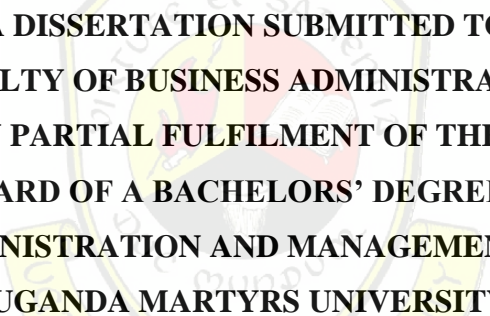


**THE ROLE OF MICROFINANCE INSTITUTIONS IN IMPROVING THE ECONOMIC  
WELFARE OF HOUSEHOLDS IN RUBAARE SUBCOUNTY, NTUNGAMO DISTRICT**

**A CASE STUDY OF RUBAARE SAVINGS AND CREDIT ASSOCIATION LTD (RUSCA  
LTD)**

**A DISSERTATION SUBMITTED TO  
THE FACULTY OF BUSINESS ADMINISTRATION AND  
MANAGEMENT IN PARTIAL FULFILMENT OF THE REQUIREMENTS  
FOR THE AWARD OF A BACHELORS' DEGREE IN BUSINESS  
ADMINISTRATION AND MANAGEMENT OF  
UGANDA MARTYRS UNIVERSITY**



**ABESIGAMUKAMA KEITH**

**2011-B021-10002**

**APRIL 2014**

## **DEDICATIONS**

I dedicate this work to my family in appreciation for their love, care and financial support. To my beloved parents' dad, Mr Ndyamuba Amon and mum, Nagaba Joyce who have put in a lot of effort and sacrificed a lot for my education, may the Almighty Lord bless them plentifully?

## **ACKNOWLEDGEMENT**

This work is a product of many peoples' contributions. Great thanks are extended to my supervisor Fr. Ssemwogerere Edward for his support, encouragement, intellectual guidance and the time he gave me when compiling this report. I am very grateful for his critical comments, criticisms and suggestions throughout research and compilation of the report.

Special thanks go to my Dad Ndyamuba Amon and my mum Nagaba Joyce for their financial support throughout this research, without them, this research would not be completed successfully

My friends Martin, Bruce, Elinah, Alfred and Kennedy who have been advising me on my research work and my respondents who gave me data about the study phenomenon; may God bless them.

Above all, I thank God for his mercy, love, care, protection and strength throughout my studies.

## TABLE OF CONTENTS

DECLARATION .....	i
APPROVAL.....	ii
DEDICATIONS .....	iii
ACKNOWLEDGEMENT .....	iv
OPERATIONAL DEFINITIONS OF KEY TERMS .....	ix
ABSTRACT .....	x
<b>CHAPTER ONE.....</b>	<b>1</b>
<b>GENERAL INTRODUCTION .....</b>	<b>1</b>
1.0 Introduction .....	1
1.1 Background to the Study .....	1
1.2 Statement of the Problem .....	3
1.3.1 General Objective.....	4
1.3.2 Specific Objectives.....	4
1.4 Research Questions .....	5
1.5.0 Scope of the Study.....	5
1.5.1 Content Scope .....	6
1.5.2 Geographical Scope.....	6
1.5.3 Time Scope.....	6
1.6 Justification of the Study.....	6
1.7 Significance of the Study .....	7
1.8 Conceptual Framework: Role of Micro finance institutions in improving economic welfare.....	8
1.9 Conclusion.....	9
<b>CHAPTER TWO.....</b>	<b>10</b>
<b>LITERATURE REVIEW .....</b>	<b>10</b>
2.0 Introduction .....	10
2.1 Theoretical Review .....	10
2.2 Actual Literature Review .....	12
2.2.1 Micro Finance saving Services and Economic Welfare.....	12
2.2.2 Micro Finance credit services and Economic Welfare.....	15
2.2.3 Micro Finance Training and economic welfare .....	19
2.3 Summary .....	23
<b>CHAPTER THREE .....</b>	<b>24</b>
<b>RESEARCH METHODOLOGY.....</b>	<b>24</b>
3.0 Introduction .....	24
3.1 Research Design .....	24
3.2 Study Population .....	24
3.3 Area of Study .....	25
3.4. Sample Size and Selection .....	25
3.5 Sampling Techniques .....	25
3.5.1 Purposive Sampling.....	25
3.5.2 Snow Ball Sampling Method .....	26
3.6 Methods of Data Collections .....	26

3.6.1 Questionnaire survey .....	26
3.6.2 Key Informant Interviews .....	27
3.6.3 Documentary Review .....	27
3.7 Data Management and Analysis.....	27
3.7.1 .Quantitative Analysis .....	28
3.7.1.1 Coding .....	28
3.7.2 Qualitative Analysis .....	28
3.8 Validity and Reliability of Research Instruments .....	28
3.8.1 Validity of Instruments.....	28
3.8.2 Reliability of Research Instruments .....	29
3.9 Ethical Issues and Quality Control.....	29
3.10 Limitations of the Study .....	30
3.11 Conclusion.....	30
<b>CHAPTER FOUR.....</b>	<b>31</b>
<b>FINDINGS, ANALYSIS AND INTERPRETATION OF THE DATA.....</b>	<b>31</b>
4.0 Introduction .....	31
4.1 Characteristics of Respondents .....	31
4.2 Conclusion.....	51
<b>CHAPTER FIVE.....</b>	<b>52</b>
<b>SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....</b>	<b>52</b>
5.0 Introduction .....	52
5.1 Summary and conclusions.....	52
5.2 Recommendations .....	54
5.2.1 The government.....	54
5.2.2 Management of RUSCA LTD.....	55
5.2.3 Clients.....	55
5.3 Suggestions for Further Research .....	56
5.4 General conclusion .....	56
 REFERENCES .....	 i
 APPENDICES.....	 xi
Appendix I: Questionnaire .....	xi
Appendix ii: Table for Determining Sample Size from a Given Population .....	xvii
Appendix iii: Researcher Budget .....	xviii
Appendix iv: Introductory Letter .....	xix

## LIST OF TABLES

Table 1 Showing the Gender of the respondents of RUSCA LTD.....	32
Table 2 Showing the Age Distribution of the respondents of RUSCA ltd.....	32
Table 3 Showing how respondents came to know about RUSCA LTD .....	34
Table 4: How long have you been a client of RUSCA Ltd.....	36
Table 5: Have you ever acquired any loan from other financial institutions .....	36
Table 6 showing why the respondents opted for the above option of the starting capital.....	38
Table 7: Did you acquire a loan as a group or as an individual .....	39
Table 8; showing reasons for acquiring .....	40
Table 9: How much income did you start with before acquiring the loan from RUSCA LTD?.....	41
Table 10; showing the percentage contribution of the loan borrowed to the business on top .....	43
Table 11 showing the savings techniques you were using.....	46
Table 12 showing have your savings improved after joining RUSCA LTD .....	47
Table 13; showing the number of supporting services received from RUSCA LTD .....	48
Table 14; showing how the supporting services have improved their economic welfare.....	49
Table 15; showing some of the problems that have been experiencing from RUSCA Ltd .....	50

## LIST OF FIGURES

Figure 1 Showing the Marital statusof the respondents of RUSCA ltd .....	33
Figure 2 Showing factors that made you opt for the services respondents of RUSCA LTD.....	35
Figure 3: showing the kind of businesses the respondents deal in.....	37
Figure 4 showing the range of members in each group .....	40
Figure 5 showing the money they got from RUSCA LTD .....	42
Figure 6 showing whether the respondents like to acquire more loans from RUSCA .....	44
Figure 7 showing whether they were making any savings before joining RUSCA LTD.....	45
Figure 8: showing if there are any supporting services obtained from RUSCA LTD .....	48

## OPERATIONAL DEFINITIONS OF KEY TERMS

For the purpose of this study, the following terms shall mean;

**Microfinance;** This is the provision of financial services to micro-entrepreneurs and small businesses, which lack access to banking and related services due to the high transaction costs associated with serving these client categories.

