THE ROLE OF MICRO FINANCE INSTITUTIONS TOWARDS THE ERADICATION OF POVERTY IN UGANDA: CASE STUDY MICRO UGANDA KAYUNGA BRANCH.

BY

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DEDICATION

I wish to dedicate this project to my beloved Family for their motivation, my parents and my supervisor for the guidance he has accorded me. Above all I thank the almighty God for his love, grace, wisdom and understanding he has given me during this whole process.

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LIST OF ABBREVIATIONS

NGO	Non-Governmental Organisations
MFIs	Micro Finance institutions
HDI	Human Development Index
MDI	Micro Finance Deposit Taking Institutions
CGAP	Consultative Group to assist the poorest
ROSCA	Rotating Savings and Credit Association
CBSMF	Community Based Savings Micro Finance
SPASS	Statistical Package for the social science
SACCOs	Savings and Credit Cooperatives Organisations
MDG	Millennium Development Goals
MUL	Micro Uganda limited

ABSTRACT

The study aimed at assessing the role of Micro Finance institutions towards the eradication of poverty in Uganda, case study being Micro Uganda Kayunga branch. The study was mainly looking at Micro Finance and eradication of poverty and how Kayunga district in particular has improved due to the presence of a Micro Finance institution and if the services provided have helped the people of Kayunga rise above the poverty level. The researcher used a cross sectional research design with both qualitative and quantitative methods with a population study of 281people out of which a sample size of 166 clients and employees of the Micro Uganda was chosen. Using simple random sampling respondents were chosen from the area and these were clients and employees of the Micro Uganda. Both questionnaires and interview guides were used to collect data from the selected respondents. Both the primary and secondary data was used during collection of data. Data was collected by use of questionnaires, interview guides and analyzed in form of tables, graphs and pie charts.

Findings revealed that savings made by these people mainly through the method of community based savings schemes helped the people in the area be able to save and accumulate enough money to start up small business that could bring in income and also improve their saving patterns and help them access their funds any time they wanted.

Micro credit provided by Micro Uganda improves people's standards of living because through these people are able to create jobs and provide for their families. Despite that these credit schemes cannot provide enough revenue to the clients because of the time frame taken by people to get those loans and because there is no security set against the loans. Therefore, the loans are

given to only trustworthy clients who they know will be able to pay back the loans and this leaves the rest unattended to.

Micro Uganda should introduce training facilities to their clients because this would help the clients to participate in the other services being offered like group loans and also improve on their knowledge about other services like saving patterns and various others provided by them. They should also introduce new saving packages like long term savings for their customers who are not in a hurry to use their money.

Finally Micro Uganda should reduce the time lag attached with micro credit (loans); this will help the clients generate meaningful revenue to those clients who attain loans if given in time.

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KEY TERMS DEFINED

Microfinance

Refers to the provision of financial services, primarily but not exclusively savings and credit to the poor households that do not have access to formal financial institutions (white& Ledgerwood 2006).

Eradication

This refers a state where people are leaving below the poverty line which is a state where one is living below the official to getting rid or destroying something completely.

Poverty

Refers to level of income and is not able to buy the basic needs like food, clothing and is not able to pay for a place to stay.

Micro Finance institutions (MFIs)

These are organisations that provide financial services to the poor. These can be in form of nongovernmental organisations (NGOs), Savings and loan cooperatives, credit unions, government banks, commercial banks, or non bank financial institutions like Micro Uganda.

Training

Training is the act of increasing the knowledge and skill of a client on financial services (Ledger wood, 1999)

Savings

Savings is broadly defined as a means to secure future consumption at any time either in cash or in kind (Robinson, 2004).

Credit

Credit these are borrowed funds with specified terms for repayment. (waterfield & Duval 1996)

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

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

Microfinance is a relatively new term in the field of development, it first came to prominence in the 1970s (Robinson, 2001). Prior then, from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidized rural credit programmes. These often resulted in high loan defaults, high loss and an inability to reach poor rural households (Robinson, 2001).

Robinson asserts that the 1980s represented a turning point in the history of microfinance in that MFIs such as Grameen Bank and BRI2 began to show that they could provide small loans and savings services profitably on a large scale. They received no continuing subsidies, were commercially funded and fully sustainable, and could attain wide outreach to clients.

The 1990s saw accelerated growth in the number of microfinance institutions created and an increased emphasis on reaching scale (Robinson, 2001). Dichter (1999) refers to the 1990s as "the microfinance decade". By then Microfinance had turned into an industry according to

Robinson (2001). Along with the growth in microcredit institutions, attention changed from just the provision of credit to the poor (microcredit), to the provision of other financial services such as savings and pensions (microfinance) when it became clear that the poor had a demand for these other services (MIX, 2005).

Similarly Schreiner and Colombet (2001) say that microfinance attempts to improve access to small deposits and small loans for poor households neglected by banks. Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector. Otero (1999) affirms that microfinance creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organization building, enables people to move out of poverty. By providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society.

Furthermore Littlefield and Rosenberg (2004) say that the poor are generally excluded from the financial services sector of the economy so MFIs have emerged to address this market failure. By addressing this gap in the market in a financially sustainable manner, an MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to dramatically increase the number of poor people they can reach (Otero, 1999).

Therefore this research intends to investigate the role of Micro Finance Institutions towards the eradication poverty. The research work is composed of five chapters that is the General introduction, Literature review, Research Methodology, Presentation of analysis and discussion of findings and finally Summary, Conclusions and Recommendations. This current chapter, the researcher will give a number of issues such as the general introduction, background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope of the study, justification of the study, finally the conceptual frame work and its explanation.

1.1 Background to the study

Micro Finance movement started in the early 1970s in Bangladesh with the help of an economist Muhammad Yunus. This was when the country had been hit by famine. He began making small loans to the poor families in neighbouring villages in an effort to break their cycle of poverty. Institutions replicating his model sprang up virtually every region on the globe between 1997 and 2002 the number of MFIs grew from 618 to 2572 and these institutions have 65 million clients and they are still growing in every part of the world.

African microfinance is as diverse as the continent itself. An array of approaches have been used, ranging from traditional group-based systems, to specialized lending by banks and funded by international nongovernmental organizations (NGO) financial intermediaries. Consequently, examples of African microfinance offer an array of lessons of what works and doesn't work.

Although Africa is not the poorest continent, it is the only region where poverty is constantly on the increase. As a result millions of people live each day in abject poverty, therefore, there is need to change these conditions in order to make poverty history in Africa. Lufumpa (1999) points out that in the mid 1990s close to 50 percent of Africa's population of 700 million lived in absolute poverty and the majority of the poor live in rural areas. In both urban and rural areas, women as a group comprise of a high disproportion number of people in absolute poverty

In Uganda, despite the relatively high growth rates and the headway made in macro-economic stability, the prevalence of poverty remains a significant challenge. The 2010 Human Development Index (HDI) ranked Uganda 143 out of 169 countries. Levels of poverty have fluctuated in recent years, falling from 54.6% in 1993, rising during 1999-2003, and then falling again in 2003-2006 to 31.1%12. Poverty in Uganda is rurally concentrated, particularly in the North and East of the country. The majority of Uganda's poor are rural subsistence farmers, the bulk of who are women.

Despite the poverty levels in Uganda, the microfinance sector of Uganda is often heralded as the most vibrant and successful in Africa and in the 1980s as a socially motivated bid by the non-governmental organization (NGO) sector to alleviate poverty and increase access to financial services for the rural poor. The strong state of the microfinance industry has been attributed to several factors, including the government's enabling environment, macro-economic stability, the weakness of the formal financial sector, sound donor commitment, strong capacity builders, stakeholder co-ordination and the healthy competition. It is however a relatively new industry in Uganda even though access to finance has been identified as a key development strategy since the 1960s.

A combination of both formal and semi-formal institutions have provide microfinance services in Uganda, including commercial banks, credit institutions, microfinance deposit-taking institutions (MDIs), savings and credit cooperative organizations (SACCOs), non-government organizations (NGOs) and money lenders. The microfinance providers currently regulated by the Bank of Uganda currently include:

- Two commercial banks (Centenary Bank and Equity Bank)
- Two credit institutions (Opportunity Uganda and Post Bank Uganda)
- Two micro deposit taking institutions (FINCA, Pride Microfinance)

Micro Uganda Limited (MUL) is a commercially oriented credit only microfinance institution. The institution was established to provide access of financial services to small and micro-entrepreneurs in Uganda. Micro Uganda aims to provide profitable, sustainable, and customer focused financial services to the largest number of low income individuals and small and micro-entrepreneurs in Uganda.

Having started in 2002; Micro Uganda Limited currently has a total of 6 active branches offering a variety of products including Group Lending, SME, Payroll, and Government Payroll. These branches are located in Kampala and elsewhere in Uganda and include Kisozi Branch, Ovino Branch, Kawempe Branch, Kayunga Branch, Kireka Branch, Nateete Branch

Kayunga branch was created in early 2011 and was primarily in charge of PSU loans also known as Government checks off loans, and with time it has grown to providing group loans to the community among others. It currently has four staff comprised of the branch Supervisor, two loan officers and one account assistant. It has a total loan portfolio of 190,453,669.93 million with a total number of 514 clients. Kayunga branch provides loans to its neighboring districts and communities around Kayunga.

1.2 Statement of the problem

The poor are not just deprived of basic resources. They lack access to information that is vital to their lives and livelihoods, information about market prices for the goods they produce, about health, about the structure and services of public institutions, and about their rights. They lack political visibility and voice in the institutions and power relations that shape their lives. They lack access to knowledge, education and skills development that could improve their livelihoods. They often lack access to markets and institutions, both governmental and societal that could provide them with needed resources and services. They lack access to and information about income-earning opportunities (Sida, 2005).

The liberalization of interest rates during the financial sector reforms of the 1990s subsequently fell from heights of 40% in 1992 to around 20% in 2000 they were high by both international and regional standards, and remained prohibitively high for many businesses. This was attributed to many factors, but the significant contribution came from the high intermediation costs as a result of high operational costs, inefficiencies in the banking sector, a large portion of non-performing assets in bank portfolios together with weak bankruptcy legislation. MFIs sometimes increased their revenues by increasing the interest rates they apply or the commissions they charge, thereby disadvantaging the poor.

In 2004 the Economic Policy and Research Centre criticized the microfinance sector for the lack of diversity and suitability of loan products. Generic products with standardized features were characterized by short loan periods of 4 -12 months, no grace periods, weekly repayments and small loan amounts.

