Without them, the economy cannot grow unless there are alternative sources of investment. People's propensity to save varies significantly. Common astuteness states that as a person's disposable income increases, so does his or her capacity and willingness to save.

2.4 Actual review of literature

2.4.1 Effects of accessing loans on economic development of people

The provision of microloans services is an effective way to help poor people help themselves build income and assets, manage risk, and work their way out of poverty. Since the poor people are excellent borrowers, when provided with efficient, responsive loan services at affordable rates the researcher believes that often small loans are essential to allow people to become self-employed or to significantly improve their income situation (Daley-Harris, Sam, 2002). In addition, Uganda has several microfinance institutions all over the country that are issuing loans and deposit facilities to the communities. The institutions include Finca, Brac, Opportunity

Uganda, Blue, Bayport, Pride microfinance and other small self-help groups that organize themselves for purposes of accumulating savings and lending to members.

Otero (1999) also puts it clear that micro-loans provide material capital to poor persons, which strengthen and empower them to participate in the economy and society. This is among other various ways in which microfinance combats poverty within the institutional services that deliver financial services to the poor, who are continuously ignored by the formal banking sector. By addressing this gap in the market in a financially sustainable manner, an MFI has become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios (Vanroose, 2008). The researcher borrows a leaf from Otero (1999) as there seems to be the situation in Wakiso District in particular and Uganda in general where the poor are excluded from the financial services sector of the economy so MFIs have emerged to address this market failure. However, the question of the high costs and interest associated with sustainability of the operations is not addressed. This research therefore will also focus on the convenience and the interest rate of the provided capital from microfinance loan service and how it affects economic development of the clients.

The acquisition of loans from microfinance institutions is one of the simplest ways to get the needed funds to start or develop the business as stated by Enterprise Support & Community Development Trust (2016). This is because a client can secure a loan at low interest rates depending on the nature of the loan, and in most cases the interest is often tax deductible as a business expense. In the same perspective, the report further indicates that microfinance institutions provide micro entrepreneurs with the capital needed to operate and expand their businesses. Indeed, having a reliable source of credit allows micro entrepreneurs to better plan their business activities and manage their cash flow. Although the size of the loans may seem small, it is worth remembering that its contribution to household economic development cannot be underestimated. Could this be the same benefit with the micro entrepreneurs of Wakiso District who have borrowed capital from microfinance institutions? Consequently, the researcher is interested in establishing as to whether capital provided by microfinance institutions to micro entrepreneurs has been of a contribution to their economic development.

Through the increased income generated by clients in their businesses by obtaining loans, microfinance has allowed poor people to build their assets, for example by acquiring land, constructing or improving their homes and purchasing livestock and poultry as Armendáriz and Morduch, (2010) remarks. Loans to micro entrepreneurs in particular have strengthened the client's position in the agricultural sector by expanding the amount of land they cultivate and diversifying the crops they grow for sale and domestic consumption. Thus, clients of MFIs have had an increase on their income. The researcher borrows a leaf from the remarks of Armendáriz and Morduch, (2010) but would like to further establish as to whether clients of MFIs in Wakiso district have been able to experience increased income generated by their businesses as well as the ability to save and obtain loans, eventually microfinance allows poor people to build their assets.

Enterprise Support & Community Development Trust (2016) further mentions of micro-finance loans bringing a longer-term commitment. This is because microfinance institutions expect their principal and interest payments every month and on time, whether the borrower makes money or not. In case he fails to make timely payments, his borrowing power in the future would be limited. Having microfinance loan commitments on the balance sheet increases the clients' debt-to-asset and debt-to-equity ratios, making you less attractive to new creditors as well as potential investors.

The acquisition of microfinance loan is fundamental in small business start-ups. This is because to start any business one requires a certain amount of money which a person may not have to meet the requirements. This microfinance loan can be acquired in the shortest time possible especially so for small business owners in need of working capital compared to waiting for a traditional loan which can take months to come through (Blavy, Basu, & Yülek 2004).

Micro loans services from microfinance are typically very small amounts thus there isn't usually the worry of being burdened by a large loan that potentially will never be able to be paid back. Often, these loans are paid back in a matter of months or less than a year, and installment micro loans can be divided into affordable monthly payments. This can even prepare you for borrowing larger amounts at a later date when you want to take your expansion plans to the next level. Hence it is hard to get completely stressed with a microloan because it does not allow the client to borrow excessive amount of money (Beck, Demirgüç-Kunt, & Honohan 2009).

One of the other key benefits from micro-loan services is the availability to business resources which help towards its success. Unlike a traditional bank that simply is in the business of loaning money, microfinance is often there to help with business plans, develop marketing strategies, and even offer guidance when it comes to your accounting and other financial activities. They have more interest in clients' success. Thus, microfinance helps guides its client through the initial stages and offer advice to increase the likelihood of success.

With microfinance loan, the client's pressure is minimal compared to owing someone principal and interest. This is partly because microfinance assumes no control over the way you operate your business just because you borrowed money. All they need to know is that you are meeting the loan repayment obligations. Thus, if the client wants to exercise his creative vision without input from other investors, microfinance loan is the way to go (Enterprise Support & Community Development Trust 2016).

Rahmat and Maulana (2006) researched on the Impact of Microfinance to Micro and Small Enterprise's Performance Indonesia. Results of the study indicated that Microfinance has positive impact to improvement of MSE's performance indicated by sales. Doubling the amount of loan was found to have a negative impact on the performance indicated by income and savings. To address this negative impact, the recommendation was that it is very important to allocate the loan to the productive activities, such as investment, in a way that improves the business opportunity.

Further, Informal Financial Institutions have been found to be effective in providing members with access to credit facilities as almost all members of the institutions have high possibility of accessing loans. The null hypothesis was rejected as the chi-square calculated value of 26.380 was greater than the chi-square tabulated value of 24.859 with 1 degree of freedom at 0.01 level of significance. The finding agrees with Tsai (2002) who noted that Informal Financial Institutions represent a major source of finance for traders and farmers in China.

Tsai (2002) also found that those IFIs were responsible for up to three-quarters of private sector financing during the first two decades of reforms. IFAD (2001) study in China found that Informal Financial Institutions provided considerably more access to credit than Formal

Financial Institutions. This means that the institutions have considerably reduced poverty among its members as contrary to the situation of people who are not members found to be relatively poor. Furthermore, Informal Financial Institutions have been remarkably effective and efficient in providing members with access to credit facilities as members of the institutions have high possibility of accessing loans. This is not the case with non-members of the institutions who usually find it difficult to access short and medium term credit facilities from conventional formal financial institutions. Finally, the institutions have immense comparative influence on investment because most of the members used the loans to invest in some income generating activities whereas non-members have little or no income for investment. Informal Financial Institutions therefore have been effective in promoting socio-economic development of Adikpo town.

World Bank (2004) reports that there are some banks in other nearby communities where the people can access loans but the idea of keeping money in the banks does not really appeal to most fisher-folks due to the high bank charges and interest on their loans. Interest rate on loans ranges from 10% every week from moneylenders to 30% per annum by the banks as at 2007. The fishers have easy access to their money from traditional savings co-operatives “Susu” immediately the need arises but with the banks, they sometime have to wait for weeks. The formal banking system is thus not very convenient for them. Among the banks that the communities can access in and around their localities are the Agricultural Development Bank, Ghana Commercial Bank, Anum Rural Bank and some other rural banks.

Assimeng (2006) Traditional saving and credit groups “Susu” also exist in the communities, but the fishers have not really developed it well in Dzemeni although some fisher-folks are in such

“Susu” associations. In Kpando Torkor, most of the “Susu” groups have died down due to mistrust among the fisher-folks. Sometimes ten (10) to forty (40) members make up the “Susu groups, who make periodic contributions to a collector, who may not necessarily be a fisher-folk. On weekly or on monthly basis, members contribute to the fund. The collector arranges for each contributor to receive the total contributions for the month in bulk. Each member in turns collects the share of money until the cycle money collection ends, with the last person on the “Susu list, after which the rotation begins again.

However, in case of an emergency, the group caters for the needy person even if it is not yet the person’s turn to collect the share of the money. They all have some mutual understanding in this system of putting their money together to support each other to purchase equipment and other necessities. Some of the fisher-folks indicated that they have started accessing money from the national poverty alleviation fund, but the amount involved is not enough to expand their businesses in any meaningful way. Some of the fisher-folks collect the outboard motor on lease to fish at GH C/40.00 cedis per day. Leasing of outboard motors has become a source of income for some fisher-folks. According to some fisher-folks, this system supports the poor in the fisheries business to go to the deep parts of the lake to fish and earn a living. Most fisher-folks save money for future needs by investing in cows, houses, jewellery and cloth, hence, the effect of accessing loans on economic development of the people (Amu-Mensah, 2007).

Assimeng (2006) says due to the lending system in the communities, the “Market Mummies” or women creditors continue to get richer. A better system will help the fisher-folks to increase their income since the interest on the loans will be reduced. Increase in the amount provided by the Poverty Alleviation Fund will also help alleviate the problem of high interest rates from the

"Market Mummies". A well organised "Susu" system will go a long way to support the fisher-folks financially for a sustainable cage culture, hence, the effect of accessing loans on economic development of the people.

Amu-Mensah (2007) contends that in many countries, household survey evidence shows that most bank deposits and loans are held by only a small proportion of the population with relatively high incomes, and that relatively few people have access to any kind of formal financial services. Many people rely instead on informal or semi-formal providers such as microfinance institutions or cooperatives etc. for which data is not usually available. These traditional indicators of financial depth may not therefore be very strongly related to the level of access to financial services for the population as a whole. Thus there are hardly any empirical studies linking access to financial services, growth and poverty reduction, despite a range of theories as to why this relationship might exist, hence, the effect of accessing loans on economic development of the people, hence, the effect of accessing loans on economic development of the people.