**Economic welfare;** is the overall level of financial satisfaction and prosperity experienced by participants in an economic system.

**Credit services;** these are amounts of money lent at interest.

**Saving services;** this is amount a person saves divide by its disposable income expressed as a percentage.

**Households;** all persons living under one roof or occupying a separate housing unit, having either direct access to the outside, (or to a public area).



## **ABSTRACT**

This paper sought to examine the role of microfinance institutions in improving the economic welfare of households in Rubaare sub county Ntungamo District taking Rubaare Savings and Credit Association Ltd (RUSCA) as a case study. This paper further provides the different services offered by Microfinance Institutions among which include credit services, saving services and training services to the households hence improving their economic wellbeing. Objectives were developed in the bid to find out the extent to which these institutions comprehend people's lives like; To establish the contribution of microfinance saving services, to find out the contribution of microfinance credit services and to analyse the effect of microfinance training. The use of questionnaires, interviews and group discussions gave results to the study which are showed in this paper where the biggest percentage agree with the topic. However, due to global economic destabilization like inflation and unemployment, the results from the research were also negative (disagreeing). This is what drone the researcher to give recommendations to different parties that is the government, clients among others and suggestions for further study.

# **CHAPTER ONE**

## **GENERAL INTRODUCTION**

### **1.0 Introduction**

The issue of economic welfare of people has become a major concern in development efforts for purposes of social inclusion and social protection. It is apparently gaining prominence in the development paradigm (Kendall, 2000). This study was therefore an investigation into the role of Microfinance Institutions in the economic welfare of households in Rubaare Sub County using a case study of Rubaare Savings and Credit Association Ltd (RUSCA). This chapter presents the background of the study, statement of the problem, general objective, specific objectives and research questions, conceptual framework, scope and significance of the study.

### **1.1 Background to the Study**

Robinson (2001) refers to MFIs as small scale services primarily credit and savings provided to people to farm or fish or herd, who operate small enterprises where goods are produced, recycled, repaired or sold. Mark Schreiner (2001) revealed that micro finance is an attempt to improve access to small deposits and to small loans for poor households left unattended to by the formal banks.

Micro-finance institutions call for a certain degree of financial empowerment of a particular sector of society that is not well equipped with financial resources to promote self-sustenance. In addition, the growth of microfinance institutions has been fuelled by substantial donor support as well as recognition of the role that micro finance can play as part of the overall poverty alleviation strategy (Ledgewood 1999).

According to Alfred (2006), economic welfare broadly refers to the level of prosperity and living standards of an individual or group of persons. This definition expands the field of economic science to a larger study of humanity. Specifically, Alfred's view is that economics studies all the actions that people take in order to achieve economic welfare. His definition enlarged the scope of economic science by emphasizing the study of wealth and humanity together, rather than wealth alone. During the World Education Forum held in Dakar in April 2000, the international community underscored the need to eradicate extreme poverty and gave its collective commitment to work towards this aim through education. A commitment to poverty eradication was also one of the most important outcomes of the World Summit for Social Development held in Copenhagen in 1995, where abject poverty was considered a severe injustice and an abuse of human rights. Its action program proposes to support livelihood systems and survival skills to help poor people to combat poverty.

In Uganda, a number of banks and financial institutions are charged with the responsibilities of reducing poverty through giving affordable loans and financial advice thus steering macroeconomic success to give rise to Gross Domestic Product (GDP) growth. The need to explore the contribution of this micro-finance institution arises from its involvement in poverty reduction strategies in Uganda particularly in Ntungamo District. The people in Ntungamo District living in the rural areas have been severely affected by poverty (Ntungamo District Local Government Social Services Report 2010 and Ntungamo district five year developments Plan 2010-2015). Poverty is difficult to measure but in a broad sense, it includes all those who are vulnerable and struggling to meet minimum basic needs which include; Nutrition, Clothing, Housing, water and sanitation, health and Education( Graham et al. 1999).

Ntungamo is a rural District with over 90% of the population living in rural areas/villages earning their livelihood on Agriculture (Ntungamo District Planning Unit data 2001). Many rural micro-finance bodies have sprung up in Ntungamo district to address the problems faced by rural communities among which RUSCA was included. RUSCA was initiated and formed by the people of Rubaare community after studying their financial problems in their micro-projects and businesses. This was realized when financial institutions in the area were not doing enough in terms of credit provision in Rubaare sub-county Ntungamo District as compared to other areas in Uganda. Thus it formed an organization by the name RUSCA to manage revolving funds as requested by sub-county communities and the revolving fund was given to the community people. RUSCA was registered on 28<sup>th</sup> Feb 2000 as a Non-Governmental Organization (NGO) body and started its operation on 2<sup>nd</sup> May 2000.

## **1.2 Statement of the Problem**

The enhancement of people's economic welfare is the effort of most governments. To this end, various approaches have been devised. One of them has been the commercialization of Micro-finance institutions to reach the most rural services for purposes of financial services in various aspects as credit, saving, and training services. Similarly in Uganda particularly in Ntungamo district this effort has been instituted with various Microfinance institutions (MFIs) like pride microfinance, Uganda Agency For Development (UGAFODE) among others and RUSCA inclusive.

Despite the above objectives, the economic welfare of households in Ntungamo district is still low; this is because, according to the World Bank indicators of social development (2000), 42% of Uganda's population especially those in Ntungamo district are still living below the poverty

line with a biggest population living on less a dollar per day. The Ntungamo district development plan 2010-2015 still highlights poor standards of living as a major challenge to the district. There is still a high dropout rate in primary schools (Ntungamo District Education statistical abstract 2010). The health status is below the national average in terms of infant and maternal mortality rate and under growth weights. It is also estimated that 80% of the most economic active people are producing only 25% to the Gross Domestic Product due to inadequate capital. In spite of the RUSCA efforts interventions and expected achievements, it is not clear whether there has been gains or contribution to the economic welfare of households in Ntungamo district.

This kind of scenario formed the basis to investigate the role of Micro Finance in improving the economic welfare of households in Rubaare Sub County, Ntungamo District and later necessary recommendations were given on how best these Micro Finance institutions have improved on the economic welfare of these households.

### **1.3.1 General Objective**

The main objective of this study was to investigate the contribution of micro-finance institutions in improving the economic welfare among households in Rubaare sub-county Ntungamo District, A case study of Rubaare savings and credit Association limited (RUSCA).

### **1.3.2 Specific Objectives**

The specific objectives of this study were;

- i. To establish the contribution of micro-finance saving services to the economic welfare of households in Rubaare sub-county Ntungamo District.

- ii. To find out the contributions of micro finance credit services to the economic welfare of households in Rubaare sub-county Ntungamo District.
- iii. To analyze the effect of micro finance training services on the economic welfare of people living in Rubaare sub-county Ntungamo district.

#### **1.4 Research Questions**

This study was guided by the following research questions;

- i) What is the contribution of micro-finance saving services on the improvement of the economic welfare of households in Rubaare sub-county Ntungamo District?
- ii) What are the contributions of micro finance credit services on the economic welfare of households in Rubaare sub-county Ntungamo District?
- iii).What is the effect of micro finance training services on the economic welfare of household living in Rubaare Sub-County Ntungamo district.