Therefore this study seeks to investigate how the loans given to the poor can help them develop and eradicate poverty and how their saving cultures can be improved so as to help them develop the district affected by poverty.

1.3 Purpose of study

The purpose of the study is to find out the role of Micro Finance institutions on the eradication of poverty in Uganda.

1.4 Specific objectives

1 To examine the extent to which saving of the poor people leads to the eradication of poverty in Uganda.

2 To examine how credit facilities rendered by microfinance institutions assist towards the eradication of poverty.

3 To establish how client training has affected the effectiveness of Micro Finance institutions hence the eradication of poverty in Uganda.

4 To find out the relationship between Micro Finance institutions and poverty eradication.

1.5 Research questions

1. How do the savings by the poor affect the eradication of poverty in Uganda?
2. How do the credit facilities offered by the microfinance institutions affect poverty eradication in Uganda?
3. How does training clients help in the eradication of poverty?
4. What is the relationship between Micro Finance institutions and poverty eradication in Uganda

1.6 Research hypothesis

The hypothesis of the study will be;

There is a relationship between Micro Finance institutions and poverty eradication in Uganda

1.7 Significance of the study

The study will help Micro Uganda to improve on the credit facilities that they offer to their clients so as to increase on their customer base and also will be of great help to them in the eradication of poverty in the country.

It will also show how important microfinance institutions are in making the lives of the poor better living for them.

The research will help future researchers who want to find out more information on the topic above.

It will also help the researcher acquire better skills in carrying out research of an organisation.

1.8 Justification of the study

Poverty remains a major challenge in many parts of Uganda; different programs by the government such as PEAP have been implemented but still the problem of poverty remains persistent. Micro Uganda has been in existence at Kayunga for over two years and different financial services such as loans, saving facilities and among others have been provided by this MFI but still poverty remains a challenge. Therefore because of this urgency, the researcher was persuaded to go ahead to find out the role of Micro Finance institutions on the eradication of poverty at Micro Uganda Kayunga Branch so as vital recommendations are given to the MFI on how poverty can be eradicated among different people in Kayunga.

1.9 Scope of study

The study seeks to evaluate the impact of microfinance institutions on the eradication of poverty that will be conducted at Micro Uganda Kayunga branch focusing on a 2 years period.

The study will cover clients who mainly stay in Kayunga and have accounts in Micro Uganda and mainly own small scale businesses that do not generate a lot of income for them.

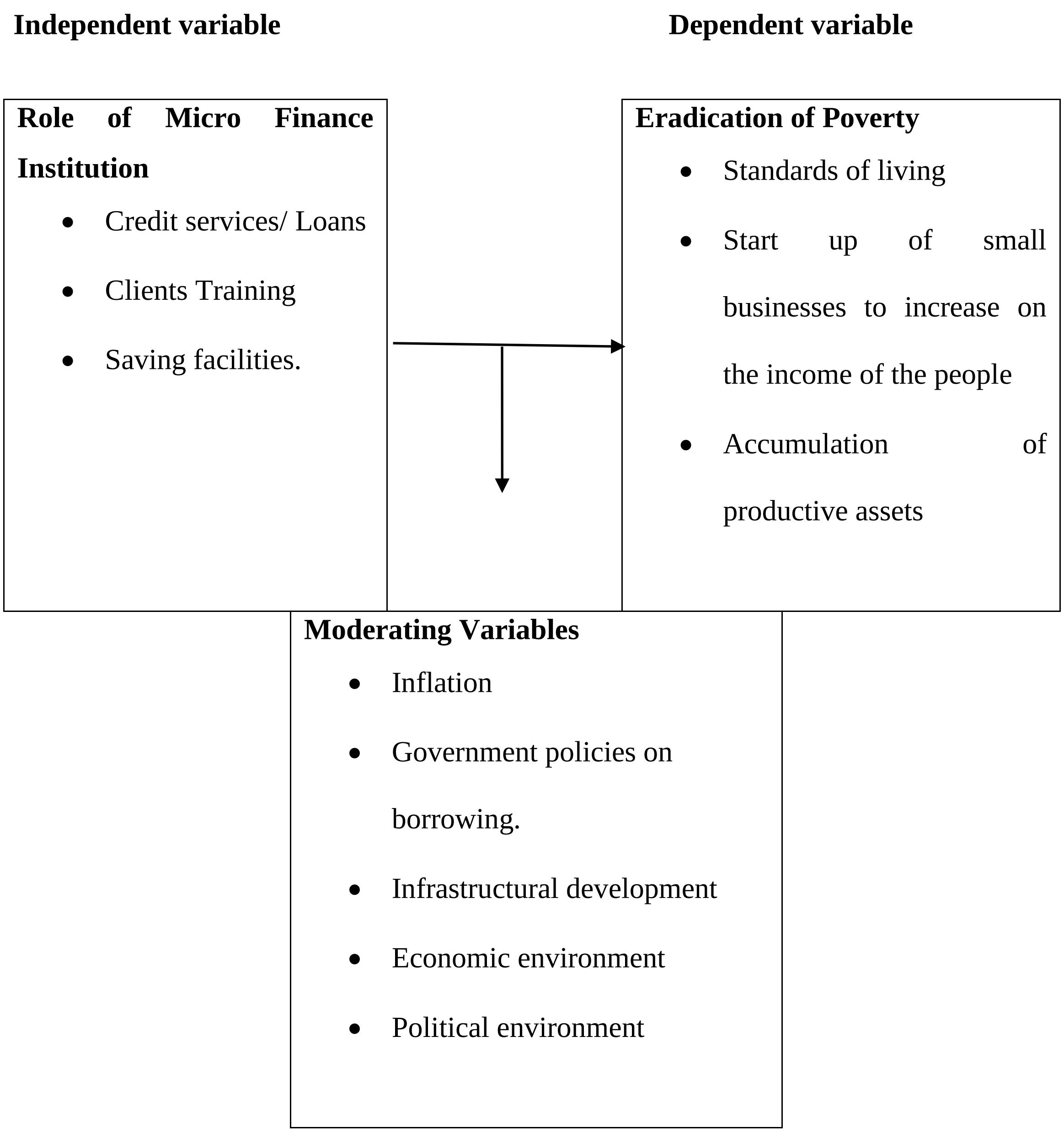
The research will be both qualitative and quantitative in nature and will be limited to only 166 respondents who are clients and employees of Micro Uganda Kayunga branch.

This study will be done for a period of two to three weeks till the end of the month of March. Here respondents will be given questionnaires to fill and will also be interviewed by the researcher.

1.10 Conceptual frame work

A conceptual frame work provides a model for linking categories of possible variables or concepts in the study as perceived by the researcher (Odiya, 2009)

Figure 1 conceptual framework



SOURCE: Adopted and modified from Ledgerwood 1999

1.10.1 Explanation of the conceptual frame work

Figure 1 above illustrates a conceptual frame work developed by the researcher from her objectives, it comprises of three variables that is, the independent variables, dependent variables and the moderating variables. From the frame work, the independent variables such as credit services, clients training and saving facilities do influence the dependent variable which is eradication of poverty in terms of standards of living, business start-ups and acquisition of productive assets. Although the dependent variables are influenced by the independent variables, moderate factors such as inflation rates, government policies on borrowing through the Central Bank among others cannot be underestimated because they also influence the success of the dependent variable.

1.11 Conclusion

Poverty eradication still remains a major issue developing countries must eradicate. The study has clearly highlighted its intentions drawing guidelines from the introduction. The problem statement has been stated and the gap stands for further investigations. Basing on the conceptual framework on which the study is formed, the independent variable been narrowed down to dimensions and then indicators listed followed by an explanation showing how they affect performance. The dependent variable and the indicators have been clearly stated. In the next chapter, literature review is discussed.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter will analyse the existing literature on Micro Finance and its impact towards the eradication of poverty. Information from Micro Finances like Micro Uganda has been used to show the impact of MFIS towards the eradication of poverty .Also information from text books, secondary data and internet sources has been used to show the impact of MFIS.

This chapter will show the different Micro Finance institutions in the various rural areas and why these areas are still poverty stricken irrespective of their existence and the services being provided by the MFIS.

2.1 Theoretical Review

2.1.1 Robert Chambers theory

According to Chambers (1983) the poor are poor because they are poor. Their poverty conditions interlock like a web to trap people in their deprivation. Poverty is a strong determinant of the others. The causes of poverty are many and must be attacked from all fronts to save the poor from the poverty trap. Poverty contributes to physical weakness through lack of food, small bodies, malnutrition leading to low immune response to infections and inability to reach or pay for health services. Chambers has recorded the many forms of deprivation that very poor people identify themselves as experiencing that are not captured by income-poverty measures. These include,

1. Poverty is a strong determinant of the others. Poverty contributes to physical weakness through lack of food, small bodies, and malnutrition. There are inability to pay for health services, to isolation because of inability to pay school fees for children to go to school, to vulnerability through lack of assets to pay expenses or to meet contingencies and powerlessness because of lack of wealth goes with low status.

2. The physical weakness of a house hold contributes to poverty in several ways: through the low productivity of weak labor through an inability to cultivate larger areas or work long hours, through lower wages paid to women and to those who are weak. It sustains isolation because of lack of time or energy to attend meetings.

3. Isolation (lack of education, remoteness, being out of contact) sustains poverty, services do not reach those who are remote, illiterates cannot read information of economic value, and find it difficult to obtain loans. Isolation means lack of contact with political leaders and therefore misses government development policies.

4. Vulnerability is part of the many links. It relates to poverty through the sale or mortgage of productive assets, to physical weakness because to handle contingencies, time and energy have to be substituted for money, to isolation through withdrawal.

5. Powerlessness contributes to poverty in many ways, not least through exploitation by the powerful. It limits or prevents access to resources from the state, legal redress for abuses and ability to dispute wage or interest rates, and only feeble influence on government to

provide services for the poorer people and places. They are powerless to demand what is meant for them and cannot attract government aid, schools, good staff or

2.2 Micro Finance institution and poverty eradication

Chowdhury, Mosley and Simanowitz (2004) argue that if microfinance is to fulfill its social objectives of bringing financial services to the poor it is important to know the extent to which its wider impacts contribute to poverty reduction.

Otero (1999,) asserts that their various ways in which "microfinance, at its core combats poverty". She states that microfinance creates access to productive capital for the poor, which together with human capital, addressed through education and training, and social capital, achieved through local organization building, enables people to move out of poverty. By providing material capital to a poor person, their sense of dignity is strengthened and this can help to empower the person to participate in the economy and society

2.3 Savings and Eradication of Poverty

Throughout the world and across many cultures and income groups people save for varied purposes these may include emergencies, investment, and consumption, social obligations education of children, pilgrimages, sickness, disability and retirement. (Robinson 1994). These savings may be in form of money, animals, jewellery, and stock pile of inventory this is because some of these people lack good formal deposit services in areas where they stay.