Burgess and Pande (2005) studied the effects of bank expansion into rural India following government reforms which encouraged the move. Bank expansion into rural areas was followed by a reduction in rural poverty, which was also linked to an increase in savings mobilization. The study finds that the increased number of bank branches allowed households to accumulate more capital and have access to longer term investment loans than previously possible. Bank branch openings thus helped increase total per capita output, especially for small scale manufacturing and services, hence, the effect of accessing loans on economic development of the people.

CGAP (2009) asserts that those in higher income brackets are more likely to borrow and save in order to finance investment than those in lower income brackets, except for investments in education where those in the lowest income bracket are more likely to save than those in middle income groups. For all investment reasons, those in the lowest income bracket do not take any loans at all, indicating possible exclusion from access to loans for those who do not earn enough money.

As a result of accessing loans on economic development of the people, Calderon & Liu; (2003), the higher the level of education the more likely you are to borrow or save for investment purposes and trainings help to acquire knowledge and skills of financial literacy which are necessary for economic development. People who have some form of tertiary education are much more likely to both borrow and save, particularly for investment in education; 97% of people with tertiary education have saved money in order to invest in education. The results show that the higher the level of education achieved, the more importance is placed on investing in human capital accumulation.

Due to effect of access loans on economic development of the people, Burgess and Pande (2005), in 2009 the picture changes: most occupational activities linked to production are associated with more loan-taking than individuals living on transfers, irrespective of whether the respondent is an employee, a farmer or a businessperson. An important note is that these results should be read as correlations and not as causal, since unobserved individual characteristics, such as personal or family connections or idiosyncratic ability, might be a source of bias. For example, they might determine simultaneously the access to loans and occupational choice, such as working for the government or for a big firm.

CGAP (2009) Investment in financial literacy or marketing programmes to improve understanding of financial services and knowledge about their availability, particularly for women and inhabitants of rural areas whom our findings suggest have lower levels of financial literacy on average; assistance in the establishment of credit bureaux and asset registries to make it easier for people to qualify for loans; and provision of support for regulatory reform and capacity building to create the right environment and incentives for financial providers to expand access, which appropriately balances the need to protect against instability, fraud and money laundering, with the need to encourage wider access to financial services.

Schmidt and Kropp (1987), Atieno (2001) and Akande et al. (2008), talk of the lender related factors which include institutional bottlenecks created by the institutions, which can be observed in the prescribed minimum loan amounts (credit inadequacy), complicated application procedures, restriction of credit for specific purposes and delay in loan delivery. There is also the problem of adverse selection by the lender. On the borrower's side, are problems related to credit worthiness which makes most formal credit institutions to deny the farmers access to credit; non-repayment of loans which has led to perennial low recovery rates, poor management procedures, poor loan utilization, loan diversion and unwillingness to repay (Awoke, 2004). Also are problems associated with the occurrence of natural hazards. As such, every effort which encourages loan default among borrowers ought to be reversed because of its adverse effects (Adegbite, 2009; Nwachukwu et al., 2010). The objectives of the study were to assess repayment performance of the borrowers,' analyse factors that discriminate between credit worthy and non-credit worthy loan beneficiaries and analyse the factors that influence loan repayment.

Credit worthiness is a function of ability and willingness to repay loans (Agu, 1998). Farmers may be either creditworthy or not creditworthy. The discriminant function analysis is used for predicting membership into these two mutually exclusive groups (Tabackmick and Fidell, 1996). Empirical work by Arene (1993) showed that income, farm size, age of farmers, farming experience and level of formal education of farmers contribute positively to the creditworthiness of farmers.

The distance of the farmer's residence from the source of loan reduced his credit worthiness. The classification performance of the discriminant function was about 94%.

The higher the rate, the better the prediction power of the function (Arene, 1993).

Furthermore, Nwankwo (2004) reported that the level of education made the highest absolute positive contribution to the total discriminant score, followed by farm size and family size. On the other hand, age, loan size, annual farm income and farming experience made negative contributions. The overall classification performance of the function was 100%. Ezeh (2003) also revealed that age of the farmers, annual farm income, farm size and family size made positive contributions to the total discriminant score. The group cases correctly classified was 56%. Ezeh (2003) also showed that the nearer the farmers home to a credit lending institution the greater the probability that the farmer will be classified as credit worthy. The variables namely off farm income, farming experience and family size contributed positively to the credit worthiness of the farmers.

Onyenucheya and Ukoha (2007) grouped farmer borrowers into two groups based on loan repayment levels. The study revealed that credit worthiness is directly influenced by age, income, educational level, farm size, and total operating expenditure – income ratio of the farmer borrower and is inversely related to outstanding loan – total asset ratio and distance between home and loan source. The classification performance was 75.6%. Onyenucheya (2007) in his research reviewed four alternative credit scoring models for agricultural loans, namely the linear probability model discriminant analysis, logit and probit. The econometric models were based on 9,403 loan applications from Canada's Farm Credit Corporation. Results indicated that there was no great deal of difference in the underlying assumptions and statistical properties. The predictive accuracies of the four models were as follows: Discriminant analysis 71.5%, logit 69.7%, probit 69.4% and linear probability model of 67.1%.

Despite all different policies that the Nigerian Government has put in place to alleviate poverty, people are still trapped in the vicious cycle of poverty. In Nigeria, credit has been recognized as an essential tool for promoting small and micro enterprises (SMEs) but only about 50% of these have access to credit. The Federal and State governments have recognized that for sustainable growth and development, the financial empowerment of the rural areas is vital, being the repository of the predominantly poor in society and in particular the SMEs. If this growth strategy is adopted and the latent entrepreneurial capabilities of this large segment of the people is sufficiently stimulated and sustained, then positive multipliers will be felt throughout the economy.

Linday (2010) noted that microfinance banks are not necessarily fulfilling their mandate by simply disbursing cash (loans) and ensuring that those loans are paid back without paying attention to personal economic development. One of the factors which can have a negative impact on personal economic development is the delay in loan disbursement because it hinders the economic decision process.

Other personal economic development factors tacitly referred to by Linday (2010) include giving sufficient loans, giving business management information to customers and reduction of interest rates. These and other factors were found to be constraints in this study. Also, Asikhia (2009) concluded in his study that microfinance banks should offer business management skills as part of their services in order to be effective.

2.4.2 The effect of the availability of micro-saving services on the economic development of people

Micro-savings program is gaining recognition within the microfinance area of influence against traditional savings schemes such as Rotating Savings and Credit Associations, Accumulating Savings and Credit Associations, deposit collectors, cash hidden in the home among others have been explored by development practitioners (Rutherford, 2000)

Sutton and Jenkins (2007) mention that micro saving as one of services offered by MFIs help the poor who are often prohibited from opening traditional bank accounts due to high transaction fees, required minimum deposits and the physical distance between the client and the bank, to still find ways to save using microfinance institutions. The researcher borrows a leaf from the idea of Sutton and Jenkins (2007) as there seems to be a situation in Uganda and Wakiso district in particular where only a fraction of the population has a bank account as most people have no suitable option for saving money yet larger sums of money can often not be kept at home, since protection from thieves is lacking. This forces people often to save in the form of material assets, such as land, livestock and buildings. However, following the increase in the number of microfinance institutions, people with low income have got the opportunity to open accounts. This research therefore is set out to establish as to whether the existing microfinance institutions in Wakiso district have indeed provided micro saving services to the people as there seems to be a situation where poor people's savings have been cheated and such institutions closed.

Secure and accessible savings facilities from microfinance institutions have provided a means for poor people to reduce their vulnerability by allowing them to better manage risk and cash flow as poor people do not just have to cope with low incomes, but also with irregular and uncertain incomes. This is because without sufficient savings available for emergencies such as an illness or injury, or to fund major purchases and investments, the poor often will resort to borrowing from moneylenders charging high interest rates or they may simply go without (Consultative Group to Assist the Poor Secretariat, 2016)

Access to saving services help the poor save to make productive investments due to accumulation of money of the clients that can be used for to meet the costs associated with expected commitments such as education and unexpected events for example ill health and funerals. In fact, very poor people tend to be much more comfortable investing what they already have than increasing their level of liability by taking out a loan (Enterprise Support & Community Development Trust, 2016). It is from this point of view that the researcher believes that for the very poorest people, savings facilities are often more important than access to loans. In fact, all poor people already save but tend to use informal methods because they lack access to good formal banking deposit services that suit their circumstances. Thus, the study is intended to gauge the extent to which the people of Wakiso district have participated in saving using the existing microfinance institutions and how this has affected their economic development.

Through the increased income generated by their businesses as well as the ability to save, the saving services from microfinance have allowed poor people to build their assets, for example by acquiring land, constructing or improving their homes and purchasing livestock and poultry and other related basic needs as Armendáriz and Morduch, (2010) remark. Saving through microfinance in particular has strengthened the client's position in the agricultural sector by expanding the amount of land they cultivate and diversifying the crops they grow for sale and domestic consumption. Thus, clients of MFIs have had an increase on their income. The researcher borrows a leaf from the remarks of Armendáriz and Morduch, (2010) but would like to further establish as to whether clients of MFIs in Wakiso district have been able to experience increased income generated by their businesses as well as the ability to save with microfinance institutions.

Factors influencing savings through the microeconomic view are hence identified from the perceived household utility. Choice of a financial institution directly implies a choice of saving, credit and transaction services thereof. This choice concerning financial modes selected by a household depends on the perceived utility that can be derived from the financial modes. The perceived utility depends on the attitudes or behavioral intent of the decision takers, which are a function of the institutions' and individual, attributes respectively (Hensher, 1979; Shem, 2002). The main factors influencing the choice of savings institutions include: security for savings, membership to the savings institutions and being able to qualify for group assistance.