#### **1.5.0 Scope of the Study**

According to Onen (2008), the scope of the study can be referred to as the delimitations of the study and it refers to a description of the boundary of the study in terms of content, methodology, geographical and theoretical coverage and time.

### **1.5.1 Content Scope**

The study concentrated on the role of micro finance in improving economic welfare of households. More specifically, the study was limited to saving services, credit services and training services offered by micro finance institutions.

### **1.5.2 Geographical Scope**

The geographical scope of the study was Rubaare savings and credit association Ltd (RUSCA) which is located in Rubaare sub-county Ntungamo district, 500m off Kabale-Mbarara road, plot 10 Kisizi road, this is because of the convenience of the place in terms of data collection.

### **1.5.3 Time Scope**

The study was conducted for a period of 6 months that is 2013-2014 while focusing on RUSCA's financial reports for the past 5 years (2010-2014). This is the period when microfinance institutions with in this area actively started giving out loans to the households. In addition, the five years are comprehensive enough to give an adequate comparative aspect.

## **1.6 Justification of the Study**

Microfinance has been heralded and applauded as a tool for alleviating global poverty for about 40 years. Modurch (2000) mentions that it has been a development strategy of the United States government. Kaber (2005) stresses it out that it is a phenomenon of Asian countries. Bent (2003) reveals that experiences of Asian countries have a success story in African countries like Ghana. Billions of dollars have been loaned and the stories of success are impressive. But, though there have been many important contributions of microfinance institutions, the precise nature of the

contributions especially towards social welfare development and more particularly so in Ntungamo district and Rubaare sub country have not been ascertained.

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

Despite the research and efforts that have been carried out to improve the economic welfare of households, the rural based households still comprise the majority of the world's poor. Therefore the study intended to show why the economic welfare levels of households are still very low despite of all the efforts and research carried out to reduce poverty among households.

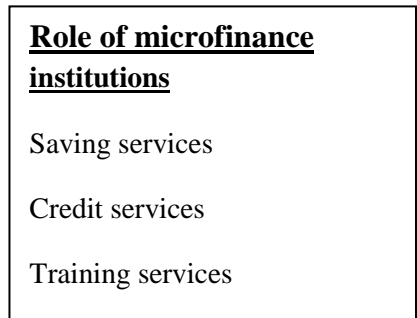
The study also was to provide recommendations to the government, management and clients of RUSCA which will be used to improve on the current empowerment and provide even more ways of improving the economic welfare of households.

The research was also intended to help other academicians who are interested in learning about Microfinance Institutions and economic welfare of households in addition to aiding any further researches.

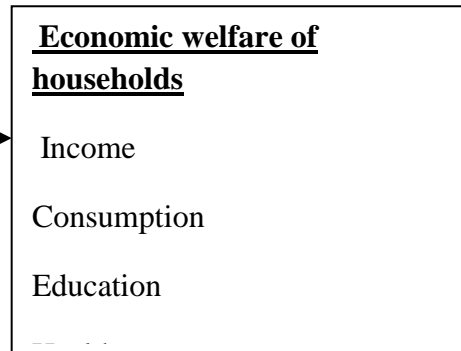


## 1.8 Conceptual Framework: Role of Micro finance institutions in improving economic welfare

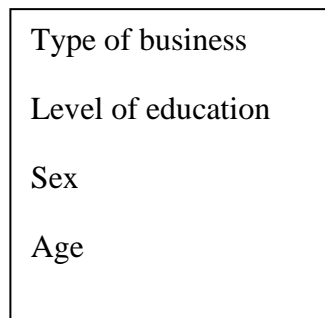
### Independent Variable



### Dependent variable



### Intervening variable



**Source: Adopted and adjusted from Mark Schreiner (2001) and Mayoux, L. (1999).**

The conceptual framework describes the relationship between the independent variable and the dependent variable. In this conceptual framework, Role of Micro Finance institutions is the independent variable while economic welfare of households is the dependent variable. The conceptual frame work is developed and refined basing on Mark Schreiner (2001) and Mayoux, L. (1999). They demonstrate on the role of micro finance institutions and the intended out comes

which has helped to formulate the study objectives (formulate the predictor independent variables) and outcome variables.

In this study, it is assumed that micro finance institutions have a role in improving the economic welfare of the households. In the conceptual frame work, role of micro finance institutions is operationalized into saving services, credit services and Training services. On the other hand improving economic welfare has indicators as: increased income, improved standards of living, ability to utilize and access social amenities like education and health.

However there are moderating variables that influence the improvement of the social welfare. These include the type of business that one is engaged in, the level of education of the person involved in micro finance will influence the rate at which improving social welfare will be attained. In addition sex and age will also influence the role micro finance plays in improving social welfare.

## **1.9 Conclusion**

The chapter has provided the background of the study indicated that Microfinance Institutions are specifically intended to provide financial services to the poor who are neglected by the formal banks. The next chapter provides the theoretical review and the review of related literature in line with study objectives.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

In this chapter, the works of scholars related to the role of microfinance institution were presented and discussed. Neuman (2003), reports that the main objective literature review was to gain a comparative insight of other contextual settings. The chapter has two sections. Section one gives the theoretical review while the second section provides the actual review of related literature in line with study objectives. Articles, journals, text books and publications that bear insight to the study have been analytically and critically reviewed.

#### **2.1 Theoretical Review**

The suitable theory that was picked on to guide this study is the Theory of Social Development by Jacobs and Asokan (Jacobs and Asokan1999). A theory of social development examines the strength and resources available within a society and how they are used to promote social development. A theory of social development identifies the factors that influence the growth of a society and how those factors affect change. Growth occurs according to a process of change that brings out the inherent strengths and abilities of a society. These changes affect how a society functions and how it is structured. In relation to this study, Micro finance services empowers the people within society to attain strength to utilize the resources available for economic development.

Social development theory attempts to explain qualitative changes in the structure and framework of society that help the society to better realize its aims and objectives. Development

can be broadly defined in a manner applicable to all societies' at all historical periods as an upward ascending movement featuring greater levels of energy, efficiency, quality, productivity, complexity, comprehension, creativity, mastery, enjoyment and accomplishment. (Jacobs, Garry and Asokan N. 1999). Development is a process of social change, not merely a set of policies and programs instituted for some specific results. This process has been going on since the dawn of history. But during the last five centuries it has picked up in speed and intensity, and during the last five decades has witnessed a marked surge in acceleration (International Commission on Peace and Food 1994). Development is the result of society's capacity to organize human energies and productive resources to meet challenges and opportunities. In relation to this study, microfinance institutions organize its clients and communities around the services offered which is consequential to development.

Every individual has the right to a basic standard of living that includes freedom from hunger and social exclusion (Naila Kabeer 2001). Inadequate social economic welfare of the people has economic, social and political difficulties. This perpetuates incapability of accessing basic social goods and services for a normal standard of living (Gbosi, et al 2004). To this end, Uganda has committed to tackle poverty and improve people's social - economic welfare through the Poverty Eradication Action Plan (PEAP) which was initiated in 1997 (Muduuli 2001). It is a national planning framework. The Government of Uganda considers that absolute poverty must be eradicated. It has set itself the objective of reducing the headcount of income poverty to 10 percent of the population by 2017. The objectives of Microfinance Institutions rhythm with social development theory to attain improved standards of living. However, in India Microfinance Institutions' loans particularly had economic crisis where some businesses were at

marginal survival while others were at brink and verge of collapse contrary to enhancing social development and transformation.

The social development theory plays an important role in the development process since through a person, group or community unconscious knowledge becomes conscious. The awakening comes to the loan receptive individual first, and that person spreads the awakening to the rest of the society. Though pioneers appear as loan individuals, they act as conscious representatives of society as a whole, and their role should be viewed in that light (Cleveland and Jacobs 1999). In regard to this study, Microfinance Institutions (MFIs) choose pioneers who venture first into the services offered by MFIs who become eye openers for social and economic development. Microfinance institution through education plays an important role in initiating economic development among participating households in MFI services.