Extensive house hold savings have been reported from developing countries around the world for at least three decades. A 1962 United Nations study showed that house hold savings made up one half to two-thirds of total savings in seven countries in Asian countries (Adams 1978) and because of small savings these countries slowly by slowly reduced the poverty levels in their home areas.

In order for people to eradicate poverty in Uganda and other countries, Micro Finance institutions set up a system known as community based Micro Finance institutions (CBMF) whereby these people help themselves save the little they have so as to get out of the poverty level at a community level.(Chambers,1983)

It has been established that in order to overcome poverty the poor households must help themselves (Chambers, 1983). Community Based Savings Micro Finance institutions therefore are set up to create and increase financial services accessibility to poor households to either eradicate poverty or slow it down (Ashe, 2000). Trapped as they are, the poor households have come together, created these Community Based Savings Micro Finance institutions which are highly adaptable, easily accessible and very flexible with a form of insurance, to help them access financial services to cater for children's education, health care and rebuild social net works (ibid).

Community Based Savings Micro Finance is known for providing useful sums of money to the poor households to start income generating activities and or improve their businesses. The revenue generated is used to pay back the loan, cater for household basic needs and general improvement of peoples living conditions. Loans also help members to manage their life cycle events such as education, marriage, birth and home making; widowhood, old age and death (Mutesasira cited in Micro save Africa, 2000).

According to Wright (2005) there is a general consensus that facilitating savings is important because there is a high demand for it among the poorest and because savings play a role in protecting against the seasonality of cash flows and fulfilling insurance function. In addition, building up deposits reinforces financial discipline for customers and can eventually yield collateral and serve as a source of funding for MFIs.

Savings are particularly important, as they provide the "equity" for borrowing; act as a cushion for sudden demands of cash such as due to illness in the family or natural disasters; and finally, to some extent act as a guarantee for repayment of loans, where savings are deposited with lenders.

Equally savings are acknowledged to have long-term “asset effects” that may not only motivate to pursue education or employment, but also to help poor household to have a more optimistic outlook for the future. Therefore matched savings schemes are employed to enhance savings of low income households and as a way to save for “productive investments, microenterprises, education, and health purposes” (Zimmerman and Banerjee, 2009)

Types of savings products needed by poor households

Compulsory savings

Compulsory saving is among the requirement or preconditions for receiving credit in MFIs. MFI clients are supposed to deposit certain amount on weekly or bi weekly or monthly in order to attain a certain percentage before being disbursed a loan. Clients are not allowed to withdrawal partial or full amount of their savings until are loaning free or decide to leave the organization (Robinson, 2001; CGAP, 2005). On the other hand compulsory saving is used as loan insurance or cash collateral for loans and a part of the loan is secured by the savings. This restriction has forced the MFI clients to save some amount of money that would not have been possible to save by them. For instance, Martin (2000) argues that "since poor people's incomes are current income, compulsory savings provide the strong commitment that is necessary to save out of current income". There are critics about compulsory saving since clients have no easy access to their savings. Others argue that compulsory savings should not be called a 'service' because it is a down payment on a loan and it does not respond to accumulation and precautionary savings motives", these two factors affect the decision to save (Zeller and Sharma, 2000).

Flexible (voluntary) saving product

From client's side, there is a demand for such products. Low income people can save more money at their doorsteps instead of travelling far to deposit with banks. A survey by Rahman (1998) showed that "lack of proximity is one of the major reasons for not depositing savings with a bank". Sadoulet (2006) also noted that the poor need to save when they have the opportunity to do so, to withdraw in times of need and to do this without lessen their savings over time. Thus, savings services must have four properties; "Safety, accessibility, flexibility and positive returns" (Marcus et.al 1999: Rutherford 2000b: FAO 2002). Otero and Rhyne, (1994) pointed out that "there is considerable evidence that poor people greatly value flexible savings services, where they can save unrestricted and often very small amounts at convenient intervals, and which they can access rapidly". There is growing evidence that "offering voluntary, safety and accessible savings services might results in the inclusion of the poorest by 10-15% of the population, who are reluctant and thus not saved by MFIs". (Montgomery, 1995; Wright et al, 1997; CGAP Working Group, 1998) Furthermore, Goldstein et al (1999) identified two forms of voluntary savings products, namely "Cash Deposits and Time Deposits". On one hand cash deposits are the most commonly used savings products. They are very flexible to savers since little amount is required to open an account; deposits are made as per clients' wish, and at the same time the accounts are very accessible and provide liquid deposit services. It further offers an "opportunity for customers to place excess liquidity in a safe and secure place thus providing the capital for future investment or consumption expenditures". Time deposit on the other hand represents a large amount of savings for a fixed term and at a fixed interest rate and normally is mostly operated by middle income earners. For instance, time deposits are a form of commitment savings and also pay a higher interest rate. Therefore, it is inaccurate to declare that time deposits are as a popular means to commit to save by low-income people (Karlan et. al 2003). Moreover a study by Bass et al (2000) validates that voluntary savings services attract a larger number of depositors and a higher savings amount than compulsory savings since the voluntary savings facilities is not limited to those who save only as a prerequisite for accessing a loan.

2.4 Credit Facilities and Eradication of Poverty

The objective of the first United Nations decade for the eradication of poverty 1997-2006 proclaimed by the general assembly in its resolution is to achieve the goal of eradicating absolute poverty through national action and international cooperation.

The Micro Finance industry has traditionally seen poor people's needs for financial services simply as credit. Recently however it has become clear that the poor need access to money to send their children to school to buy medicines; they need financial services to reduce their vulnerability. As a result, worldwide, Micro Finance institutions have started developing and delivering a range of financial services and products. This reflects the Millennium Development

Goals (MDG) that offer broadly accepted measureable indicators of poverty reduction and eradication that focused on poverty, education, health and empowerment. (Wright, 2005)

In Kyamuhunga Sub County Bushenyi district in western Uganda, Women accessed credit facilities and improved their farms, started small enterprises and other income generating projects. As a result, these women were able to buy most household necessities, which they used not to have (Kyogabirwe, 2005).

In Nicaragua, despite the simple access to financial services, the women who are the poorest of the poor are not always guaranteed of reducing poverty in the household because of their lack of decision-making abilities within the family**.** Men still control household resources and economic wealth. Some women are denied access to the financial services and they have no say on the family earnings even when they have contributed to it (Deugd, 2002 cited in Skartlatos, 2004).

Three studies conducted in Peru, India and Zimbabwe revealed that, extending small loans to the poor people mainly women for income generating and self employment had lessened vulnerability through diversifying income earning sources, building assets and strengthening crisis coping mechanisms. It allowed them to achieve a better quality of life (Zaman, 2000). In Ghana, the Dagomba women income generation groups were more likely to own livestock and other valuable assets despite facing obligations to spend their individually earned incomes on the general consumption needs of the family, compared to their counterparts who did not earn any income. Involvement in the developmental activities was seen as a major strategy through which these women improved economic and social statuses (Abu, 1992).

The Rotating Savings and Credit Associations (ROSCAS) in Kenya helped Women in the Mathare Valley by availing credit facilities. With these credit services, women were able to invest in many ventures, send their children to school and either repaired or constructed new homesteads. It is obvious that in the context of the local economy, these women were above average income earners (Nelson, 1971).

Hulme and Mosley (1996) show that when loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the very poor are encouraged to save; the vulnerability of the very poor is reduced and their poverty situation improves. Johnson and Rogaly (1997,) also refer to examples whereby savings and credit schemes were able to meet the needs of the very poor. They state that microfinance specialists are beginning to view improvements in economic security, rather than income promotion, as the first step in poverty reduction (ibid.) as this reduces beneficiaries' overall vulnerability.

Zohir and Martin (2004,) state that many MFI loans are used for agricultural production, trading, processing and transport, resulting in an increase in the use of agricultural inputs and increased output of agricultural production. This leads to enhanced employment opportunities in these sectors for the wider community and a reduction in the prices of such produce due to increased supply. They also state that trading activities financed by MFIs can help to establish new marketing links and increase the income of traders, and this can lead to reduced migration due to increased employment opportunities and increased income

Wright's (2000:14) assertion that, apart from reducing poverty, microcredit improves the welfare of participating households and also enhances their capacity to sustain improvements in living conditions over time.

Some researchers believe that although there should be broad-based access to microcredit for productive purposes, the 'very poor' are not always reached because microcredit programs are not always designed in such a way as to make them accessible to the poor. For Scully (2004) and Bates et al (1996), the idea that microcredit programs help the poorest of the poor or that microenterprises reduce poverty is a myth. Their argument is that microloans are usually so small that they can generate no meaningful revenues.

Annan (1998), therefore, suggests that microenterprise credit should be complemented with aggressive programs aimed at promoting appropriate technology, markets and skills, and ADB (1997) cautions against promoting microenterprise credit at the expense of education, healthcare and sanitation – all of which are crucial for poverty-reduction. That there is wide research support for microenterprise credit as an employment creation and poverty alleviation tool is not to underplay the importance of other needs of the poor, such as skills and improved links to buyers and suppliers of goods and services (Toomey, 1998). However, arguments that the poor lack motivation to successfully manage a business and, hence, should not be further burdened with loans

Some points need to be made at this point concerning interest rate - or indeed, the cost of borrowed capital - as it is an issue that is frequently raised by some analysts who believe that microenterprise credit will further hurt the poor (see Adams and Von Pichke, 1992). The issue of interest rate is a concern not only to prospective borrowers, but also to people wishing to invest in interest-yielding banking products. The notion that microenterprise hurts the poor is hinged on the fact that if the cost of capital is high, expected returns on investment will be low (Rose, 2003), which then increases the probability of loan default. It is also a fact that micro entrepreneurs, being poor, are sometimes desperate to obtain credit to start a business or expand an existing one, and, therefore, will accept unfavorable credit terms (Ledgerwood 1999). This eventually could lead to loan default, and could even plunge them into a debt trap. Finally, because the poor lack collateral, the immediate recourse of lenders is to 'price for the risk' (Joffe, 2003), which then arbitrarily raises the cost of borrowed funds.