Shem (2002) talks of personal attributes which include: individual level of monthly income; individual level of education; individual's age; gender; size of household and; major source of income. Institutional characteristics are: interest rate on loans; distance from financial institutions; collateral for loan; time required to process a loan; minimum balance requirement; loan repayment method; restrictions on loan use; loan repayment period, and; loan amount. The direction of the impact of each of the above individual attributes with respect to a priori expectations would vary. Defining monthly income as the disposable income of the household from all sources of economic activity before deducting loan repayments, it is expected to be positively related to the choice of services in Formal Financial Systems (FFS) (Shem, 2002).

Sameroynina (2005) studied saving behaviour among households in Russia and deduced that the marginal propensity to save out of income is positive. This concurs with economic theory where an increase in income is bound to lead to an increase in saving. A study of some Asian countries by Lahiri (1989) indicated that the rate of growth of personal disposable income determines private saving, while, Schrooten and Stephan (2005) showed that per capita income positively influences saving.

Studies by Lahiri (1989), Edwards (1996), Dayal-Gulati and Thimann (1997) and Loayza, Schmidt-Hebbel and Serven (1998) have proven that the share of working population relative to that of retired persons is positively related to saving. A factor related to dependency in the family is child's income share cohabiting with parents. A study of Netherlands and Italy by Alessie et al. (2004) showed that child's income share has strong positive effects on household saving rate. This is interpreted to mean that the lower the dependency in a family the higher the saving rate. We would therefore expect a negative effect of dependency rate on household saving. Family size is however not a good proxy for dependency levels and this study prefers using ratio of unemployed members of the household over those employed.

According to economic theory, credit access is expected to have several influences on savings: impatient consumers will be tempted to borrow and consume more in the present, hence save less; some current savers will reduce their saving since future needs can be financed more easily through credit; no change in saving will occur for the very patient and highly risk-averse savers

(Rogg, 2000). This implies that improvement in credit access is expected to impact negatively on saving. However, the study by Rogg (2000), where binary choice model (Probit model) was used, showed saving to be positively related credit access. The International Monetary Fund (IMF) survey by Terrones (2005), talks of improvement in availability of credit as one cause cited for decline in saving in many industrial countries.

The explanation for this observed situation is the fact that commercial banks perceive doing business with the poor and microenterprises to be expensive and highly risky. The rich in society, medium and large enterprises are judged to be comparatively credit worthy. Microfinance institutions have therefore become the main source of funding for, the poor and micro-enterprises. They bridge the savings and credit gap and assist the poor and micro-businesses to have access to savings and credit facilities.

In a broader perspective, microfinance includes the offer of small financial services and the management of small amounts of financial resources through an array of financial products and a system of intermediary functions that are targeted at low income earners (United Nations, 2000, 2005). It includes loans, savings, insurance, transfer services and other financial products and services. It is widely accepted that micro-financing plays a very important role in improving the living conditions of the poor by making it possible for the poor to have access to productive resources, with financial services being a key resource. Such resources can be channeled into income generating activities and consequently generate employment for the poor. Microfinance is also recognized as making a significant impact on cross cutting issues such as women empowerment, reducing spread of HIV/AIDS and environmental degradation as well as improving access to such social services as health, education and housing by the poor and vulnerable. It is a tool that creates access to productive capital for the poor, which if complemented with human capital, tackled through education and training, and social capital, enables the people to move out of poverty (Bank of Ghana, 2007).

Institutions involved in microfinance services in Ghana can be grouped into formal (Rural and community banks, and savings and loans companies), semi-formal (Credit unions) and informal (Susu savings collector, rotating savings and credit associations, savings and credit clubs, money lenders, trade creditors, self-help groups and personal loans from friends and relations) (Steel and Andah, 2003). With regard to their source of income, most of the microfinance institutions mobilized their own funds but the non-government organizations normal depends on government and donor partners.

It is often stated in related studies that despite the important role played by institutions involved in micro financing, the industry has been faced with enormous challenges and constraints which partly accounts for the slow growth of the industry (Bank of Ghana, 2007). One of the basic challenges is for the microfinance institutions to reach a greater number of the poor clients. The consultative group to assist the poor (CGAP) survey indicated that microfinance practitioners estimate that over 500 million poor people worldwide demand financial services, but only a small proportion of those people actually have access. The task of building a viable and sustainable microfinance industry to meet this massive demand poses an exciting yet daunting challenge.

It identifies the key values, goals and constraints that the micro finance institution wants people to share in running the business. In Kotler's (1994) work, market segmentation is defined as the "subdividing of market into homogeneous subsets of customer, where any subset may conceivably be selected as a market target to be reached with a distinct marketing mix". It is a fundamental concern of strategy with far reaching effects and determines the allocation of sales force efforts, the distribution channels to use, advertising media and the most productive ways of communicating with customers.

In discussing competitive strategies, Porter (1985) identifies two sources of competitive advantage: low cost and differentiation. This implies the availability of three generic strategies; Cost/ price leadership strategy, differentiation strategy and focus strategy. The two most relevant points from Porter's work for our present purposes are that: first, micro finance institutions must think in terms of their own competitive strategy type; and second, microfinance institutions can use the structure to identify "Strategic groups" and how well these groups perform.

Otieno et al (2011), says that world over, provision of microfinance accumulated through savings to the vulnerable has been considered an innovative and sustainable approach which later on act as security where the youth can engage in micro enterprise activities to generate income so as to improve their livelihoods and contribute to economic growth. Micro finance refers mainly to small loans, savings mobilization and training in micro enterprise investment services extended to poor people to enable them undertake self-employment projects that generate income. Rural-based micro finance programs in particular have the potential to help poor people perform business activities through which they may acquire employment as well as income.

This is in view of the fact that the Micro and Small Enterprises (MSEs) sector has a potential to create wealth and employment as demonstrated in previous studies (Aryeetey 1997). However, Mushimiyimana, (2008) cited lack of collateral and high interest rates as an impediment to access to loans from Microfinance institutions (MFIs) by micro entrepreneurs can only be tackled once there are savings which increase clients' capital resources to cover their needs of life. Micro entrepreneurs who secure funds from such institutions spend the bulk of their returns on investment in paying the cost of capital, thus leaving them with none or little savings for reinvestment. As a result, majority of micro enterprises fail to grow into Small and eventually Medium enterprises.

Kioko (1995) talks of the chikola loan program which works through existing rotating savings and credit self-help groups that are comprised of individual micro entrepreneurs and savings services have helped people to have a systematic saving culture. From 2006 to 2009, K-REP Kisii branch had micro financed 110 Youth micro enterprises to the tune of Kenyan shillings (KSh) 15 million. The loans with minimum amounts of Ksh.15,000 are given to individuals with group members guaranteeing one another. To date, a number of MFIs and financial intermediaries including K-REP, Equity bank, Kenya women finance trust (KWFT) and Faulu provide microfinance services to the low income groups for purposes of starting or developing income generating activities. Financial Services Deepening (FSD), (2009) indicates that MSEs access to credit has increased greatly from 7.5% in 2006 to 17.9% in 2009.

However, a recent study by Bowen et al. (2009) shows that over 50% of MSEs continue to have a deteriorating performance with 3 in every 5 MSEs failing within months of establishment.

Ojo (2009) in his research on the role of micro finance in entrepreneurship development, found out that there was a significant difference in the number of entrepreneurs who used Microfinance Institutions and those who do not. Microfinance is sustainable to the development of entrepreneurship activities in Nigeria and that Microfinance has affected entrepreneurship in the country positively. He concluded that Microfinance institutions have a positive relationship with the Nigerian economy represented by expanded GDP.

Otieno et al (2011), the savings enabled clients to deal with severe crises and to cope up with the shocks and reduce vulnerability and bought property that can be sold also to deal with the crises; savings could be used to acquire another microfinance cycle and also to start and expand the existing micro enterprise activities and saving services have helped to secure money that would have been put to wasteful expenditure. In terms of empowerment, majority of women felt that their position in the family had been strengthened, set up businesses and run them, could occupy a political office at local levels and had attained a real change in their lives and self–esteem when they compare themselves to that period before the program. He suggested need for more future research that must focus on a deeper understanding of poverty alleviation since microfinance is only treating the symptoms than attacking the real causes.

2.4.3 The effect of non-financial service provisions by microfinance on the economic development of people

Consultative Group to Assist the Poor (CGAP) Secretariat (2016), talks of training and capacity building as a non-financial service offered by microfinance. The report from the Consultative Group to Assist the Poor shows that microfinance institutions have globally invested in training and empowering human resource through organized workshops and conferences. However, this report study was conducted in United States hence the question remains: could the MFIs in Uganda and Wakiso district in particular conduct an intensive education, capacity building and training of their customers? It is from this point of view that this research is set out to establish as to whether MFIs offer training and capacity building to their clients in Wakiso District.

Clients of MFIs have acquired business related knowledge and savings skills among the most important positive results of participation in their microfinance programs (Andy Carlton, Manndorff, Obara, Reiter and Rhyne, 2001). They further indicate that many clients have learnt leadership and public speaking skills from participation in MFI groups as numerous clients gave proof of this by joining wider institutions and standing for elective offices in local councils. This is a positive contribution as MFIs provide a platform and expositions for the clients to many opportunities. Could this be the same privilege enjoyed by the clients of MFIs in Wakiso district? This research was thus intended to establish the skills acquired by the clients of MFIs in Wakiso District.

Health intervention has been one of the integral parts of the non-financial services offered by MFIs. Different organizations apply different or similar policy to identify the health problems, undertake rigorous experimentation and try to explore and then apply suitable, affordable and culturally acceptable technology. Throughout the work process, they measure and monitor its implementations and recommends corrective actions to modify methods of implementation of program, health message, training and management, where needed (Annual Report 2005). However, this report study was conducted in Bangladesh hence the question remains: as to whether Ugandans living in Wakiso enjoy the same services from microfinance. It is from this point of view that this research hence forth is set out to establish as to whether MFIs intervene in health matters of their clients in Wakiso District.