## **2.2 Actual Literature Review**

### **2.2.1 Micro Finance saving Services and Economic Welfare**

Mutesasira (1997) argues that the provision of loans to the poor forces them to save and that the money saved at a time is very small but after some time the money accumulates and it helps the client to buy assets which can be used as collateral for bigger loans or the savings can be used to start-up income generating activities. Similarly, Getubig (1997) and Jeff (1997) agree with Mutesasira (1997) that most Microfinance Institutions require compulsory savings as a condition for receiving a loan and that compulsory savings should probably be seen as part of the cost of the loan rather than as a deposit in the true sense of the word.

The Poverty Status Report (2003) acknowledges that the provision of micro financial services to the poor plays a catalytic role in encouraging growth of micro and small-scale enterprises, promoting a saving culture and increasing household income in general. In order to facilitate this process, a three-year Rural Financial Services outreach program has been developed under the auspices of the Ministry of Finance, planning and Economic Development in collaboration with micro-finance practitioners. This program is expected to result in increased access to rural financial services, product capacity building of micro-finance institutions especially in rural areas and demand driven training of MFI staff and clientele.

Ashley (1999) argue that savings in livestock among non-clients confirms the fact that in many rural areas livestock provides for easy asset accumulation, maintaining social capital (when shared, lent, or given out) meeting financial needs and are a means of security in times of emergency. Such a reason is different for clients, driven by a contingent renewal principle, who need cash to enable them juggle between their enterprises and repay loans promptly. However, on the contrary Robinson (2000) argues that MFIs should not only mobilize savings from the poor alone but also from the public so as to increase on savings rate that will in future help the people (households) to meet their needs.

Beatriz Armendariz de Aghion and Jonathan Morduch (2005), note that for many observers, enabling the poor to gain access to saving facilities is paramount to poverty eradication. The provision of financial services to the poor is certainly an important contribution of microfinance. In the same thinking, Robinson (2001) reveals that the emergence of microfinance institutions in developing countries has significantly multiplied over the past decades. Therefore given the condition that beneficiaries have to save first before borrowing serves a catalyst to saving

culture. This is well elaborated by Yaqub (1995) that micro finance institutions which are accessible to the poor and small scale enterprises require that the beneficiary should first save with it for a reasonable length of time.

Anderson and Baland (2002) article on Rotating Savings and Credit Associations (ROSCAs) reports on a survey of hundreds of women in Kenya. An overwhelming majority of the women responded that the principal objective for joining a ROSCA was to save money, and nearly all of the respondents were married. Anderson and Baland conclude that an important motive for women joining ROSCAs is found in the desire to keep money away from their husbands. Other studies, not necessarily confined to ROSCAs, suggest that savings motives (and by that it is understood the protection of assets) also apply to people's involvement in microfinance institutions.

Rutherford (2000) suggests that the poor use financial services to turn small, frequent cash inflows such as from daily milk sales into usefully large sums perhaps to buy a cow or land. Mutesasira (1997) observed that the provision of loans to the poor forces them to save. Loan informs the beneficiaries that it is a debt which ought to be paid. The money saved at a time is very small but after some time, the money accumulates.

Similarly, Getubig (1997) and Jeff (1997) revealed that most Microfinance Institutions require compulsory savings as a condition for receiving a loan. Compulsory savings should probably be seen as part of the cost of the loan. Chao-Béroff (2003) notes for example that in West Africa, rural populations continue to prefer in-kind savings as they seem more liquid, cheaper to maintain, and even sometimes more profitable. The only way to access Micro finance loan is to first open an account and save on that account. In addition, settling the loan involves saving on

the opened account. In process, this helps the business entrepreneur to develop saving behavior and culture which is likely to manifest in improvement of business (Lazet 2006).

Armendariz de Aghion and Morduch (2005) suggest that frequent repayments provide better customer service, contrary to the belief that more repayments raise the transaction costs for the borrower by requiring more travel to and from payment centers. Instead, frequent repayments help borrowers with saving constraints such as seasonality of income, family members to borrow funds, or discretionary spending by one or more of the family members. When coupled with dynamic incentives, frequent loan repayments begin to resemble savings. This allows families to break free of certain savings constraints because the loan is paid each week, before the money can be spent on anything else.

### **2.2.2 Micro Finance credit services and Economic Welfare**

Meyer (2002) mentioned that loans are a source of capital. MFIs support to women has made it possible to usher women in business, to this note, Leynold (2002) while considering economic developing options in the developing countries revealed that the only set back has been lack of capital of all forms to tap economic potential. Although the poor fall in this category that initially lacked capital, the author does not neatly single them out as beneficiaries of this arrangement an attribute that this study address.

In relation to the above, the World Bank Report (2003) realized that majority of the entrepreneurs only lacked some capital to tickle off and make investment achievements by attaining the necessary investment decisions. However, Benq (1997) mentioned that Micro credit



had improved on the incomes of the poor and they were able to start business. Lazer (2005) categorically stated that the poor were able to make business at profit due to source of capital.

Microfinance has been used as a tool for alleviating global poverty for about 40 years. Modurch (2000) mention that it has been a development strategy of the United States government. Kaber (2005) mention that it is a phenomenon of Asian countries. Bent (2003) reveals that experiences of Asian countries have a success story in African countries like Ghana. Billions of dollars have been loaned and the stories of success are impressive. But, though there have been many important contributions of microfinance institutions, the precise nature of the contributions especially towards poor empowerment are less clear which is a reason of this study.

Bhaduri, (1977) and Aleem, (1990) affirm that the poor people and women inclusive often lack the resources needed to invest for productive use. This is well proved by Yunus (2003) when he describes in his conversation with Sufiya, a stool maker, one of the first MFI clients as thus:

*“She had no money to buy the bamboo for her stools. Instead, she was forced to buy the raw materials and sell her stools through the same middleman. After extracting interest on the loan that Sufiya used to buy the bamboo that morning, the moneylender left her with a profit of only 2 cents for the day. Sufiya was poor not for lack of work or skills, but because she lacked the necessary credit to break free from a moneylender”.* (Yunus 2003 p 39)

The above is corroborated by Bent (2003) who revealed that the performance of small-scale enterprises is affected by limited working capital, shortage of equipment and spare parts. The study further revealed that small-scale enterprises operate at excess capacity. Therefore, extra

inputs of capital sourced externally could boom up these enterprises. However, the scholar's study was general and never came up for instance with the extent to which borrowed capital, as part of working capital could have been responsible for excess capacity. Yet Kabeer (2001) and Rahman (1999) contend that the loan terms are often business friendly because this is a debt that has to be paid.

To support the above arguments, Pandey (1993) used the situation in India to show how borrowed capital in form of venture capital had helped the performance of small enterprises. Venture capital according to the scholar was significant financial innovation in the twentieth century and it's considered as a synonym of high risk capital. It was a recent phenomenon in India but it was still in an ascent stage but had registered promising results in the performance of small enterprises. It had helped the rehabilitation of sick units (business enterprises) because a number of small enterprises in India could become sick even before the commencement of production. It had generally acted as a business incubator for the new and young small enterprises that were seeking to grow rapidly. This finding has strong corroboration for women who fall under this category.

Barnes (1996) argue that loan funds could assist a household to better manage its existing asset base or reduce its liabilities and that access to a loan help to absorb any emergency and eventualities say on consumption or otherwise thus enabling households or individuals to meet unexpected demands for cash without having to sell or pawn key income generating assets.