These concerns often lead to the debate that interest rates should be subsidized if micro entrepreneurs and indeed the poor are to benefit from microcredit. Meyer and Nagarajan (1997:4) argue that interest rate subsidies will only favor the wealthy that already have access to other forms of credit. Adams and Von Pischke (1992) share this opinion. They illustrate that experience in the 1950s and 1960s showed, especially in the formal financial markets, that subsidized interest rates only encouraged those with no financial difficulties to capture the loans. Others like Mohane et al (2002) believe that subsidizing interest rates can distort the market, limit growth and encourage dependency. Therefore sustainable interest rates must be charged in order to cover all the necessary cost, while providing additional capital to support further credit demands.

Micro-credit 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. Credit is a powerful instrument to fight poverty. The role of micro-credit in reducing poverty is now well recognized all over the world. It is no longer the subject matter of micro-credit practitioners alone. Governments, donors, development agencies, banks, universities, consultants, philanthropists and others have increasing interest in it.

Credit creates opportunities for self-employment rather than waiting for employment to be created. It liberates both poor and women from the clutches of poverty. It brings the poor into the income stream. Given the access to credit under an appropriate institutional structure and arrangement, one can do whatever one does best and earn money for it. One can overcome poverty. One can become the architect of one–s destiny and the agent of change not only for one–s family but also for the society.

Nobody says that credit alone is cure for all. Most of the practitioners believe that credit plays a vital role as an instrument of intervention for a poor person to discover her potential and to stride for better living. Muhammad Yunus advocates that Credit is a human right. Once this right is established, the entitlement to other rights for leading a dignified life becomes easier. It empowers to break the vicious cycle of poverty by instantaneously creating self-employment and generating income. When in the ultimate analysis nothing can be said to be panacea, by overemphasizing that micro-credit is not a panacea is in a sense overreacting and underestimating the role of credit as an instrument to combat poverty. Micro-credit is itself a very powerful tool. But if it is combined with others, it is definitely more empowering.

However, views differ on the role of microfinance and microcredit programs. Detractors view such programs as a social liability, consuming scarce resources without significantly affecting long-term outcomes. Critics argue that the small enterprises supported by microcredit programs have limited growth potential and so have no sustained impact on the poor. Instead, they contend, these programs make the poor economically dependent on the program itself (Bouman & Hospes, 1994). Microcredit programs also depend on donors, as they are often highly subsidized (Adams & von Pischke, 1992). Thus even if microcredit programs are able to reach the poor, they may not be cost-effective and hence worth supporting as a resource transfer mechanism

However a World Bank study by Khandker (2005) shows that micro credit programs have greater impact on extreme poverty than on moderate poverty where he has defined the extreme poor as households with 20 decimals of land or less. Many advocates of micro credit, including Dr.Yunus, have strongly supported this and are very much hopeful in eradicating extreme poverty by micro credit.

2.5 Training and eradication of poverty

Seibel (2007) asserts that training which is offered by MFI should be free (or paid through loan fees), he further says that client training if deemed to be crucial to the success of all members then it should be given by MFI for instance simple book keeping techniques may be taught to all members prior to receiving a loan so as to serve their purpose.

For Matovu (2006), he contends that clients especially those in group lending should undergo training for about a month in entrepreneurial skills, book keeping accounting and loan deposits and administration. He adds that clients should be trained to appreciate what is expected of them with their loans like optimum exploitation of loans use, savings deposit and loan repayment. He finally says that before the initial loan is disbursed; all clients must attend some training which explains the rules of membership, savings requirement and penalties for late payment.

According to Hanning (2006) MFI clients who attend business education and other co-curricular activities provided by them save on sustainable basis compared to those who do not attend training.

In support with the above authors, Pagura (2004) in her paper on clients exist in MFI states that clients' education has a positive effect on the borrowers' hazard rate of existing. Those with education have more outside opportunities than those without education, for instance, an individual who can read and write will have the knowledge advantage over someone who is illiterate because he or she is able to access other semi-formal and formal financial sources more than someone who is illiterate. In addition to this, a more educated person has the ability to access business training courses, for example, book keeping/accounting, marketing, feasibility studies, cash flow management, technical training among others, as compared to the un educated counterpart.

Seibel (2007) further says that MFI in some African countries for instance West Africa clients are given literacy training, group formation, organizational assistance, empowerment assistance, information dissemination and skills training.

Kabeer, quoted in Mosedale (2003) that vulnerable groups of clients such as women need to be empowered by their MFIs and this can be possible through training and awareness-raising to challenge the existing norms, cultures and values which place them at a disadvantage in relation to men, and to help them have greater control over resources and their lives.

Maluccio & Quisumbing (1999) affirms that training can also provide an opportunity to raise gender awareness among men and involve them in the economic empowerment process of the most vulnerable groups. Enterprise development services and other education services, such as literacy, enable clients to stimulate growth in their businesses, create more revenue hence eradicating poverty among such groups.

Training for MFI clients is very important and should be put in practice, because it helps them get knowledge about the various products that these MFIs are offering and also make them aware of the rules that govern these institutions like the loan repayment period. With such knowledge, they will be able to expand on their businesses and create more revenue in such areas which will in the long run help in the eradication or lower the poverty levels among people.

2.6 Poverty eradication

The concept of poverty

The phenomenon of poverty was felt and observed more during the decade of 1990s, as the overall growth slowed down. While the slowed economic growth contributed to poverty, the "trickledown effect" once thought to improve living conditions, did not reach the lowest level owing largely to lack of accessibility of institutions, unjust and non-poor policies (Waheed, 2001).

Littlefield and Rosenberg (2004) state that the poor are generally excluded from the financial services sector of the economy so Micro Finance Institutions have emerged to address this market failure.

Poverty is not created by poor people. It has been created and sustained by the economic and social system that we have designed for ourselves; the institutions and concepts that make up that system; the policies that we pursue (The Nobel Foundation, 2006).

Khandker (2000) considers savings as an indicator and finds that this factor has an influence on eradicating poverty. He argues that credit programs do stimulate savings because micro credit borrowers make mandatory savings every week, which they are entitled to withdraw at the end of their membership. In addition, he finds micro credit program has a positive impact in generating not only voluntary savings but also additional savings among the borrowers. Apart from savings, it can be argued that there are other factors that may contribute towards eradication of such poverty.

2.5 Conclusion

This chapter shows the theoretical part of the objectives stated earlier in chapter one about this topic and brings out more of what other people have to say about Micro Finance institutions and their contribution towards the eradication of poverty.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Methodology spells out the basic plan the researcher is to use, the strategy, techniques, tools and procedures that are to be followed in the collection and analysis of data (Wangusa, 2007). Therefore this chapter looked at the research design, population study, sample size, sampling techniques, data collection methods, data collection procedure, validity and reliability, data analysis, limitations ethical consideration and finally the conclusion.

3.1 Research design

Cooper and Schindler (2006), contend that a research design expresses both the structure of the research problem, the frame work, organization, or configuration of the relationships among variables of a study and the plan of investigation used to obtain empirical evidence on those relationships.

The researcher used a case study design which constituted a single case called Micro Uganda Kayunga Branch. This design was chosen because it helped the researcher make an in depth study the role of MFIs towards the eradication of poverty in that region.

3.2 Study Population

The population of the study included the employees and clients of Micro Uganda especially those who were involved in the issues of poverty eradication. The study population included 277 clients.

3.3 Sampling methods & techniques

The researcher used stratified random sampling and simple random sampling techniques.

3.3.1 Stratified random sampling

Is the process of dividing a population into smaller groups known as strata basing on the members' shared attributes? This technique was used by grouping the respondents into categories of employees and clients.

3.3.2 Simple random sampling

Is the process of selecting a group of subjects (a sample) for study from a larger group (population). This focused on selecting different respondents from each stratum because the researcher assumed that the respondents had the necessary knowledge to contribute to the field of study. The researcher used krejice and morgon tables to find her sample size where a study population off 277 had a sample size of 162 and the researcher decided to use all the 4 employees of the case study hence made a total sample size of 166.

Table 1 showing sample selection of the respondents

Group of respondents	**Population**	**Sample**
Employees	**4**	**4**
MFI clients	**277**	**162**
Total	**281**	**166**

Source: primary data

3.4 Sources of data

The researcher used both primary and secondary sources of data for the study.

3.4.1 Primary data source

This source helped the researcher generate first hand information from the respondents for the first time. This data was generated by use of a questionnaire and an interview guide.

3.4.2 Secondary data source

This method involved already published literature so as to help the researcher critic different theories put a cross. Data was got by reviewing relevant text books, journals, news papers, records of Micro Uganda Kayunga and other published material about the research topic.

3.5 Data collection methods & instruments

The researcher used both a questionnaire and interview guide as an instrument of data collection.

3.5.1 Questionnaires

A questionnaire is a carefully designed instrument for collecting data in accordance with the specifications of the research questions and hypotheses (Amin, 2005). The researcher used both open ended and closed ended questions. The questions were based on a five point like scale of **1**- Strongly Disagree, **2-** Disagree, **3-** Not sure, **4-** Agree, **5-**Srongly Agree. This method was used because it minimized room for bias from the respondents.

3.5.2 Interview

The researcher used a check list with questions to interview the respondents and this helped the researcher to collect the data in the planned order.

3.6 Data collection procedure

The researcher first obtained an introductory letter from the Faculty of Business Administration and Management at Uganda Martyrs University to Micro Uganda Kayunga Branch. The researcher then prepared the relevant instruments which were used in the field for data collection, pre-tested them, went to the field for data collection, analyzed collected data, wrote a report on the field results and finally submitted in a final report known as a dissertation.

3.7Validity

Validity is the ability to produce findings that are in agreement with theoretical or conceptual values (Amin, 2005). The validity was determined by giving the research instrument to the expert to look through. The expert reviewed the items and commented on whether the items covered a representative sample of the behavior domain.

3.8 Reliability

Reliability is the dependability or trustworthiness of a research instrument, therefore the reliability of the research instruments was measured using Cronbach Alpha test, were a pilot study involving 20 respondents was carried out.

3.9 Data Analysis

In the bid to move from data information, the researcher analyzed data using appropriate statistical techniques (Singh, 2007). Data was edited, coded, and entered into computer software for analysis. Analysis was done using SPSS tables and other relevant percentages were generated as part of the analysis

3.10 Limitations of the study

This study had a number of limitations such as; the data collected was from a small sample size and its results were not generalized. Other limitations included some of the following;

Lack of sufficient funds to conduct the study especially transport and printing.

Language barrier

The researcher maximised the little time he/she has so that he doesn't have to go to the field all the time.