Another important non-financial service of microfinance is the spread the light of education throughout the society. Development through this program, along with the health program, indicates human development among the people. Their effort and mission is to build up a society free of poverty, illiteracy and disease. Their goals are to expand education opportunities for disadvantaged children and provide them with necessary technical and financial support. The researcher borrows a leaf from the remarks as it seems basing on the benefits the Ugandans are enjoying from microfinance for example in Uganda BRAC registered as Non-Government Organization (NGO) in January 2006, to undertake programs in Education (Shantayanan, D, et al, 2012). However, the researcher would like to further establish as to whether clients of MFIs in Wakiso district have been able get the light of education through microfinance and to examine as to whether it has had an impact on the economic development of people.

In the developing countries, achieving household food security remains a critical objective of rural development. This can be done in principle by escalating agricultural productivity and off-farm income, thus improving the capability of households to steady their income and food purchasing power. Food security, at the household level, is defined in its most basic form as access, by all people at all times, to the food needed for a healthy life (Zeller, Meyer, Richard 2002)

Otieno et al (2011) adopting Ledgerwood (1999), Christen and Rosenberg (2000) perceives the concept of micro finance as the provision of financial and non-financial services by micro finance institutions (MFIs) to low income groups without tangible collateral but whose activities are linked to income generating ventures. These financial services include savings, credit, payment facilities, remittances and insurance.

Roth (2002) the non-financial services mainly entail training in micro enterprise investment and business skills. He believes that micro finance encompasses micro credit, micro savings and micro insurance and Microfinance non-financial services have ensured good practice of preventive and curing health measures for healthy wellbeing.

Otieno et al (2011) adopted Webster and Fidler (1996) advocate that in many cases, basic business skill training should accompany the provision of micro loans to improve the capacity of the poor to use funds. Micro enterprise investment training mainly addresses capital investment decisions, general business management and risk management.

This was in agreement with Scott (2003) defines savings as income not spent or differed consumption. He further contents through training non-financial services have enabled efficient management of cost of operation The savings mobilization has recently been recognized as a major force in microfinance. In the past, micro finance focused almost exclusively on credit; savings were the "forgotten half" of financial intermediation. The importance of savings mobilization has been highlighted in several papers in the context of micro finance. Microenterprise programs can play a significant role to foster savings among the poor populations, with considerable benefits both for the savings and for the programs. Harper (2003) says that domestic savings provide the assets for the economy's investment in future production and through trainings, people have been able to learn how to get out of poverty, illiteracy and disease. Without them, the economy cannot grow unless there are alternative sources of investment. People's propensity to save varies significantly. Common astuteness states that as a person's disposable income increases, so does his or her capacity and willingness to save. Literature on empirical studies

Bassem (2012) In addition to providing financial services, this approach favors the granting of non-financial services such as training and technical assistance to micro-entrepreneurs, literacy and so on. It is this vision that prevailed in the 1980's. The MFIs data are collected from individual institutions as reported to mix market, a non-governmental organization whose object is to promote the exchange of information on the microfinance sector around the world. This database collects information on 73 MFIs operating according to international standards from ten countries in the MENA region. This information, primarily financial in nature, is incomplete. Therefore, additional data were collected from the World Bank, World Development Indicators (WDI) and World Governance Indicators (WGI), the International Monetary Fund (IMF), various recent reports of Planet Rating, some additional reports of mix "Social Performance Standards" (SPS) and annual reports specific to MFIs.

Tchouassi (2011) Empirical researches on the impact of microfinance on vulnerable populations in Central African countries to enable policy-makers, donors, and practitioners to understand the nature of the evidence are available and Investments made help people to develop economically. We have identified, and synthesized here where possible, the available lessons: impact of microfinance on poor people, impact of microfinance on the incomes of the poor, impact of microfinance on wider poverty/wealth of the poor, impact of microfinance on other non-financial outcomes for poor. The findings suggest the appropriate measuring the impact of microfinance on vulnerable populations.

Of late the terms micro credit and microfinance tend to be used interchangeably to indicate the range of financial services offered to the poor and vulnerable populations, low-income individuals/households and micro-enterprises (Brau and Woller, 2004). Microfinance, as a financial service for the poor and vulnerable, is largely applied in developing countries and in developed countries. The question of the role of microfinance in reducing inequality and vulnerability remains valid today. We find this tool in European countries, American countries, as well as in Asian and African countries.

Helms (2010), Businesses made help clients earn profits and increase their chances of developing economically and economic inequality generally refers to equality of outcome, and is related to the idea of equality of opportunity. It is a contested issue whether economic inequality is a positive or negative phenomenon, both on utilitarian and moral grounds. The concept of inequality can be discussed along three types of processes: Economic (income, employment and access to physical assets), social (access to health, education and social security) and political (rights to vote, access to political power and to legal institutions), and three different dimensions: geography (across regions), location (rural/urban) and across population groups (different gender, different ethnicity and different race). Otherwise, there is a large literature on intergenerational transmission of inequality (Piketty, 1998).

Tchouassi (2011), vulnerability begins with a notion of risk and is defined as the ability of an individual or household to cope with risk and uncertainty. Risk, defined as the chance of a loss or the loss itself, is characterized by a known or unknown probability distribution of events. The concept of vulnerability expresses the multidimensionality of disasters by focusing attention on the totality of relationships in a given social situation which constitute a condition that, in combination with environmental forces, produces a disaster (Bankoff et al., 2004).

Tchouassi (2011) says since the impact of overall financial depth on inequality and on vulnerability seems to be obscure, we focus on the role of microfinance as a tool for financial depth endowed with the equalizing effect. Since microfinance directly eases the micro credit constraints on the poor and vulnerable, is it expected to reduce inequality? As a financial service for the poor and vulnerable populations, microfinance is largely applied in developing countries as low-rate finance, using the technique of individual and group lending. Microfinance institutions transfer the opportunity cost to borrowers by allowing them to carry out screening and monitoring. This paper is considering microfinance as a financial system that directly affects inequality and vulnerable populations and focuses on the relationship between microfinance, inequality and vulnerability.

Mago (2013) further observes that the minimalist approach’s main focus is a single “missing piece” in enterprise development and saving helps people not to use their money wastefully. Proponents of the minimalist approach argue that it offers cost advantages for microfinance institutions (MFIs) and also allows them to remain focused. Offering extended services is expensive so it requires financial support from either government or non-governmental organizations (NGOs).

On the other hand, the integrated approach involves financial intermediation, social intermediation, enterprise developmental services and social services. The approach takes a holistic view of the client. Ledgerwood (1999) says it is based on the premise that enterprise growth requires a whole range of services as aforementioned. This approach’s holistic stance gives the clients a complete package that has the capability of making them realize their full potential. However, Ledgerwood warns that MFIs that choose to adopt the integrated approach should be aware of the following potential issues providing financial and non-financial services are two distinct activities, which may have conflicting objectives (Mago, 2013).

Individual level of education is measured in terms of the years an individual has spent in formal education and is expected to improve the understanding of the FFS by individuals and hence their choice of services in the FFS. Moreover, individuals with higher levels of education would feel less intimidated by the institutional environment within FFS relative to others with lower level of education. A study by Bernheim and Garrett (1996) showed that saving rates increase with education. Individual’s age is expected to be negatively correlated with saving, such that, older people save less and the younger save more. Incorporating the fact that younger people who earn little or no income save little or none (often net borrowers) implies that actual relationship between age and saving is non-linear. This is confirmed by a study of United

Kingdom and United States of America by Attanasio (1997) that showed a curvilinear relationship (hump-shaped curve).

Brafu-Insaidoo (2011) Savings further help to accumulate capital which is a sign of economic development and it is an acknowledged fact that, for any given organization that finds itself operating in an environment of increasing number of microfinance operators, it becomes more difficult to get the firm's product noticed and for potential clients to do business with her without a good marketing mindset (that is without being customer focused). The use of good marketing approaches and strategies by micro finance institutions in promoting their products will not only attract more new customers, but also ensure a viable and sustainable microfinance industry in the country. This study will therefore seek to find out whether microfinance institutions use marketing approaches and strategies in reaching the productive poor.

Kotler (1994) savings create a capital resource to cover the basic needs in life and that marketing strategies are directly linked to marketing approaches or programs adopted by the microfinance institution. Until the marketing strategies are translated into marketing programs, the marketing objectives of the microfinance institution cannot be realized.

Kotler (1994) suggests that in developing market strategy the major concerns that need to be considered are the mission analysis; market segmentation, competitive differentiation and positioning; and matching assets with customer needs. According to him, mission analysis has two sides. These are customer missions and key value missions. Customer mission focuses on the customer needs the micro finance institution is dealing with, and defines the domain or part of the world in which the micro finance institution is going to compete. Key value mission, on the other hand, refers to what is important within the business, or how things are going to be run or simply what the micro finance institution wants people to see as important for example, service and quality.

2.3 Conclusion

This chapter discussed the literature specific to the research topic, research objectives and research questions. The literature from both the developed and developing world as well as reports from international organizations were reviewed. The chapter discussed the literature about microfinance services and economic development. The resolutions of United Nations, association of microfinance institutions in Uganda and consulting group to assist the poor were given due attention. The divergent views by some researchers questioning whether economic development is as the result of people's access to microfinance services were also discussed.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the methods and process that the researcher used while carrying out the study. Of interest in this chapter is the research design, the area of the study, study population, the research instruments, and data collection, management, interpretation and procedures, validity and reliability, sample techniques and ethical considerations.

3.1 Research design

The researcher employed a case study research design since data was collected from samples of respondents who are the clients of Munaku Kaama Kisubi SACCO. This research design was chosen because it catered for the category of respondents who access services offered by a microfinance institution and the case study in particular.

Quantitative approach was employed. Quantitative approach involves the collection of numerical data in order to explain, predict and control phenomena of interest and data analysis is basically statistical (Amin 2005). The researcher used the quantitative approach so as to present and analyze the numerical data collected.