Navajas et al (2000) argues that the professed goal of microcredit is to improve the welfare of the poor as a result of better access to small loans. Zeller (2001) agrees with Navajas et al (2000) that the welfare of poor people is improved by easy access to small loans and that lack of

adequate access to credit for the poor may have negative consequences for various household level outcomes including technology adoption, agricultural productivity, food security, nutrition, health and overall welfare.

Zohir and Matin (2004) also try to agree with Navajas and Zeller that after loans have been accessed by households they are then used for agricultural production, trading, processing and transport, resulting in an increase in the use of agricultural inputs and increased output of agricultural production and this leads to enhanced employment opportunities in these sectors for the wider community.

Nourse (2001) argues that Microfinance Institutions need to provide tailored lending services for the poor instead of rigid loan products. Supporting this latter assertion of Nourse (2001), Eyiah (2001) develops a model of small construction management contractors and MFIs in developing countries that provides a tailored lending structure for microenterprise contractors. Similarly Woller (2002) and Dunn (2002) argue that MFIs need to be more client-focused including offering a mix of financial products tailored to the varied needs and wants of poor consumers.

However, Rahman (et al 1995) noted MFIs purse may not lead to improving economic welfare due to the fact that structural risks may impact greatly on the small scale business entrepreneurs. Such risks include crisis risks say sudden death or long illness, which divert the loan money to arrest these eventualities. Such crisis risks have tended to deprive entrepreneurs business capital and loan inclusive. Karl (1995) has shown in several studies carried out in Indonesia that the different people use loan money differently while transacting business. In this way some people use MFI loans in none productive venture ending up heavily indebted. Kider (2006) also mentioned that people who access loan end up utilizing it non profitably.

### **2.2.3 Micro Finance Training and economic welfare**

Duflo (2006) mentions that credit for empowerment is about organizing people, particularly around credit and building capacities to manage money. The focus is on getting the poor to mobilize their own funds, building their capacities and empowering them to leverage external credit. Helen Todd (1999) studied Grameen Bank's impact on long-term borrowers in Tangail, Bangladesh. She found that "the most successful families in the small sample were those who were involved in micro credit management skills.

Rahman (2000) revealed that most small-scale entrepreneurs lack adequate knowledge about loans. Again they lack knowledge of how to manage the loans if they access the same. Anecdotal evidence is plentiful in describing the stories of the poor turning into budding entrepreneurs starting grocery stores, handicraft shops, and other businesses as a result of microfinance business training .However, as Armendariz and Morduch (2005) explain, they only highlight the most successful stories of participants and cannot give an overall picture of the program's impact.

The issue of evaluating micro finance and micro credit impact is well illustrated by Khandker (2003) and Morduch (1998) who used the data from microfinance programs in Bangladesh and found opposing results. Khandker (2003) found a positive result in reduction of poverty among program participants as well as a positive spillover effect on the program community. Morduch (1998) found no significant results on poverty reduction between control and participant groups using a difference-in-difference method of statistical analysis. On the same analysis, Khandker (2003) is more recent and may therefore be more reliable.

McNelly (1998) revealed that many microfinance programs couple their loans and savings with education on business training. Micro enterprise programs have their work cut out for them. This ranges to form of human capital education, experience, and entrepreneurship. Self-employment requires a wide range of skills, attitudes, and habits. The people most likely to succeed are older, highly-educated, and have experience in self-employment or in wage jobs in the same field (Evans and Leighton, 1989). Training aims to equip micro enterprise owners with the human capital needed to compete in the marketplace through advice about the risks of micro enterprise and alternatives such as wage jobs, Help with a written business plan, General business skills, such as taxes, accounting, strategic planning, and pricing and assistance with legal compliance and licensing for specific businesses among others (Arabsheibani, et al., 2000).

The critical element of self-employment training is to help clients understand whether or not they are suited as entrepreneurs (Novogratz, 1992,). Likewise, Edgcomb (2002) notes that good training helps participants to assess their assets. In this vein, Balkin (1989) proposes that micro-enterprise training should first help people to get more education; Kosanovich and Fleck (2001) call this the “cold shower” approach. The capstone of micro-enterprise training is often a formal written business plan. For one thing, making a plan forces participants to sit down and ask themselves some tough business questions. Bhatt (2002) illustrate that such questions include: Does the idea make sense in business terms? , How long will it take to break even, and how will I get by until then? And Have I confused the enjoyment of supply with the existence of demand.

Micro-enterprise training attempts to provide “the practical knowledge to do the myriad of little things it takes to start and sustain an enterprise” (Balkin, 1992). Because of the wide array of business ideas in a given classroom, and because trainers themselves often lack sector-specific

skills, it is good practice to focus on common business tasks such as taxes, accounting, strategic planning, and pricing (Edgcomb, 2002). They can still teach them how to deal with red tape. Finally, micro enterprise programs often supplement classroom training with one-on-one consulting on an on-going, on-call basis.

Microfinance institution staffs help clients to evaluate on a continual basis. Bendick and Egan, (1987) suggest that long-term, on-call advice and technical assistance for problems as they come up can be more effective than once-off, up-front courses meant to prevent possible problems. On-call advice is also less costly because problems that do not crop up are not treated and because people who end up not starting businesses are not trained. This scenario is put forth as thus:

*Business entrepreneurs are able to get outright advice as they confront any business issue in the field by telephoning the MFI staff. On call, an elaborate business issue is relayed and advice given accordingly (Lazear, Edward 2004)*

Business management is a core component in the success of business for it enables the business entrepreneur to plan his or her business. He or she can forecast demand and supply and manage the business assets and will project and assess whether business is making profits or not.

Chen (1996) mentions that MFIs lead economic empowerment of women by helping keep records and evaluate whether they are making profit or loss. Kabeer (2001) assert that MFI help their clients to make and interpret financial decisions. Chen (1996) revealed that micro finance is promoted as an entry point in the context of a wider strategy for women's empowerment which focuses to give them all round financial skills. Fisher, et al (2002) revealed that some micro finance programs make a deliberate effort to provide women with skills and advice that will

allow them to cope with the competing pressures of responsibilities as well as working with them on communication and relationship skills. In a study conducted by Fisher (2002), most of the women interviewed indicated that they had learnt to communicate their feelings, thoughts, and opinions more effectively. A few of the women commented that they had been extremely shy and scarcely able to speak to anybody when they joined the Trust Bank group. They could now speak freely and contribute to group discussion and decisions making. They engage more actively in the decision making in their households and extended family meetings and communities as well. Durisamy,(1998) mention that micro finance organizations go further than interventions at the industry level to empower women with business record keeping and evaluation of profit and loss.

Savita Shankar (2006) conducted studies on efficient credit models in micro finance, in Tamil Nadu; the most popular model for the dispensation of micro credit in India is the group-lending model. Data group loans account for 93% of the microfinance in India. Yet Shylendra (2007) report the overall performance of the self-help group among long established customers was efficient because customer group self-selection is reliable in sustained relationships.

Subbiah and Navaneetha (2006) reported that there is high loan turn over due less desertion and loan losses among long established and sustained relationships with customers. Long customer relationship is likely to be a low-risk borrower, assuming that MFI tailors the specific requirements of each client. Since this customer has borrowed repeatedly, the institution should have amassed sufficient information to make wise credit decisions.

Edgcomb (2002) notes that good training helps participants to assess their assets. Unless a business person assesses the profit and loss sheet he or she may fall out of business any time.

This was a scenario that led to the collapse of many cooperatives in Uganda for example Banyankole Kweterana Growers Union, it continued to paint a rosy picture when it had actually collapsed but the members could not realize the same. Cook et al (2000) emphatically affirms that training fosters responsibility among members to Microfinance Institutions. The managerial environment enjoyed in the SACCOs, gives incentive for members to easily find explanations for various transactions.