The researcher faced a problem of bureaucracy in terms of getting access to Micro Uganda Kayunga Branch.

No response from some respondents most especially during the period of answering the questionnaires.

3.11 Ethical considerations

Before carrying out the study, the researcher clearly explained to the respondents the purpose of the study. The researcher provided assurance to the respondents that the finding would help them on how to benefit from Micro Finance institutions and the impact towards the eradication of poverty in the area. Issues to do with confidentiality and conditions of anonymity were emphasized to the respondents. Seeking approval and permission from the authorities as well as obtaining consent from the respondents was guaranteed to the respondents.

3.12 Conclusion

This chapter has discussed the methodology the researcher will use in her study on the role of MFI towards the eradication of poverty at Micro Uganda Kayunga Branch.

CHAPTER FOUR

PRESENTATION OF THE ANALYSIS AND DISCUSSION OF FINDINGS

4.0 introduction

This chapter provides detailed analysis of data findings and their interpretations. These findings were obtained from primary and secondary sources about the role of Micro Finance institutions towards the eradication of poverty. The data was analyzed using SPSS 16.0 computer package. The discussion and analysis of the different responses to some key questions was done in this chapter following the research objectives as follows;

1. To examine the extent to which saving of the poor people leads to the eradication of poverty in Uganda.
2. To find out how client training in Micro Finance institutions eradicates poverty.
3. To examine how credit facilities rendered by microfinance institutions assist towards the eradication of poverty.

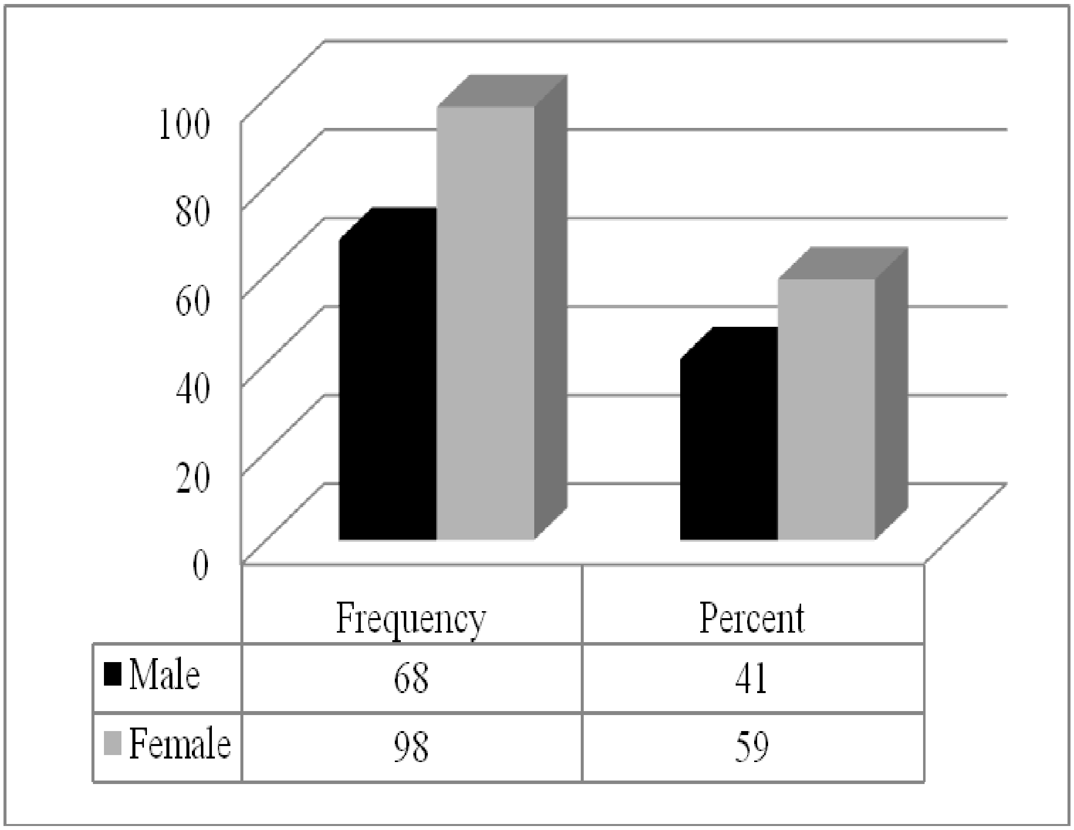
4.1 Background information of respondents

The background information for the study was categorized into gender of the respondents, marital status, age bracket and the level of education attained by the respondents.

4.1.1 Gender of the respondents

The gender of both the employees and clients of Micro Uganda was categorized into female and male.

Figure 2: Showing gender of the respondents



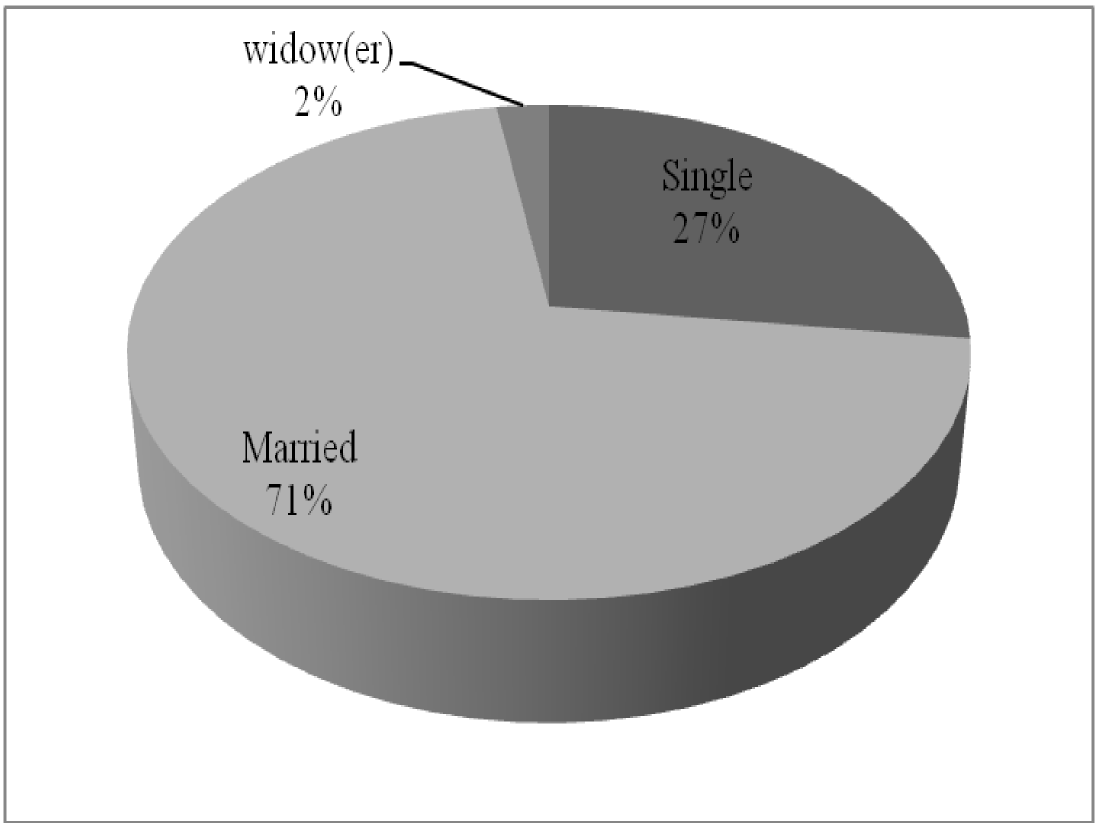
Source: Primary data

From Figure 1, majority of the respondents were female (98) with a percentage of 59% and the rest were male (68) with a percentage of 41%. This implies that more female employees and clients were willing to participate in the research than male employees and clients.

4.1.2 Marital status of the respondents

The marital status of respondents was categorized into single, married, widow(er) and divorced.

Figure 3: Showing marital status of the respondents



Source: primary data

From Figure 2 above, majority of the respondents were married people and this constituted of 71%, 27% were single while the 2% were divorced. Basing on this information it implies that many people have responsibilities to take care of because majority had families.

4.1.3 Age of the respondents

The age of the respondents was categorized into age brackets that is; 11-20 years, 21-30 years, 31-40 years, and 41+ years.

Table 2: showing Age of the respondents

Category	Frequency	Percent
11-20	5	3
21-30	34	21
31-40	127	76
Total	**166**	**100**