3.2 The study area

This study was carried out in Wakiso District, Katabi sub-county, Kitala parish along Kampala – Entebbe road. Wakiso district is located in central Uganda that encircles Kampala, Uganda’s capital city.

3.3 Study population

The researcher's targeted population comprised clients who are resident in Kitala Parish, Katabi Sub-County, Wakiso District and according to the manager of this SACCO (2016) they numbered one hundred seventy (170). The researcher targeted clients because they regularly accessed and participated in the services of MFI.

3.4 Sample Size

The researcher selected the study samples using Krejcie & Morgan (1970) for determining sample size for a given population. This gave the sample size for the clients as 118.

Table 3. 1 **Table 1: The table showing the sample size distribution**

RESPONDENTS	**CATEGORY**	**NUMBER**	**SAMPLE SIZE**
A	Clients	170	118

3.5 Sampling techniques

The researcher used one sampling techniques; the simple random sampling which was used to select clients (males and females) who are a reliable source of information. This technique was applied because it reduces bias and prejudice, and gives equal opportunity to the whole population to participate in the study as observed by Amin, (2005).

3.6 Data collection sources

3.6.1 Primary sources

The researcher used primary information to avoid biases for example, self-administered questionnaires to obtain information from respondents in the course of the study.

3.6.2 Secondary Sources

The researcher used secondary information to supplement the information gathered. This was from the accessible libraries. The reason for the use of secondary information was to help the researcher fill the gaps that could have existed.

3.7 Data collection Tools

The researcher got data items by use of questionnaires.

3.7.1 Questionnaire

The researcher used questionnaire method to obtain quantitative data from the clients. This helped him in answering the research questions and getting more knowledge about the research problem. Each respondent selected received a copy of the questionnaire which was structured with closed ended statements or questions since they required a lower cognitive load on the respondent. It also reduces the amount of thinking that a respondent needs to undertake to complete the task. This generally, led to higher response rate and more accurate data. It also made it easier for the researcher to code and analyze. This method helped the researcher to obtain data from very many respondents in a short period of time.

Both nominal and ordinal scales were employed. Nominal scale was used for gender, marital status and age group whereas ordinal scale was used to measure the numerical values associated with the statements based on the research objectives and dependent variable by ranking them.

3.8 Validity and reliability of research instruments

3.8.1 Validity

In scientific research, validity refers to the extent to which the instruments are relevant in measuring what they are supposed to measure (Amin, 2005).

Expert review: The researcher prepared questionnaires and gave them to his supervisors to justify their stability before distributing them to respective respondents. The personnel had the opportunity to correct and delete some questionnaires that were irrelevant and not consistent with the study. This helped the removal of ambiguities and facilitated clear understanding of the questionnaires by the respondents.

The researcher measured how much time it would take to complete each questionnaire and then analyzed the information provided to clarify directions, question wording, or response categories where necessary. Questions that could not provide useful data were discarded, and the final revisions of the questionnaires were made.

3.8.2 Reliability

According to Amin, (2005) reliability is the degree to which the instrument consistently measures whatever it is meant to measure. The researcher too used Cronbach Reliability Test to get a credible alpha co-efficiency.

Table 3.7.2 Cronbach Alpha Value for reliability of the study tools

Variables	Number of items	Cronbach's Alpha
Loan Services	08	0.865
Saving Services	08	0.890
Non-Financial Services	08	0.833
Economic Development	09	0.861

Source; Primary Data (2016)

If it is above 0.5 then the instrument is considered reliable and consistent.

3.9 Data analysis

3.9.1 Quantitative data analysis

To ensure completeness and clarity the researcher organized and sorted the collected data. Quantitative data from the respondents through the questionnaires were coded and tabulated using Statistical Package for Social sciences (SPSS) computer program, as a convenient tool for converting quantitative information into percentages for easy interpretation and presentation. The findings were presented in tables and figures followed by detailed descriptions.

3.10 Ethical considerations

These are established codes or guidelines or established procedures which assess all research projects (Sarantakos 2005). The researcher applied the following basic ethical standards: proper identifications; not giving respondent false impression, clear information as to the type of questions, the degree of questionnaires sensitivity, concern with the welfare of respondent including having regard for mental, physical health, safety embarrassment, guilt discomfort, or risks to respondents.

Bailey (1982) talks of the need for a free and informed consent: for example not putting pressure on the respondents, right to privacy in regard to their private life, sensitive issues or answering questions that they dislike. The right to anonymity, meaning that the respondents' names had to remain anonymous and confidential: the respondents' contributions were not be made available to other people.

3.11 Limitations of the study

Access to the respondents especially those with tight schedules and only report to financial institutions but with reliable information proved a challenge to the researcher to gather the required data from them. The researcher used different communication means to make prior arrangements with such respondents.

The researcher was limited by research resources in form of money. To solve this limitation the researcher took the initiative in typing research materials by himself in order to reduce on the costs.

The researcher did not have ample time to effectively get involved in data collection due to his tight schedule at his place of work. He solved this challenge by using research assistants.

3.12 Conclusion

The chapter covered the research design, study area, study population, sample size, sampling techniques, data collection sources, data collection tools, validity and reliability of the research instruments, data analysis, ethical considerations and limitations of the study.

CHAPTER FOUR

PRESENTATION OF RESULTS, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

The chapter covers the presentation of results and interpretation of findings in relation to the study objectives. Questionnaires were used to collect the data. The findings are summarized in form of tables (showing percentages and frequencies). In addition, statistical analysis namely correlation and regression analysis are undertaken.

The presentation was guided by the following research objectives:

i. To assess the effect of loan access on economic development of people.

ii. To analyze the effect of the availability of micro-saving services on the economic development of people.

iii. To evaluate the effect of non-financial service provisions by microfinance on the economic development of people.

4.1 Response Rate

With a sample of 118 only 100 questionnaires were returned representing a response rate of 84.7 %.

Amin (2005) asserts that for a valid research to be conducted, a minimum of 30 to 50 participants is required for the study. Therefore it implied that the response rate of 84.7 % was sufficient for the study

4.1.2 Marital Status of the Respondent

Table 4.1: Marital Status of the Respondent

Marital Status of the Respondent	Frequency	Percent
Married	57	57.0
Unmarried	43	43.0
Total	**100**	**100.0**

Source; Primary Data (2016)

Findings in table 4.1 indicated there 57 (57.0%) married respondents and 43 (43.0%) unmarried respondents. This implies that the majority respondents at Munaku Kaama Kisubi Sacco are married as it is assumed that married people are responsible as regards the Microfinance Services and Economic Development. Married clients are presumed to be responsible and have permanent homes.

4.1.3 Gender of the respondent

Table 4.2 **Gender of the respondent**

Gender of the respondent	Frequency	Percent
Female	52	52.0
Male	48	48.0
Total	**100**	**100.0**

Source; Primary Data (2016)

Findings in table 4.2 revealed that there are 52 (52%) female respondents and 48 (48%) male respondents. This implies that there are more females at Munaku Kaama Kisubi Sacco compared to males as it is indicated that the women are encouraged more in microfinance services compared to men.

4.1.4 Age of the respondent

Table 4.3: **Age of the respondent**

Age Group of the respondent	**Frequency**	**Percent**
18-27	23	23.0
28-37	27	27.0
38-47	19	19.0
48-57	18	18.0
58+	13	13.0
Total	**100**	**100.0**

Source; Primary Data (2016)

Findings in table 4.3 revealed that there are 23 (23.0%) respondents in the age group of 18-27 years, 27 (27.0) respondents in the age group of 28-37 years, 19 (19.0%) respondents in the age group of 38-47 years, 18 (18.0%) respondents in the age group of 48-57 years and 13 (13.0%) respondents in the age group of 58 years and above. This implies that majority of the respondents are in the age groups of 18-27 years, 28-37 years and 38-47 years as they are in the youthful age hence can be enabled to carry out activities related to microfinance services and economic development.

4.2 Presentation and analysis of findings according to the study objectives

Descriptive statistics were used to examine relationship between Microfinance services and economic development. The findings were analyzed and interpreted basing on the attached Likert Scale such that a mean close to 5 represents strong agreement, 4-agreement, 3- Not sure, 2- disagreement and 1-strong disagreement

4.2.1 Descriptive statistics for the effects of accessing loans on economic development of people

Table 4.4 **Mean and standard deviation of the effects of accessing loans on economic development of people**

Item	N	Minimum	Maximum	Mean	Std. Deviation
Accessing micro loan services creates opportunities for self-employment	100	1	5	4.09	.954
Clients are able to make investments using micro loans	100	2	5	4.06	.908
Micro loans have provided the needed capital to help clients expand their businesses which has increased their income.	100	1	5	3.95	.957
Clients who access micro loans and accumulate funds out of it have been enabled to acquire assets.	100	1	5	3.80	.985
Through micro loan services, clients are able to be protected against risks and increase of their income.	100	1	5	3.61	1.014
Microloans enable clients to start small businesses.	100	1	5	3.99	1.000
The possibility of accessing loans helps one to gain financial security	100	1	5	3.81	.961
Accessing micro-loans helps one to participate in the economy and society	100	1	5	3.89	1.063

Source; Primary Data (2016)

Table 4.4 findings revealed that accessing micro loan services create opportunities for self-employment, where respondents agreed with the mean value of 4.09 and the standard deviation of 0.954 indicating dispersion in the responses. This implies that accessing micro loan services creates opportunities for self-employment at Munaku Kaama SACCO. This is in line with Daley-Harris, (2002) the poor people are excellent borrowers, when provided with efficient, responsive loan services at affordable rates the researcher believes that often small loans are essential to allow people to become self-employed or to significantly improve their income situation.

Table 4.4 findings revealed that clients are able to make investments using micro loans where the respondents agreed with the mean of 4.06 and the standard deviation of 0.908 indicating the dispersion in the responses. This implies that clients are able to make investments using micro loans at Munaku Kaama SACCO. This is in agreement with Otero (1999) who also puts it clear that micro-loans provide material capital to poor persons, which strengthen and empower them to participate in the economy and society and enable them make investments using micro loans.