Gates (2002) emphatically mentions that the first key component of training framework is strategic planning. In relation to the above Delgado (1998) mentions that cooperativism takes the answers to the foundation questions of who you are, why you exist, what you do, what are your values, what your development stage is and what is the role of your board. Strategic planning should develop these into your vision, your mission statement and your values. Van der Walt's (2005) in a study on cooperative failures in Limpopo province indicated that poor management, lack of training, conflict among members mainly due to poor service delivery and lack of funds were important contributory factors to the failure of cooperatives. This end, the performance of MFIs depends on educating and training members, and enhancing their knowledge of business (Ortmann& King 2007).

### **2.3 Summary**

The literature review indicates that micro finance has a challenging role in the economic development of the poor households. Micro finance specifically targets the poor who would otherwise find it impossible to access formal financial services from banks. The literature indicates that lack of capital has only been the major setback for the poor. With the accessibility to financial services provided by micro finance the poor have attained social inclusion and economic empowerment.



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter focuses on the methodology of research. It describes the research design, study population, the sample size and selection procedure. The instruments that were used for collecting data, methods of data analysis are highlighted. In addition, validity and reliability of instruments, the procedure, ethical issues and study limitations are elaborated.

#### **3.1 Research Design**

According to McMillan & Schumacher (2006) research design is a plan that describes the procedures, nature and strategy of the research. Mouton and Marais (1990) mentioned that the purpose of the research design is to ensure that the eventual validity of the research findings is maximized. The study used a case study design with both qualitative and quantitative approaches. According to Amin (2005), a case study design is comprehensive in nature and particular to a phenomenon. It is potentially the most valuable method known for obtaining true and comprehensive picture of a social unit, institution or community in order to understand the life cycle of that particular unit more fully (Amin 2005).

#### **3.2 Study Population**

The target population were clients and the population number was 62. This was intended to get a balance of real experience view on contribution of Microfinance services and improvement on the social welfare of households.

### **3.3 Area of Study**

The study was conducted in Rubaare Sub County in Ntungamo district in western Uganda.

### **3.4. Sample Size and Selection**

A sample size according to Huysamen (1994) is a number of individuals selected from a population for a study, preferable in such a way that they represent the larger group from which they were selected. The study dealt with a sample of 52 respondents from RUSCA LTD and these were randomly selected as some participated in personal interactions that is the interviews, others were handed over the questionnaires for answering.

The sample size was established using sample size table of Krejcie & Morgan 1970 cited in Amin (2005).

### **3.5 Sampling Techniques**

According to Denscombe (2007) sampling is the application of some system into the selection of people or events. Snow ball and purposive sampling techniques was used to select participants for the study. These methods were selected because they minimize bias, and enhance attaining representative samples on the behavioral domain under investigation.

#### **3.5.1 Purposive Sampling**

According to Amin (2005) purposive sampling is also known as judgmental sampling. The researcher used judgmental and common sense regarding the participant from whom information was collected. The researcher selected samples based on his or her experience of knowledge of the group to be selected and bearing in mind that such group had the required information. It is

often used to select participants by virtue of their positions. Such category of respondents has valid information on the subject. Using this purposive approach, the RUSCA staff was also selected to participate in the study.

### **3.5.2 Snow Ball Sampling Method**

This is also known as Net Work sampling method. One participant helps the researcher to locate another until the required sample is obtained in a network approach. This method was used to obtain the Microfinance clients from the different households.

## **3.6 Methods of Data Collections**

The main methods of data collection were questionnaires, records and oral interviews for those who found it hard to read and write on the questionnaires. These methods were selected because they are suitable for studies seeking opinions and perceptions.

### **3.6.1 Questionnaire survey**

According to Amin (2005) a questionnaire is a self-report instrument used for gathering information about variables of interest in an investigation. Structured questionnaires were used to collect the data. These were administered by the researcher himself. This is to avoid consultation among the respondents to elicit biased responses and timely receipt of the questionnaires. It facilitates collecting data from a big sampled population. The set contained sections as per study variables. A questionnaire was deemed suitable because they have the advantage of enabling respondents to give opinions objectively without prejudice. They are familiar to most people and they generally do not make people apprehensive (Clough&Nutbrown, 2002). Questionnaire survey method reduces bias.

### **3.6.2 Key Informant Interviews**

Interviews are open questions often administered to key informants to give them wide latitude to talk about the subject. The researcher conducted oral interviews with the Key informants who include the commissioners and managers. The interviews were to compliment and triangulate the information gathered from respondents and the available documents (Patton 2001). An interview guide was designed to maintain consistency and reduce bias.

### **3.6.3 Documentary Review**

This is a guide to help extract information from documents relevant to study variables. Information was gathered after reviewing the records of RUSCA. Documents helped to give the vivid picture of the situation under investigation as this helps to cross check information and data in a more realistic manner. A documentary review check list was designed to extract the necessary information from the official documents that had relevant information. This helps to triangulate and corroborate information in order to obtain a wide view on the subject of investigation (De Vos et al, 1998).

### **3.7 Data Management and Analysis**

Data analysis concerns the ‘breaking up’ of data into logical and manageable themes, categories, patterns, trends and relationships for reporting purposes (Creswell 2009). After data collection, the researcher edited, coded, tabulated and analyzed the data. Quantitative and qualitative approaches suitable for the collected information were employed.

### **3.7.1 .Quantitative Analysis**

#### **3.7.1.1 Coding**

This involved assigning numerals to questionnaires for easy reference in cases of errors or a mistake. The structured questionnaire responses were pre-coded so that responses are put into limited number of categories, or classes. This involved classification of same responses with the same code.

#### **3.7.2 Qualitative Analysis**

Data from interviews was analyzed using content analysis. This is also known as the data reduction method or thematic analysis. Content against the variables of study were extracted. Important thematic areas such as direct quotations were extracted and reported in line with study variable verbatim.

### **3.8 Validity and Reliability of Research Instruments**

#### **3.8.1 Validity of Instruments**

According to Amin (2005), validity refers to the appropriateness of the instrument. It is the ability to produce findings that are in agreement with theoretical and conceptual values of the study. It is the ability to produce accurate results and measure what it is supposed to measure. To ensure validity the research was evidenced by using the cumulative validation where the study was validated by finding out whether the research findings are supported by other studies. Here the researcher was comparing the different findings and the judgments to the other findings of other researchers. Here after, validity was established by computing the content validity index whose formula is;

$$CVI = K/N$$

Where by' CVI= Content Validity Index

K =Number of items considered relevant/suitable

N = Number of items considered in the instruments

The CVI method is preferred because it is the most suitable validity measure for the studies using instruments like questionnaires.

### **3.8.2 Reliability of Research Instruments**

Amin (2005) defined reliability as the dependability or trustworthiness in context of measuring the instrument. It is the degree to which the instrument consistently measures what it is measuring.

### **3.9 Ethical Issues and Quality Control**

No questionnaire was left behind to be filled in to avoid discussion among respondents or consultations to avoid biased responses. The participants were asked for consent to participate in the study and this was provided for in the introduction of the questionnaire. According to Cohen et al. (2000), it is very important that the participants have the option of choice to participate in the study and the researcher has to provide this option. Anonymity was another concern for the researcher, as the essence of a questionnaire for the respondent to give genuine information (Johnson, 1994) Promise of confidentiality was thus assured, after all, the names of the respondents were not requested, and emphasis was noted that the information was treated in

aggregate and purely for research purposes. Appreciation was ensured to the respondents after participation for ethical considerations.