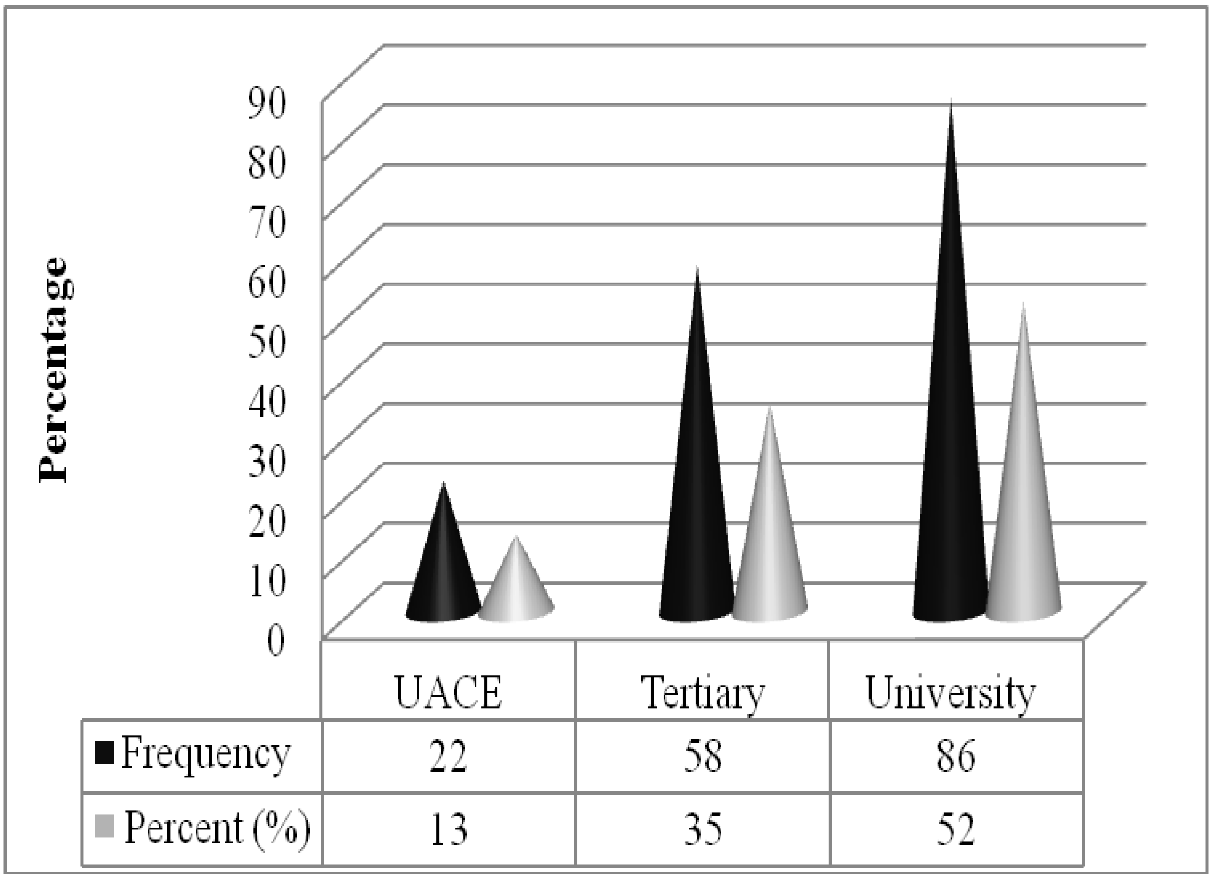
Source: primary data

From Table 1 above, majority of the respondents fell between 31-40 years and this comprised of 76% of the respondents, 21% of the respondents lay between 21-30 years while the least (3%) lay between 11-20 years. The 76% of the respondents explained why the majority of the respondents were married.

4.1.4 Highest level of education attained

The researcher categorized the level of education attained by the respondents into ,UACE, Tertiary and University.

Figure 4: Showing level of education attained by the respondents



	UACE	Tertiary	University
Frequency	22	58	86
Percent (%)	13	35	52

Source: primary data

Figure 3 above shows that 52% of the respondents attained a university degree, 35% attained tertiary level while 13% attained UACE certificate. This implied that majority of the respondents the researcher dealt with knew how to read and write.

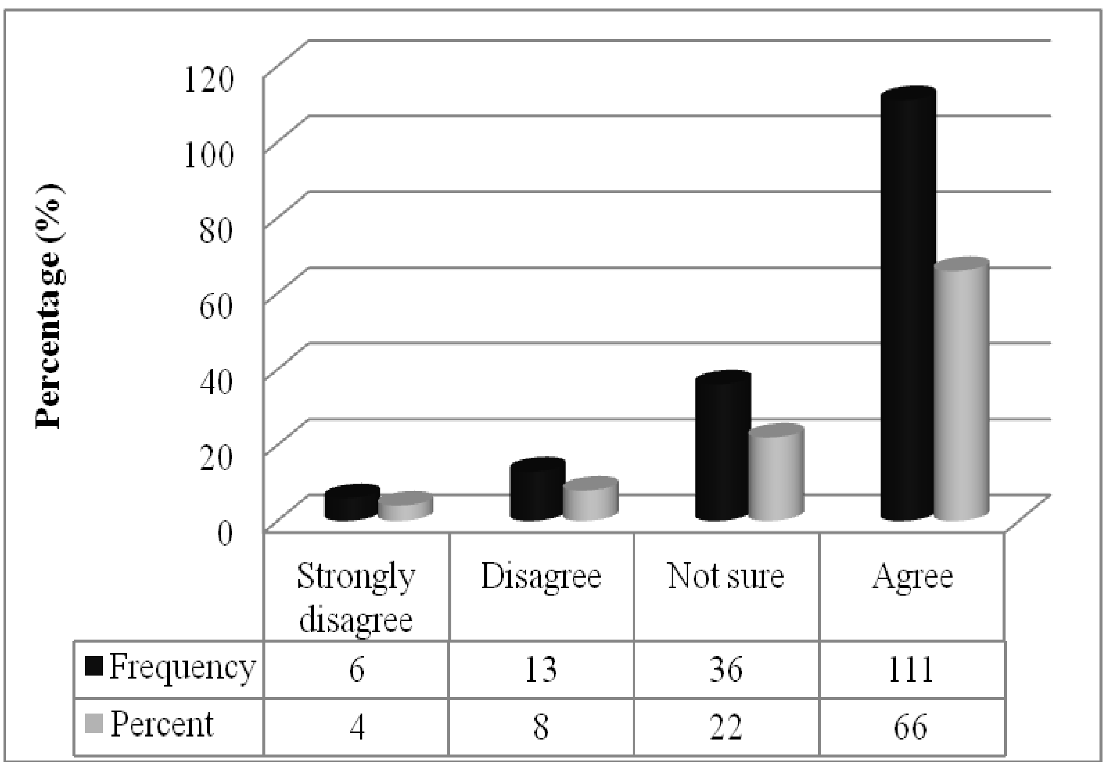
4.2 Discussion of findings based on research objectives

Here the researcher basically examined three objectives that is to examine the extent to which saving of the poor people leads to the eradication of poverty in Uganda; to find out how client training in Micro Finance institutions eradicates poverty and to examine how credit facilities rendered by microfinance institutions assist towards the eradication of poverty.

4.2.1: Savings and eradication of poverty

Under this objective several questions were asked to which respondents were to give answers to, below is how the questions were analysed

Figure 5: Micro Finance institutions help in eradication of poverty



Source: primary source

From figure 4 above, 66% of the respondents agreed that Micro Finance institutions help in eradication of poverty, 22% were not sure while 12% disagreed that Micro Finance institutions help in eradication of poverty. These findings can be supported by Chowdhury, Mosley and Simanowitz (2004) who argued that if microfinance is to fulfill its social objectives of bringing financial services to the poor it is important to know the extent to which its wider impacts contribute to poverty reduction.

Table 3: saving facilities provided by Micro Uganda create and increase access to financial services.

Category	Frequency	Percent
Disagree	12	7
Not sure	21	13
Agree	23	14
Strongly agree	110	66
Total	**166**	**100.0**

Source: primary data

From table 2 above, 80% of the respondents agreed that saving facilities provided by Micro Uganda create and increase access to financial services, 13% were not sure while 7% disagreed to this view. These finding also can be supported by Ashe (2000) who asserted that community Based Savings at Micro Finance institutions are set up to create and increase financial services accessibility to poor households to either eradicate poverty or slow it down.

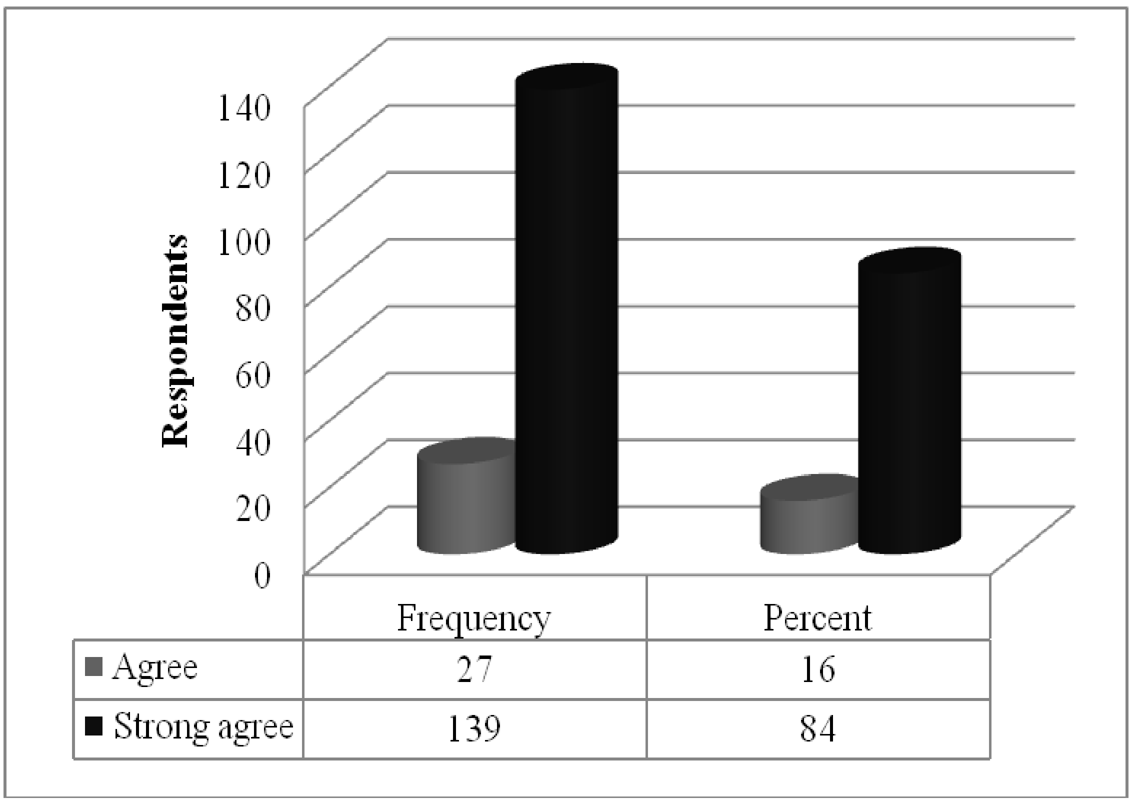
Table 4: Saving facilities by Micro Uganda provide equal opportunities to borrowing

Category	**Frequency**	**Percent**
Disagree	91	55
Not sure	40	24
Agree	35	21
Total	**166**	**100**

Source: primary data

Table 3 above shows that 55% of the respondents disagreed that saving facilities by Micro Uganda provide equal opportunities to borrowing, 24%were uncertain about this while 21% agreed. Basing on the research findings where 55% disagreed with the above question, they were contrary to Wright (2005) who asserted that Savings are particularly important, as they provide the "equity" for borrowing; act as a cushion for sudden demands of cash such as due to illness in the family or natural disasters; and finally, to some extent act as a guarantee for repayment of loans, where savings are deposited with lenders.