Micro loans have provided the needed capital to help clients expand their businesses which has increased their income where the respondents with a mean of 3.95 agreed and the standard deviation of 0.957 indicating significance in table 4.4. This implies that micro loans have provided the needed capital to help clients expand their businesses which has increased their income at Munaku Kaama SACCO. This concurs with Enterprise Support & Community Development Trust (2016), the acquisition of loans from microfinance institutions is one of the simplest ways to get the needed funds to start or develop the business.

Findings in table 4.4 continued to indicate that clients who access micro loans and accumulate funds out of it have been enabled to acquire assets where the respondents agreed with the mean value of 3.80 and the standard deviation of 0.985 indicating dispersion in the responses. This implies that clients who access micro loans and accumulate funds out of it have been enabled to acquire assets at Munaku Kaama SACCO. This is in line with Enterprise Support & Community Development Trust (2016) which further mentions of microfinance loans bringing a longer-term commitment and clients who access micro loans and accumulate funds out of it have been enabled to acquire assets.

Furthermore through micro loan services, clients are able to be protected against risks and increase of their income where the respondents agreed with the mean value of 3.61 and the standard deviation of 1.014 indicating dispersion in the responses. This implies that through micro loan services, clients are able to be protected against risks and increase of their income at Munaku Kaama SACCO. This was in line with Blavy, Basu, & Yülek (2004) microfinance loan can be acquired in the shortest time possible especially so for small business owners in need of working capital compared to waiting for a traditional loan which can take months

Micro loans enable clients to start small businesses where the respondents agreed with the mean value of 3.99 and the standard deviation of 1.000 indicating dispersion in the responses in table 4.4. This means that loans enable clients to start small businesses at Munaku Kaama SACCO. This was in agreement with Armendáriz and Morduch, (2010) increased income generated by their businesses as well as the ability to save and obtain loans and Micro Loans enable clients to start small businesses.

Finally table 4.4 findings revealed that the possibility of accessing loans helps one to gain financial security and accessing micro-loans helps one to participate in the economy and society where the respondents agreed with the mean values of 3.81 and 3.89. The standard deviations of 0.961 and 1.063 respectively indicated dispersion in the responses.

4.2.2 Descriptive statistics for the effect of the availability of micro-saving services on the economic development

Table 4.5 **Mean and Standard deviation of the effect of the availability of micro-saving services on the economic development**

Item	N	Minimum	Maximum	Mean	Std. Deviation
Microfinance Institutions allow micro savings service to their clients.	100	1	5	3.95	1.067
Clients have secured their finances by saving them with microfinance institutions which has helped them to reduce risks of keeping cash.	100	1	5	3.94	1.052
Micro savings have helped poor people who cannot save with banks to access the same services since they are offered by microfinance institutions.	100	1	5	4.07	1.085
Micro savings help to accumulate capital resource for investment.	100	1	5	3.94	.952
Savings act as security to enable clients in acquiring and repayment of loans	100	1	5	3.94	1.033
Savings increase clients’ capital resources to cover their basic needs of life	100	1	5	3.90	1.020
Saving services have helped people to have a systematic saving culture	100	1	5	3.70	1.176
Saving services have helped to secure money that would have been put to wasteful expenditure.	100	1	5	3.87	1.220

Source; Primary Data (2016)

Findings in table 4.5 revealed that Microfinance Institutions allow micro savings service to their clients where the respondents agreed with the mean value of 3.95 and the standard deviation of

1.067 indicating dispersion in the responses. This implies that Microfinance Institutions allow micro savings service to their clients especially at Munaku Kaama SACCO. This was in line with Sutton and Jenkins (2007) mentions that micro-savings, as one of services offered by MFIs, help the poor who are often prohibited from opening traditional bank accounts due to high transaction fees.

Clients have secured their finances by saving them with microfinance institutions which has helped them to reduce risks of keeping cash where the respondents agreed to the view with the mean of 3.94 and the standard deviation of 1.052 in table 4.5. This implies that Clients have secured their finances by saving them with microfinance institutions which has helped them to reduce risks of keeping cash especially at Munaku Kaama SACCO. This was in line with Enterprise Support & Community Development Trust (2016) Clients have secured their finances by saving them with microfinance institutions which has helped them to reduce risks of keeping cash and the very poor people tend to be much more comfortable investing what they already have than increasing their level of liability by taking out a loan.

In addition to the above, table 4.5 findings indicated that micro savings have helped poor people who cannot save with banks to access the same services since they are offered by microfinance institutions where the respondents agreed with the mean of 4.07 and the standard deviation of 1.085 indicating dispersion in the responses. This implies that micro savings have helped poor people who cannot save with banks to access the same services since they are offered by microfinance institutions such as Munaku Kaama SACCO. This was in agreement with Sutton and Jenkins (2007) that micro savings have helped poor people who cannot save with banks to access the same services since they are offered by microfinance institutions

Table 4.5 findings revealed that Micro savings help to accumulate capital resource for investment where the respondents agreed with the mean value of 3.94 and the standard deviation of 0.952 indicating dispersion in the responses. This implies that micro savings help to accumulate capital resource for investment at Munaku Kaama SACCO. This concurred with Rutherford (1999) and Armendáriz and Morduch, (2010) as they too state that micro savings help to accumulate capital resource for investment.

Findings in table 4.5 indicated that Savings act as security to enable clients in acquiring and repayment of loans at Munaku Kaama SACCO where the respondents agreed with the mean value of 3.94 and the standard deviation of 1.033 indicating dispersion in the responses. This implies that Savings act as security to enable clients in acquiring and repayment of loans. This was in agreement with Otieno et al (2011), world over, provision of micro finance accumulated through savings to the vulnerable has been considered an innovative and sustainable approach which later on act as security where the youth can engage in micro enterprise activities to generate income so as to improve their livelihoods and contribute to economic growth

Furthermore, findings in table 4.5 revealed that savings increase clients' capital resources to cover their basic needs of life where the respondents agreed with the mean value of 3.90 and the standard deviation of 1.020 respectively. This implies that savings increase clients' capital resources to cover their basic needs of life at Munaku Kaama SACCO. This concurred with Mushimiyimana, (2008) cited lack of collateral and high interest rates as an impediment to access to loans from Microfinance institutions (MFIs) by micro entrepreneurs can only be tackled once there are savings which increase clients' capital resources to cover their needs of life.

Savings services have helped people to have a systematic saving culture where the respondents agreed with the mean of 3.70 and the standard deviation of 1.176 in table 4.5 indicating dispersion in the responses. This implies that saving services have helped people to have a systematic saving culture. This was in agreement with Kioko (1995) the Chikola loan program works through existing rotating savings and credit self-help groups that are comprised of individual micro entrepreneurs and savings services have helped people to have a systematic saving culture.

Finally findings in table 4.5 revealed that saving services have helped to secure money that would have been put to wasteful expenditure where the respondents agreed with the mean of 3.87 and the standard deviation of 1.220. This implies that saving services have helped to secure money that would have been put to wasteful expenditure at Munaku Kaama SACCO.

This was in line with Otieno et al (2011), the savings enabled clients to deal with severe crises and to cope up with the shocks and reduce vulnerability and bought property that can be sold also to deal with the crises; savings could be used to acquire another microfinance cycle and also to start and expand the existing micro enterprise activities and saving services have helped to secure money that would have been put to wasteful expenditure.

4.2.3 Descriptive statistics for the effects of non-financial service provisions by microfinance on the economic development of people

Table 4.6 **Mean and Standard Deviation of the effects of non-financial service provisions by microfinance on the economic development of people**

Item	N	Minimum	Maximum	Mean	Std. Deviation
Clients have benefited through acquiring intensive education, capacity building and training.	100	1	5	3.87	1.012
Clients have been able to acquire business related knowledge and saving skills.	100	2	5	4.16	.961
Microfinance non-financial services have ensured good practice of preventive and curing health measures for healthy wellbeing.	100	1	5	3.73	1.053
Microfinance non-financial services have helped the clients in gaining knowledge to help them increase agricultural production.	100	1	5	3.73	.973
Through training non-financial services have enabled efficient management of cost of operation.	100	1	5	3.78	.871
Through trainings clients have been able to better skills on leadership and public speaking.	100	1	5	3.82	.925
The trainings offered help clients to plan the loan re-payment expected	100	1	5	3.99	.916
Through trainings, people have been able to learn how to get out of poverty, illiteracy and disease.	100	1	5	4.01	1.040

Source; Primary Data (2016)

Table 4.6 findings revealed that Clients have benefited through acquiring intensive education, capacity building and training where the respondents agreed with the mean of 3.87 and the standard deviation of 1.012 indicating dispersion in the responses. This implies that clients have benefited through acquiring intensive education, capacity building and training. This concurred with Carlton et al (2001) that clients of MFIs have acquired business related knowledge and savings skills among the most important positive results of participation in their microfinance programs and clients have benefited through acquiring intensive education, capacity building and training

Findings in table 4.6 indicated that clients have been able to acquire business related knowledge and saving skills where the respondents agreed with the mean of 4.16 and the standard deviation of 0.961 indicating dispersion from the mean. This implies that clients have been able to acquire business related knowledge and saving skills at Munaku Kaama SACCO. This concurred with Consultative Group to Assist the Poor (CGAP) Secretariat (2016), training and capacity building is non-financial service offered by microfinance.

Table 4.6 findings revealed that Microfinance non-financial services have ensured good practice of preventive and curing health measures for healthy wellbeing where the respondents agreed with the mean of 3.73 and the standard deviation of 1.053 indicating dispersion from the mean this implies that Microfinance non-financial services have ensured good practice of preventive and curing health measures for healthy wellbeing at Munaku Kaama SACCO.