### **3.10 Limitations of the Study**

A few of the limitations were encountered during the research which included;

There was a problem of language barrier as most clients could not easily understand the language used in the questionnaires that is English. However this was overcome by interpreting for them in the languages that they best understood in order to provide the right information. In addition some of the respondents were not willing to provide the information required. However I managed to present the recommendation letter which was evidence that the information required was for academic purposes.

The researcher also encountered financial problems especially with the printing and transportation charges. It was costly during the process of administering questionnaires to the clients and also at the same time costly when photocopying these questionnaires.

Some respondents did not fully provide the required answers, thus left some questions unanswered. However the researcher managed to conduct some interviews with a few respondents and through additional information was obtained.

### **3.11 Conclusion**

This chapter provided information on how data was collected and the methods that were used, how the samples were selected and showed how data was to be interpreted and analysed.

## **CHAPTER FOUR**

### **FINDINGS, ANALYSIS AND INTERPRETATION OF THE DATA**

#### **4.0 Introduction**

This chapter provides an analysis and interpretation of the findings of the research about the effects of microfinance institutions and the economic welfare of households in Rubaare sub – county Ntungamo District. The study focused on analysing the contribution of micro-finance saving services, credit services and training services on the economic welfare of households living in Rubaare sub-county Ntungamo district. Out of the 52 questionnaires, 50 questionnaires were effectively answered and the remaining 2 questionnaires were not returned therefore this chapter provides the analysis and interpretation of data which was obtained from the 50 questionnaires that were received back from the various respondents in Rubaare savings and credit association ltd (RUSCA ltd).

#### **4.1 Characteristics of Respondents**

The research was mainly carried out on clients of RUSCA ltd to find out how, whether and the effect of the institution has in relation to the economic well being of the clients.



**Table 1: Showing the gender of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Female	4	8.0	8.0	8.0
Male	46	92.0	92.0	100.0
Total	50	100.0	100.0	

**Source: primary data**

Results from table 1 above indicate that the majorities were males with a percentage of (92.0%) and the minorities were females with a percentage of (8.0%). This shows that majority of the clients in RUSCA ltd are males which shows gender imbalance in relation to provision of financial services by institutions.

**Table 2 Showing the Age Distribution of the respondents of RUSCA ltd**

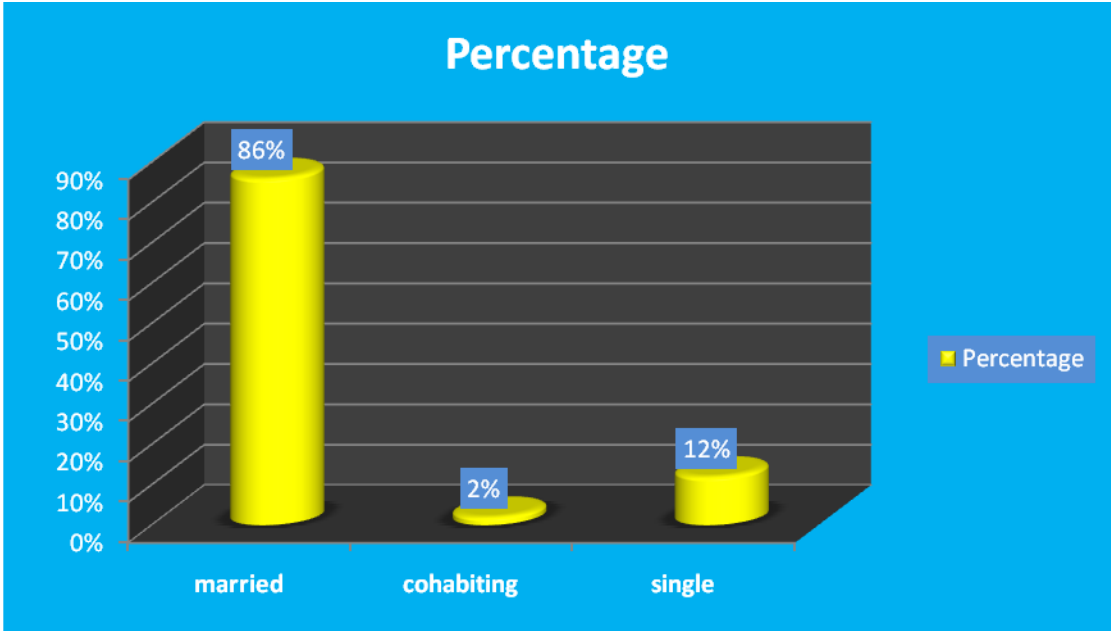
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20 – 30	6	12.0	12.0	12.0
30 – 40	8	16.0	16.0	28.0
40 – 50	9	18.0	18.0	46.0
50 and above	27	54.0	54.0	100.0
Total	50	100.0	100.0	

**Source: primary data**

Results from table 2 above indicate that majority of the respondents (54%) were in the age bracket of 50 and above years, (18%) were in 40 – 50 years, (16%) were in the age group of 30 –

40 and the minority (12%) were in the age group of 20 – 30 years. This seems to imply that most of the clients at RUSCA Ltd are old and mature since they lie in the age group of 50 and above.

**Figure 1 Showing the Marital status of the respondents of RUSCA ltd**



**Source: primary data**

Results from figure 1 above indicate that majority of the respondents married are with a percentage of (86%), followed by (2%) who were cohabiting and lastly (12%) were single. This shows that most of the clients at RUSCA Ltd have families and responsibilities since majority were married.

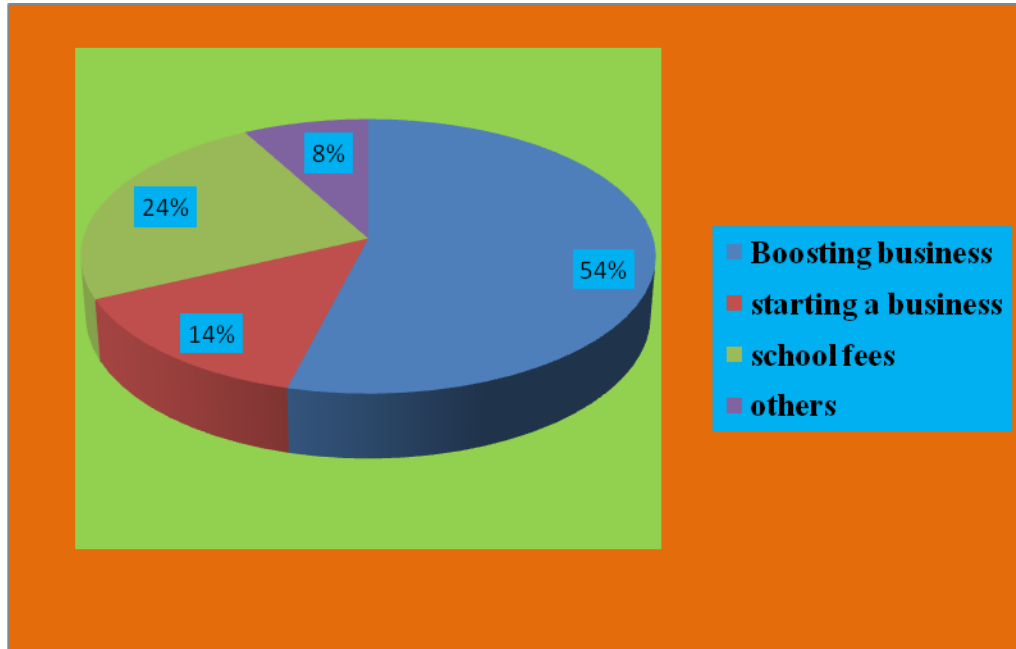
**Table 3 Showing how respondents came to know about RUSCA LTD**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Friends	32	64%	64%	64.0
Adverts	15	30%	30%	94.0
Workshops	2	4%	4%	98.0
Newspaper	1	2%	2%	100.0
Total	50	100%	100%	

**Source: primary data**

Results from table 3 indicate that the majority (64%) came to know about RUSCA Ltd from friends, (30%) knew the institution from adverts, (4%) from workshops and the minority (2%) came to know about RUSCA from newspapers. This seems to suggest that the clients of RUSCA Ltd normally inform and refer their friends to the institution. The results also signify that this institution does not advertise it's self much in the newspapers.