Figure 6: community based saving increases financial services accessibility to the poor



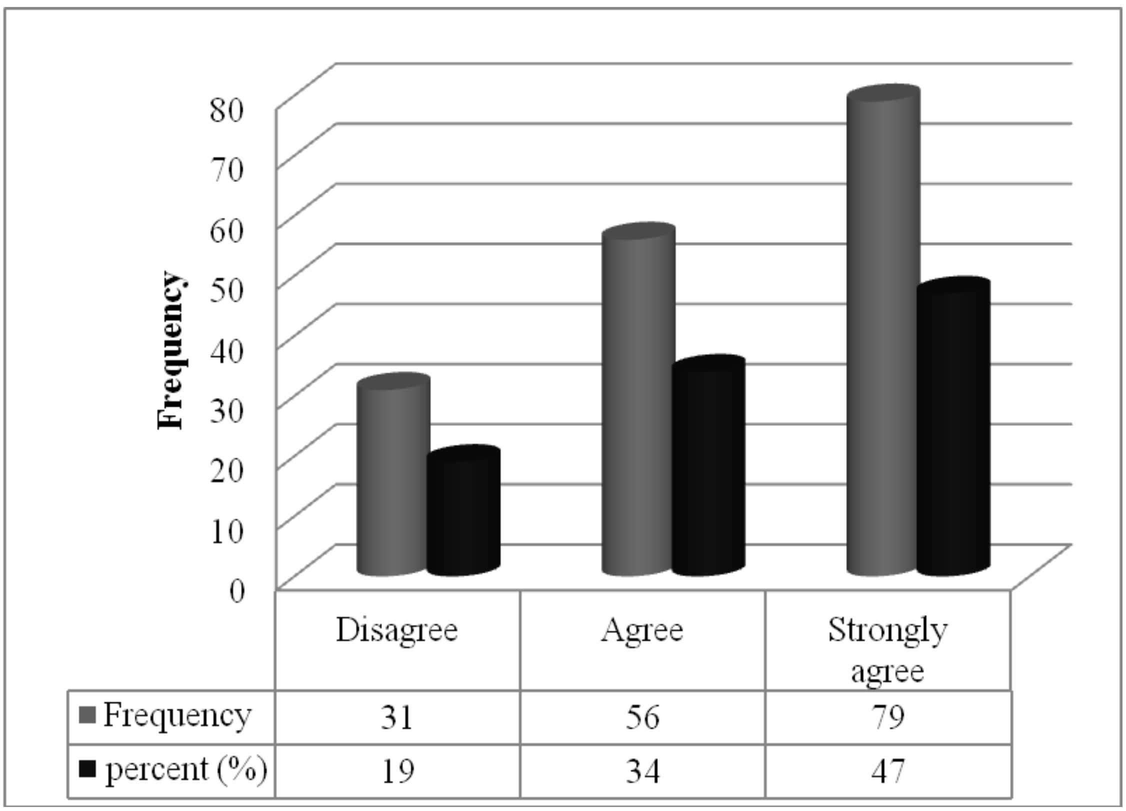
Source: primary data

Figure 5 above show 100% of the respondents agreed that community based saving increase financial services accessibility to the poor.These finding also can be supported by Ashe (2000) who asserted that Community Based Savings by Micro Finance institutions are highly adaptable, easily accessible and very flexible with a form of insurance, to help them access financial services to cater for children's education, health care and rebuild social networks.

4.2.2 Credit facilities and poverty eradication

Also under this objective several questions were asked to which respondents were supposed to give answers to, below is how the questions were analysed

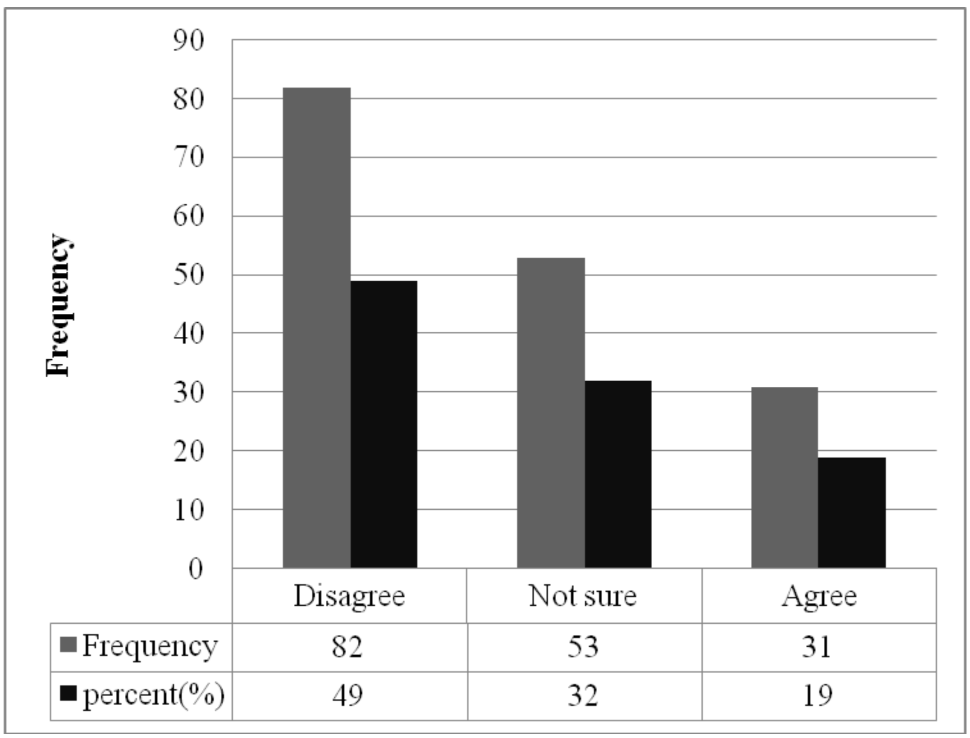
Figure 7: Micro credits improve people's standards of living over time



Source: primary data

From figure 6 above, 81% of the respondents agreed that micro credits improve people's standard of living over time, while 19% of the respondents disagreed with this, with these findings, Wright's (2000:14) assertion that apart from reducing poverty, microcredit improves the welfare of participating households and also enhances their capacity to sustain improvements in living conditions over time can be supported.

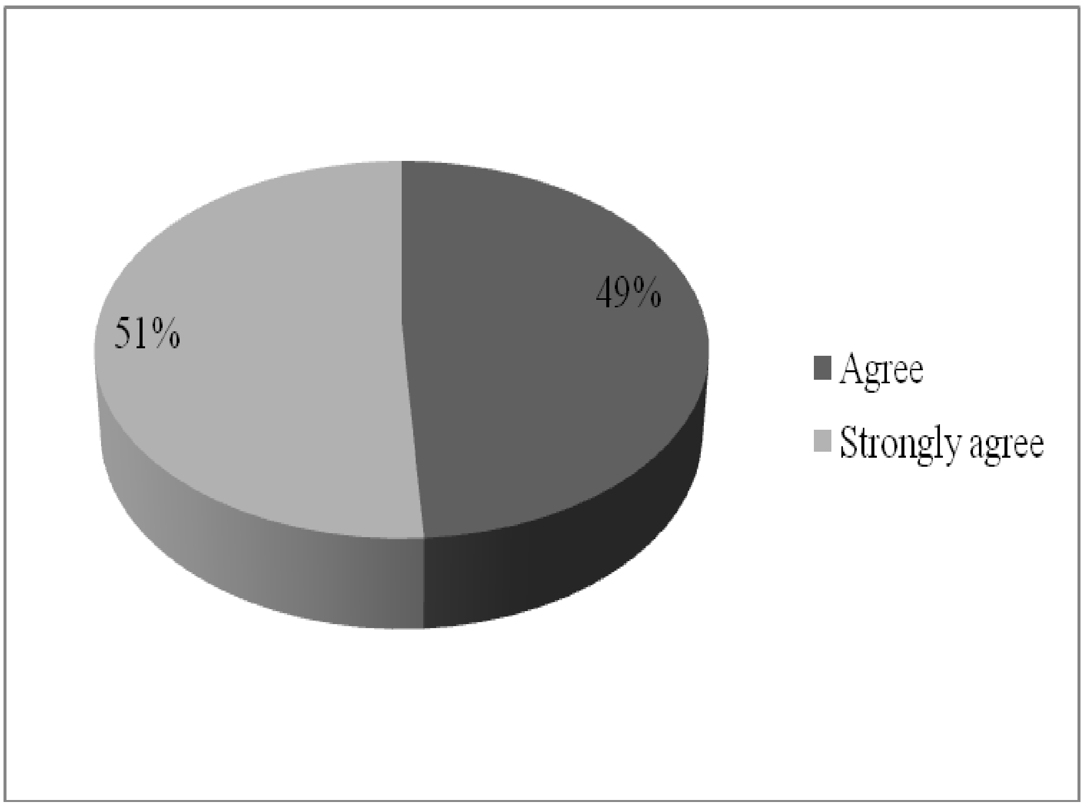
Figure 8 Micro Credits provided by Micro Uganda generate meaningful revenue to people



Source: primary data

Figure 7 above shows that 49% disagreed that micro Credits provided by Micro Uganda generate meaningful revenue to people, 32% were not sure about this while 19% agreed that micro Credits provided by Micro Uganda generate meaningful revenue to people. These findings are in support with Scully (2004) and Bates et al (1996), idea that microcredit programs help the poorest of the poor or that micro enterprises reduce poverty is a myth. Their argument is that micro loans are usually so small that they can generate no meaningful revenues.