This was in line with Roth, (2002) the non-financial services mainly entail training in micro enterprise investment and business skills. He believes that micro finance encompasses micro credit, micro savings and micro insurance and Microfinance non-financial services have ensured good practice of preventive and curing health measures for healthy wellbeing.

Findings in table 4.6 revealed that Microfinance non-financial services have helped the clients in gaining knowledge to help them increase agricultural production where the respondents agreed with the mean value of 3.73 and the standard deviation of 0.973 indicating dispersion from the mean. This implies that Microfinance non-financial services have helped the clients in gaining knowledge to help them increase agricultural production. This was in line with Zeller, Meyer, Richard (2002) that food security, at the household level, is defined in its most basic form as access, by all people at all times, to the food needed for a healthy life.

Findings in table 4.6 indicated through training non-financial services have enabled efficient management of cost of operation where the respondents agreed with the mean value of 3.78 and the standard deviation of 0.871 indicating dispersion in responses. This implies that through training non-financial services have enabled efficient management of cost of operation.

This was in agreement with Scott (2003) defines savings as income not spent or differed consumption. He further contents through training non-financial services have enabled efficient management of cost of operation. The savings mobilization has recently been recognized as a major force in microfinance. In the past, microfinance focused almost exclusively on credit; savings were the "forgotten half" of financial intermediation.

Table 4.6 findings revealed that through trainings clients have been able to better skills on leadership and public speaking where the respondents agreed with the mean value of 3.82 and the standard deviation of 0.925. This implies that through trainings clients have been able to better skills on leadership and public speaking at Munaku Kaama SACCO.

This was in line with Annual Report (2005) they measure and monitor its implementations and recommends corrective actions to modify methods of implementation of program, health message, training and management.

The trainings offered help clients to plan the loan re-payment expected where the respondents agreed with the mean value of 3.99 and the standard deviation of 0.916 indicating dispersion in the responses.

Finally, findings revealed that through trainings, people have been able to learn how to get out of poverty, illiteracy and disease where the respondents in table 4.6 agreed with mean of 4.01 and the standard deviation of 1.040 indicating dispersion in the responses. This implies that through trainings, people have been able to learn how to get out of poverty, illiteracy and disease.

This concurred with Harper (2003) says that domestic savings provide the assets for the economy's investment in future production and through trainings, people have been able to learn how to get out of poverty, illiteracy and disease

4.2.4 Descriptive Statistics for the Economic Development

Table 4.7 **Mean and Standard deviation for the economic development**

Item	**N**	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Income received through self-employment spurs economic development	100	2	5	4.09	.805
Investments made help people to develop economically	100	1	5	4.15	.757
Businesses made help clients earn profits and increase their chances of developing economically	99	1	5	4.14	.869
Saving helps people not to use their money wastefully	100	1	5	4.01	.959
Savings help to accumulate capital which is a sign of economic development	100	1	5	4.04	.974
Savings create a capital resource to cover the basic needs in life which is an indicator of economic development	100	1	5	4.11	.952
Trainings help to acquire knowledge and skills of financial literacy which are necessary for economic development	100	1	5	3.93	1.018
Through accessing microfinance services clients can boast of healthy living which is an indicator of economic development.	100	1	5	3.66	1.056
Agricultural production has been enhanced which is an indication of economic development	100	1	5	3.77	1.171

Source; Primary Data (2016)

Table 4.7 findings revealed that at part of economic development, Income received through self-employment spurs economic development where the respondents agreed with the mean of 4.09 and the standard deviation of 0.805 indicating dispersion in the responses. This implies Income received through self-employment spurs economic development at Munaku Kaama SACCO. This concurred with Ozturk (2008) that income plays a very crucial role in securing economic progress and improving income distribution.

Investments made help people to develop economically where the respondents in table 4.7 agreed with mean of 4.15 and standard deviation of 0.757. This implies that investments made help people to develop economically. This was in line with Tchouassi **(**2011) Empirical researches on the impact of microfinance on vulnerable populations in Central African countries to enable policy-makers, donors, and practitioners to understand the nature of the evidence are available and investments made help people to develop economically

Findings revealed that businesses made help clients earn profits and increase their chances of developing economically where the respondents agreed with the mean value of 4.14 and standard deviation of 0.869. This implies that businesses made help clients earn profits and increase their chances of developing economically. This was in agreement with Helms (2010), businesses made help clients earn profits and increase their chances of developing economically and economic inequality generally refers to equality of outcome, and is related to the idea of equality of opportunity.

In addition to the above, saving helps people not to use their money wastefully where the respondents agreed with the mean value of 4.01 and standard deviation of 0.959 indicating dispersion from the mean. This implies that saving helps people not to use their money wastefully. This was in agreement with Mago (2013). Ledgerwood further observes that the minimalist approach’s main focus is a single “missing piece” in enterprise development and saving helps people not to use their money wastefully.

Savings further help to accumulate capital which is a sign of economic development where the respondents agreed with the mean value of 4.04 and standard deviation of 0.974 indicating dispersion in the responses. This implies that Savings help to accumulate capital which is a sign of economic development. This was in line with Brafu-Insaidoo Ahiakpor (2011) Savings further help to accumulate capital which is a sign of economic development and it is an acknowledged fact that, for any given organization that finds itself operating in an environment of increasing number of microfinance operators

Table 4.7 indicated that savings create a capital resource to cover the basic needs in life which is an indicator of economic development where the respondents agreed with the mean of 4.11 and standard deviation go 0.952. This implies that savings create a capital resource to cover the basic needs in life which is an indicator of economic development at Munaku Kaama SACCO.

This was in agreement with Kotler (1994) savings create a capital resource to cover the basic needs in life and that marketing strategies are directly linked to marketing approaches or programs adopted by the microfinance institution.

As part of economic development, trainings help to acquire knowledge and skills of financial literacy which are necessary for economic development where the respondents agreed with the mean of 3.93 and standard deviation of 1.018. This implies that trainings help to acquire knowledge and skills of financial literacy which are necessary for economic development.

This concurred with Calderon & Liu (2003), the higher the level of education the more likely you are to borrow or save for investment purposes and trainings help to acquire knowledge and skills of financial literacy which are necessary for economic development

Finally through accessing micro finance services clients can boast of healthy living and agricultural production has been enhanced which are indicators of economic development where the respondents agreed with means of 3.66 and 3.77. The standard deviations of 1.056 and 1.171 indicated dispersion in the responses. This was in line with Harper (2003) domestic savings provide the assets for the economy's investment in future production and through accessing micro finance services clients can boast of healthy living Agricultural production has been enhanced which are indicators of economic development.

4.3 Correlation Analysis

Correlation Analysis was conducted to determine the degree of relationship between the Independent variable and the dependent variable that is the degree of relationship between Microfinance services and economic development of people. Microfinance services were explained as dimensions for the independent variable while economic development of people was the dependent variable.

The results are tabulated below:

Table 4.8: **Correlation Analysis**

Number	Variable	Loan services	Saving services	Nonfinancial services	Economic development
1	Loan access	1			
2	Micro-Saving services	.715**	1		
3	Nonfinancial services	.727**	.785**	1	
4	Economic development	.622**	.810**	.708**	1
	**. Correlation is significant at the 0.01 level (2-tailed).				

Source; Primary Data (2016)

4.3.1 The relationship between loan access and economic development

Table 4.8 findings revealed a positive and significant relationship between loan access and economic development of people (r=.622**; p<0.01). This means that loan access is one of the measures of microfinance services in regards to economic development. This was in agreement with Enterprise Support & Community Development Trust (2016), all they need to know is that you are meeting the loan repayment obligations and if the client wants to exercise his creative vision without input from other investors, microfinance loan is the way to go thus relationship between loan access and economic development of people.

4.3.2 The relationship between micro-saving services and economic development

Table 4.8 findings revealed a positive and significant relationship between micro-saving services and economic development of people (r=.810**; p<0.01). This means that micro saving service is a key measure of microfinance services in regards to economic development. This concurred with Sutton and Jenkins (2007) mention that micro saving as one of services offered by MFIs help the poor who are often prohibited from opening traditional bank accounts due to high transaction fees, required minimum deposits and the physical distance between the client and the bank, to still find ways to save using microfinance institutions.

4.3.3: The relationship between non-financial service provisions and economic development

Table 4.8 findings revealed a positive and significant relationship between non-financial service provisions and economic development of the people ($r=.708^{**}$; $p<0.01$). This means that non-financial service provision is secondary in measuring microfinance services in line with economic development of the people. This was in line Consultative Group to Assist the Poor (CGAP) Secretariat (2016), training and capacity building is non-financial service offered by microfinance which is part of non-financial services thus economic development of the people.

4.4 Regression Analysis

A regression analysis was run to establish the predictive qualities of the independent variable (microfinance services) in relation to the dependent variable (economic development of the people).

Table 4.9 Regression Analysis

Model Summary				
Model	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.670	.660	.38617	
a. Predictors (Constant), Nonfinancial services, Loan services, Saving services				

Coefficients[a]					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1	1.118	.243		4.596	.000
Loan access	.025	.085	.027	.293	.770
Micro-Saving services	.532	.082	.652	6.482	.000
Nonfinancial services	.178	.103	.177	1.725	.088
a. Dependent Variable: Economic development					

Source; Primary Data (2016)

Based on the results in table 9, the adjusted R square shows the variation in dependent variable that is explained by variation in the independent variables. In this case, the variation in microfinance services explains variation in economic development to up to (0.660*100%). This implies that microfinance services is a significant factor for explaining economic development, but there are also other variable factors not included in this study. Likewise, Adjusted R square indicated how well the independent variables were influenced by independent variables.

From the above regression coefficients it was revealed that holding loan access, micro-saving services and non-financial services constant negative (1.118), the corresponding coefficients for loan access, micro-saving services and nonfinancial services are 0.027, 0.652 and 0.177.