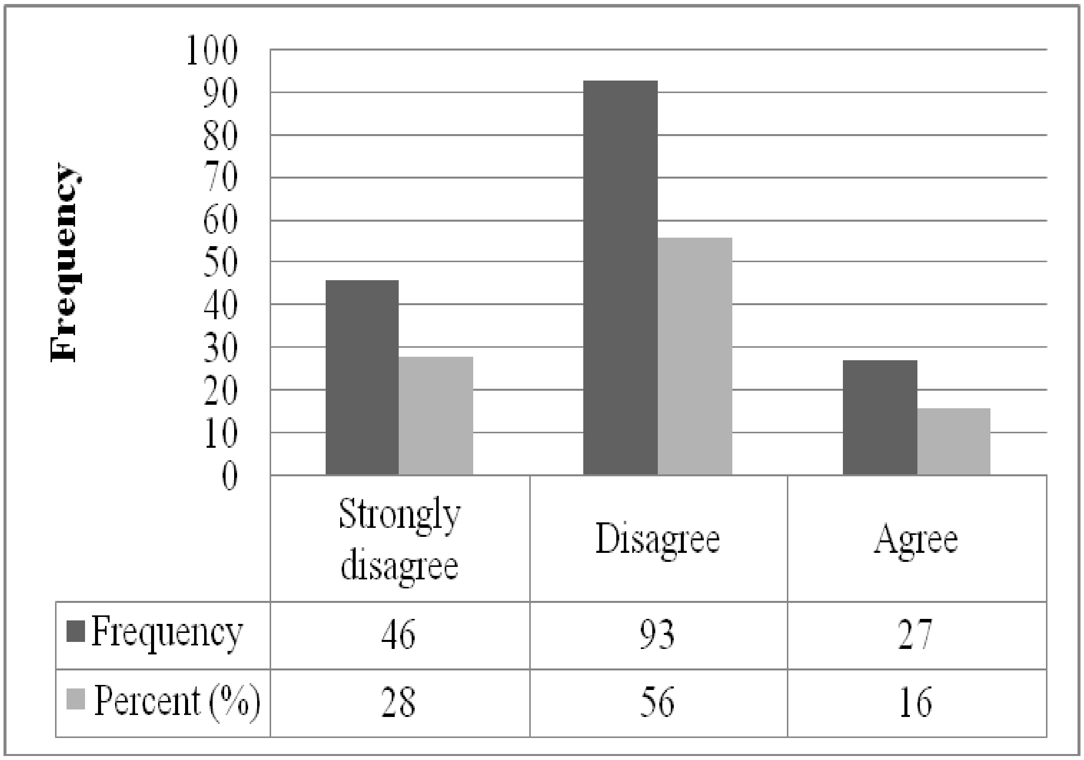
Figure 9: Credit schemes meet the needs of the people like food, education and health care



Source: primary data

From figure 8 above, 100% agreed that Credit schemes meet the needs of the people like food, education and health care, therefore respondents agreed with Rogaly (1997) who asserted that savings and credit schemes are able to meet the needs of the very poor. The credit schemes help provide basic needs like clothing, food and other needs like education for their children and help generate self employment and income.

Figure 10: Time taken to process loans meets the time frame of the clients



Source: primary data

Figure 9 above shows that 84% of the respondents disagreed that the time taken to process loans meets the time frame of the clients, while 16% agreed to this view

4.2.3 Training and eradication of poverty

Also under this objective several questions were asked to which respondents were supported to give answers to, below is how the questions were analysed

Table 5: Client training helps people understand Micro Finance policies

Category	**Frequency**	**Percent (%)**
Disagree	47	28
Agree	87	52
Strongly agree	32	20
Total	**166**	**100**

Source Primary data

Table 4 above shows that 72% of the respondents agreed that Client training helps people understand Micro Finance policies, while 28% disagreed with this view. Seibel (2007) asserts that client training if deemed to be crucial to the success of all members then it should be given by MFI for instance simple booking techniques may be taught to all members prior to receiving a loan so as to be serve their purpose.

Table 6: Micro Finance training helps clients improve on their saving patterns

Category	Frequency	Percent (%)
Agree	104	63
Strongly Agree	*62*	*37*
Total	**166**	**100**

Source Primary data

From the above table, 100% of the respondents agreed that Micro Finance training helps clients improve on their saving patterns. Matovu 2006 says that clients especially those in group lending should undergo taining for about a month in entrepreneurial skills, book keeping, loan deposits and administration, saving deposit and loan repayments and this statement is in line with the findings of the researcher where100% agree to training helping clients improve on their saving patterns.

Table 7: Micro Finance training helps to improve on the knowledge about the services being offered

Category	Frequency	Percent (%)
Agree	166	100
Total	**166**	**100**

Source Primary data

Table 6 above show that 100% of the respondents agreed that Micro Finance training helps to improve on the knowledge about the services being offered, just like Hanning2006, Pagura 2004 says education has a positive effect on borrowers' hazard rate of existing. Those with more education have more outside opportunities than those without education. She continues to say an individual who can read and write will have better knowledge advantage over someone who is illiterate. The table shows us that through training, clients will get to know more about the services provided by micro Uganda.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of the findings, conclusions and recommendations. The summary is given and overall conclusions are made in accordance with the research objectives. From the research results, the researcher was able to draw appropriate conclusions and recommendations.

5.1 Summary of Findings

5.1.1 Savings and eradication of poverty

From the research findings, it was found out that Micro Finance institutions help in the eradication of poverty among people of Kayunga, the respondents also revealed that saving facilities provided by Micro Uganda create and increase access to financial services, community based saving increases financial services accessibility to the poor in Kayunga. However it was also found out that saving facilities by Micro Uganda do not provide equal opportunities to borrowing

5.1.2 Credit facilities and poverty eradication

The respondents revealed that Micro credits provided by Micro Uganda improve people's standards of living over time, Credit schemes meet the needs of the people like food, education and health care, however respondents revealed that Micro Credits provided by Micro Uganda do not generate meaningful revenue to people and Time taken to process loans does not meet the time frame of the clients

5.1.3 Training and eradication of poverty

The research also revealed that Client training helps people understand Micro Finance policies, Micro Finance training helps clients improve on their saving patterns and also Micro Finance training helps to improve on the knowledge about the services being offered**.**

5.2. Conclusions

Basing on the research and the various research questions, it was concluded that Micro Finance institutions (Micro Uganda) have played a great part in the eradication of poverty among different people in Kayunga district.

Saving made by people most especially community based saving schemes have helped the poor people in Kayunga to save, improve their saving patterns and access their finances any time one may feel like, despite the fact that saving facilities by Micro Uganda are still low that is why each and every person does not have equal opportunity to borrowing.

Also it can be concluded that micro credit provided by Micro Uganda improve people's standards of living because through these people are able to create jobs and provide for their families. Despite that these credit schemes cannot provide meaningful revenue to the client because of the time frame taken by people to get those loans.

Finally it can be concluded that Micro Uganda provides client training so as to help its client improve on knowledge about the saving patterns and the various services offered by Micro Uganda.

5.3 Recommendations

The researcher made recommendations basing on the research findings and are addressed to the management of Micro Uganda and other similar institutions as outlined below:

Micro Uganda should constantly train their clients about the different schemes provided by them so as to help their clients have an extensive knowledge about the institution its self and their scheme.

Micro Uganda also should reduce the time lag attached with micro credit (loans); this will help the clients generate meaningful revenue to those clients once loans are given in time.

5.4 Areas of further Study

Because of time constraint, certain areas of study were not comprehensively looked at therefore the researcher suggested the following areas for further study.

Future researchers should try looking at the effect of micro credit on people's standard of living in Uganda

Finally future researchers should look at the effect of Micro Finance training on poverty eradication among people in Uganda.

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APPENDICES

Appendix 1: RESEARCH QUESTIONNAIRE

TOPIC: THE ROLE OF MICRO FINANCE INSTITUTIONS TOWARDS THE ERADICATION POVERTY IN UGANDA

(To be filled in by both employees and clients of Micro Uganda)

Dear Sir/ Madam,

I am Karungi Ethel Joy Reg. No. 2011-B021-10139 a student of Uganda Martyrs University pursuing a Bachelor's Degree in Business Administration and Management. I am currently conducting a study on the role of Micro Finance Institutions towards the eradication of poverty. The study is purely for academic purposes and the information given will be treated with utmost confidentiality. I therefore, humbly request you to spare some time and answer the following questions.

SECTION A:

BIOGRAPHICAL INFORMATION

Tick or write answers in full where applicable.

1. **Name (Optional)**………………………………………………………….……………

2. **Gender**

   a) Male ☐ b) Female ☐

3. **Marital status:**

   a) Single ☐ b) Married ☐ c) Widow(er) ☐ d) Divorced ☐

4. **Age bracket (years)**

   a) 11-20 ☐ b) 21-30 ☐ c) 31-40 ☐ d) 41 and above ☐

5. **Highest level of education attained**

   a) UCE ☐ b) UACE ☐ c) Tertiary ☐ d) University ☐

SECTION B

(Please tick in the box provided the response you think is most appropriate). Use the five points given below to base your response of the questions.

1= strongly disagree 2= Disagree 3= Not sure 4= Agree 5= strongly agree

	Savings and eradication of poverty	**1**	**2**	**3**	**4**	**5**
1	Micro Finance institutions help in eradication of poverty					
2	Savings facilities provided by Micro Uganda create and increase access to financial services					
3	Saving facilities by Micro Uganda Provide equal opportunities to borrowing.					
4	Community based saving schemes increase financial services accessibility to the poor.					
5	Community based savings help the poor to start income generating activities.					
6	Compulsory saving helps the poor to save without any problems					
7	Voluntary saving helps the poor to save the little income they make in a day.					

8	Voluntary saving is an attractive instrument to saving					
	Credit facilities and poverty eradication					
9	Micro credits improve people's standards of living over time.					
10	Micro Credits provided by Micro Uganda generate meaningful revenue to people					
11	Credit is a powerful instrument to eradicating poverty					
12	Credit facilities create opportunities to self-employment					
13	Credit schemes meet the needs of the people like food, education and health care.					
14	Access to credit allows clients start up small scale businesses which increase their income level.					
15	Access to credit has been beneficial to the clients by allowing them the opportunity to educate their children.					
16	Micro Uganda takes collateral before giving loans to clients					
17	Time taken to process loans meets the time frame of the clients					

	Training and eradication of poverty					
18	Client training helps people understand Micro Finance policies					
19	Micro Finance training helps clients improve on their saving patterns.					
20	Micro Finance training helps to improve on the knowledge about the services being offered.					
21	Micro Finance training helps clients effectively and efficiently run their businesses					
	Micro Finance institutions and eradication of poverty					
22	Availability of Micro Uganda in Kayunga has led to the reduction of poverty levels in the area.					
23	The services offered by Micro Finance institutions have led to the economic development of the community at large through infrastructure development					

THANK VERY MUCH FOR YOUR RESPONSE AND TIME

Appendix 2: INTERVIEW GUIDE FOR MICRO FINANCE OFFICERS AND MANAGEMENT

1 Date of interview....../......./....../

2 Name of respondent (optional)

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3 Position held

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4 How long have you worked here?

....

5 List the objectives of Micro Uganda?

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6 What approaches do you initiate to achieve these objectives?

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7 How many clients do you have?

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8 What services do you offer your clients?

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9 What interest rates do you charge your customers?

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10 How long is the repayment period?

....

11 How have the members of the community at large benefited from the services offered at Micro Uganda?

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12 What problems do you face in serving your customers?

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13 What changes have you noticed in Kayunga district ever since the setting up of Micro Uganda?

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14 Is there any significant asset put up to show that Micro Uganda has contributed to poverty eradication in Kayunga district?

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15 How many micro-projects have been financed by Micro Uganda so far and what were the costs involved?

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16 How does Micro Uganda follow up the projects to ensure proper use of the loans for the intended purpose?

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17 Any other information relevant to this study?

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Appendix 3 Introductory Letter