It was revealed that loan access (beta=0.027, sig. =0.770) does not contribute significantly to the entire model with the (beta=0.027, sig. =0.770) and also non-financial services does not contribute significantly to the entire model with the (beta=0.177, sig. =0.088)

The regression analysis results in table 4.9, therefore, revealed that micro-saving services is a significant predictor of economic development to the entire model with the (beta=0.652, sig. =0. 000)

4.5 Conclusion

Chapter four covered the presentation of results and interpretation of findings in relation to the study objectives. The findings were summarized in form of tables, (showing percentages and frequencies) and qualitatively statement. In addition, descriptive statistics was done, statistical analysis namely correlation analysis and regression analysis were undertaken to find out the relationship between microfinance services and economic development of people.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The findings presented in chapter four are summarized in this chapter. The chapter includes the conclusion based on those findings.

Recommendations and the suggestions for further research are based on both the study findings and other relevant literature deemed vital for use in future to improve the study.

5.1 Summary of findings

5.1.1 The effect of loan access on economic development of people

Objective one assessed the effect of loan access on economic development of people, findings in table 4.8 revealed a positive and significant effect of loan access on economic development of people. Thus, a change in loan access affects microfinance services which affect economic development of people

5.1.2 The effect of micro-saving services on economic development of people

Objective two analyzed the effect of the availability of micro-saving services on the economic development of people; Table 4.8 revealed a positive and significant effect of micro-saving services on economic development of people. Hence, micro-saving services is an important determinant of micro finance services on economic development of people.

5.1.3 The effect of non-financial service provisions on economic development of the people

Objective three evaluated the effect of non-financial service provisions by microfinance on the economic development of people. Table 4.8 indicated a positive and significant effect on non-financial service provisions and economic development. Hence, a change in non-financial service provisions would affect economic development.

5.2 Conclusion

The findings revealed significant relationship between microfinance services and economic development.

Loan access on economic development of people was explained in the areas where accessing micro loan services creates opportunities for self-employment, clients are able to make investments using micro loans, provided the needed capital to help clients expand their businesses which has increased their income, clients who access micro loans and accumulate funds out of it have been enabled to acquire assets, clients are able to be protected against risks and increase of their income, enable clients to start small businesses, the possibility of accessing loans helps one to gain financial security, accessing micro-loans helps one to participate in the economy and society. Therefore, loan access affects economic development.

The availability of micro-saving services on the economic development of people was explained in line with Microfinance Institutions allowing micro-saving services to their clients, clients have secured their finances by saving them with microfinance institutions which has helped them to reduce risks of keeping cash, helped poor people who cannot save with banks to access the same services since they are offered by microfinance institutions, accumulation of capital resource for investment, act as security to enable clients in acquiring and repayment of loans, increase clients' capital resources to cover their basic needs of life, helped people to have a systematic saving culture and secure money that would have been put to wasteful expenditure. Therefore, micro-saving services have an effect on economic development of people.

Non-financial service provisions by microfinance on the economic development of people was discussed in line with clients who have benefited through acquiring intensive education, capacity building and training, acquiring business related knowledge and saving skills, ensured good practice of preventive and curing health measures for healthy wellbeing, the clients in gaining knowledge to help them increase agricultural production, ensured good practice of preventive and curing health measures for healthy wellbeing, gaining knowledge to help them increase agricultural production, efficient management of cost of operation, better skills on leadership and public speaking, planning the loan re-payment expected and learning how to get out of poverty, illiteracy and disease. In conclusion therefore, it can be said that non-financial services have an effect on economic development of people.

5.3 Recommendations

Microfinance institutions should ease loan access to the people as it will steer economic development of people as it will create opportunities for self-employment, clients are able to make investments using micro loans.

Microfinance institutions should ensure there is availability of micro-saving services as they lead to economic development through reduce risks of keeping cash, help poor people who cannot save with banks to access the same services since they are offered by microfinance institutions, accumulation of capital resource for investment and act as security to enable clients in acquiring and repayment of loans. However, microfinance institutions should put more emphasis on micro-saving services as they proved to be a significant predictor of microfinance services on economic development.

Microfinance institutions should also provide other non-financial services as they lead to economic development of the people through acquiring intensive education, capacity building and training, acquiring business related knowledge and saving skills, ensuring good practice of preventive and curing health measures for healthy wellbeing and the clients in gaining knowledge to help them increase agricultural production.

5.4 Areas for further study

The researcher suggests the following areas for further research:

The independent variable in this study explained only 66.0% of variables for economic development, other studies therefore should be carried out to explain other variables not included in this study that is Government policies, Social factors and Political factors.

The relationship between micro saving service and economic development of people since it came out strongly in the research.

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Appendix A: Questionnaires

QUESTIONNAIRE FOR CLIENTS OF MUNAKU KAAMA KISUBI SACCO

Dear respondent,

I am Tumwesigye Raymond a student at Uganda Martyrs University pursuing a Master's degree in Business Administration. I am undertaking a Research study on "Microfinance services and economic Development of people in Wakiso District". You have been confidently selected as a client of Munaku Kaama Kisubi Sacco to take part in this study. Be assured that information you provide herein will be treated with utmost confidentiality and will be exclusively used for academic purposes. For anonymity purposes, you are required not to include your name on this questionnaire.

Your assistance in facilitating this study will be highly appreciated.

SECTION A

BIO DATA OF THE RESPONDENTS

Please tick in the provided box appropriately

Marital status	Married	Unmarried

Gender	Female	Male

Age Group	18-27	28-37	38-47	48-57	58+

SECTION B

Please indicate the extent of agreement with the statements using a tick (√) for Strongly Disagree=1, Disagree=2, Neutral=3, Agree=4 and Strongly Agree=5

The effects of accessing loans on economic development of people

	STATEMENTS	1	2	3	4	5
L1	Accessing micro loan services creates opportunities for self-employment					
L2	Clients are able to make investments using micro loans					
L3	Micro loans have provided the needed capital to help clients expand their businesses which has increased their income.					
L4	Clients who access micro loans and accumulate funds out of it have been enabled to acquire assets.					
L5	Through micro loan services, clients are able to be protected against risks and increase of their income.					
L6	Microloans enable clients to start small businesses.					
L7	The possibility of accessing loans helps one to gain financial security					
L8	Accessing micro-loans helps one to participate in the economy and society					

SECTION C

The effect of the availability of micro-saving services on the economic development of

	STATEMENTS	1	2	3	4	5
M1	Microfinance Institutions allow micro savings service to their clients.					
M2	Clients have secured their finances by saving them with microfinance institutions which has helped them to reduce risks of keeping cash.					
M3	Micro savings have helped poor people who cannot save with banks to access the same services since they are offered by microfinance institutions.					
M4	Micro savings help to accumulate capital resource for investment.					
M5	Savings act as security to enable clients in acquiring and repayment of loans					
M6	Savings increase clients' capital resources to cover their basic needs of life					
M7	Saving services have helped people to have a systematic saving culture					
M8	Saving services have helped to secure money that would have been put to wasteful expenditure.					

SECTION D

The effects of non-financial service provisions by microfinance on the economic development of people.

	STATEMENTS	1	2	3	4	5
F1	Clients have benefited through acquiring intensive education, capacity building and training.					
F2	Clients have been able to acquire business related knowledge and saving skills.					
F3	Microfinance non-financial services have ensured good practice of preventive and curing health measures for healthy wellbeing.					
F4	Microfinance non-financial services have helped the clients in gaining knowledge to help them increase agricultural production.					
F5	Through training non-financial services have enabled efficient management of cost of operation.					
F6	Through trainings clients have been able to better skills on leadership and public speaking.					
F7	The trainings offered help clients to plan the loan re-payment expected					
F8	Through trainings, people have been able to learn how to get out of poverty, illiteracy and disease.					

SECTION E

Economic Development

	STATEMENTS	1	2	3	4	5
D1	Income received through self-employment spurs economic development					
D2	Investments made help people to develop economically					
D3	Businesses made help clients earn profits and increase their chances of developing economically					
D4	Saving helps people not to use their money wastefully					
D5	Savings help to accumulate capital which is a sign of economic development					
D6	Savings create a capital resource to cover the basic needs in life which is an indicator of economic development					
D7	Trainings help to acquire knowledge and skills of financial literacy which are necessary for economic development					
D8	Through accessing microfinance services clients can boast of healthy living which is an indicator of economic development.					
D9	Agricultural production has been enhanced which is an indication of economic development					

Thank you for your cooperation

Appendix B: Reliability results

Loan Services

VARIABLES = L1 L2 L3 L4 L5 L6 L7 L8

SCALE ('08') = ALL

MODEL = ALPHA.

Reliability

Scale: 08

Case Processing Summary

		N	%
Cases	Valid	100	100.0
	Excluded[a]	0	.0
	Total	100	100.0

Reliability Statistics

Cronbach's Alpha	N of Items
.865	8

Saving Services

VARIABLES = M1 M2 M3 M4 M5 M6 M7 M8

SCALE ('08') = ALL

MODEL = ALPHA.

Reliability

Scale: 08

Case Processing Summary

		N	%
Cases	Valid	100	100.0
	Excluded[a]	0	.0
	Total	100	100.0

Reliability Statistics

Cronbach's Alpha	N of Items
.890	8

Non-financial services

VARIABLES = F1 F2 F3 F4 F5 F6 F7 F8

SCALE ('08') = ALL

MODEL = ALPHA.

Reliability

Scale: 08

Case Processing Summary

		N	%
Cases	Valid	100	100.0
	Excluded[a]	0	.0
	Total	100	100.0

Reliability Statistics

Cronbach's Alpha	Number of Items
.833	8

Economic Development

VARIABLES = D1 D2 D3 D4 D5 D6 D7 D8 D9

SCALE ('09') = ALL

MODEL = ALPHA.

Reliability

Scale: 09

Case Processing Summary

		N	%
Cases	Valid	99	99.0
	Excluded[a]	1	1.0
	Total	100	100.0

Reliability Statistics

Cronbach's Alpha	N of Items
.861	9