**Figure 2 Showing factors that made you opt for the services respondents of RUSCA LTD**



**Source: primary data**

Results from the figure 2 above indicate that the majority of the respondents (54%) had opted for the services of RUSCA LTD so as to boost their business, (14%) had opted for the services to start a business, (24%) wanted school fees and the least (8%) had other reasons to why they opted for the services. This seem to show that majority of the clients in Rubaare Sub County had already existing business which needed more capital to get boosted. In relation to this, the World Bank Report (2003) realised that majority of the entrepreneurs only lacked some capital to tickle off and make investment achievements by attaining the necessary investment decisions. And this is what the analysis shows where the majority of the respondents had opted for the services of RUSCA LTD so as to boost their business.

**Table 4: How long have you been a client of RUSCA Ltd**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid less than 1 year	3	6.0	6.0	6.0
1 - 3 years	4	8.0	8.0	14.0
more than 3 years	43	86.0	86.0	100.0
Total	50	100.0	100.0	

**Source: Primary source**

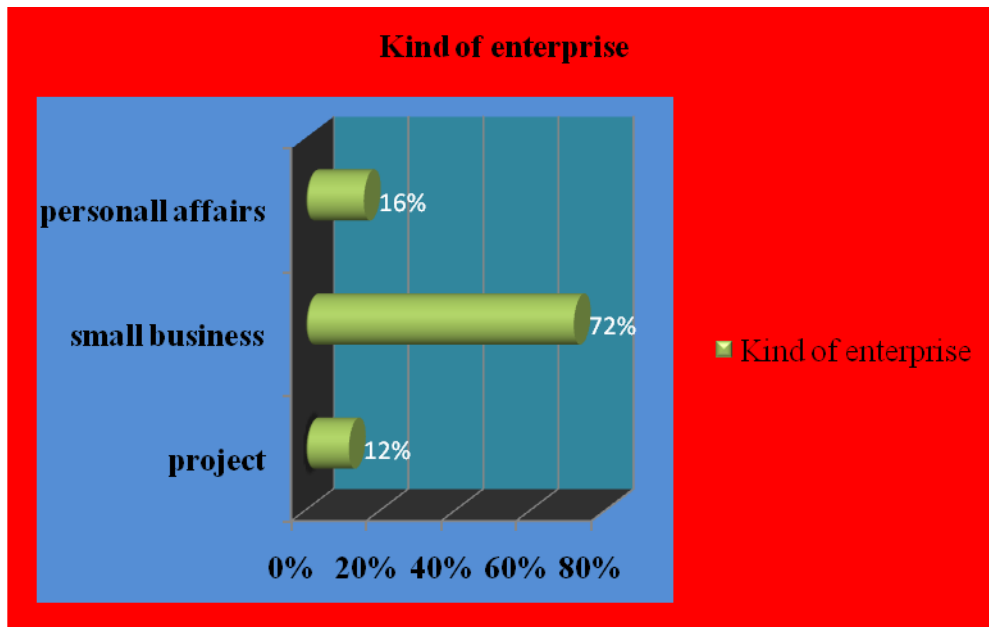
Majority of the respondents (86%) indicated that they have been clients for more than 3 years, (8%) have been in RUSCA for 1 – 3 years, and the least (6%) have been there for less than one year. This seem to mean that majority of clients have enjoyed the services in RUSCA for many more years.

**Table 5: Have you ever acquired any loan from other financial institutions**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	27	54.0	55.1	55.1
No	22	44.0	44.9	100.0
Total	49	98.0	100.0	
Missing System	1	2.0		
Total	50	100.0		

Results from table 5 indicate that majority of the respondents (54%) had acquired loans from other financial institutions and the minority (44%) said that they had not acquired other loans from other financial institutions. (2%) never responded when asked to whether they have ever acquired loans from other institutions. This implies that most of the clients also use credit services from other financial services.

**Figure 3: showing the kind of businesses the respondents deal in.**



**Source Primary source**

When asked the kind of enterprise the respondents invested in, results obtained by the researcher indicated that most of the respondents (72%) had invested in small businesses, (16%) in personal affairs and the rest of the respondents (12%) had invested their capital in different projects. These results from figure 3 seem to imply that many clients of RUSCA Ltd are small business enterprise operators around Rubaare Ntungamo District. This is in agreement with (Cleveland and Jacobs 1999) who notably said that most individual who join financial institutions to acquire loans deal in small scale businesses.

**Table 6 showing why the respondents opted for the above option**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Experience	26	52.0	53.1	53.1
	advice from friends	8	16.0	16.3	69.4
	social responsibility	12	24.0	24.5	93.9
	Passion	3	6.0	6.1	100.0
	Total	49	98.0	100.0	
Missing	System	1	2.0		
Total		50	100.0		

**Source: primary data**

As can be seen from table 6 above, 52% of the respondents opted for the business they are dealing in because they had experience, 16% got advice from friends and 24% opted because of social responsibility, and 6% opted because of the passion. 2% of the respondents declined to reveal why they opted for the businesses they were dealing in.

**Table 7: Did you acquire a loan as a group or as an individual**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid individual	43	86.0	89.6	89.6
group	5	10.0	10.4	100.0
Total	48	96.0	100.0	
Missing System	2	4.0		
	50	100.0		

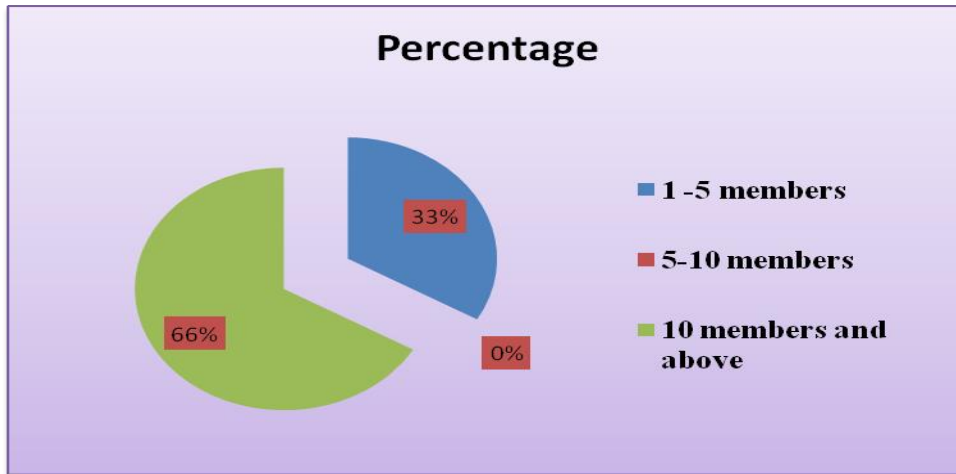
**Source: primary data**

As observed from table 7 above, 86% obtained loans from the institutions as individuals, and 10% obtained loans in groups. 4% of the respondents had not acquired loans. This seem to imply that majority of the clients in RUSCA Ltd prefer acquiring loans as individuals rather than groups.

Some of the sampled respondents who acquired the loan as a group were also requested by the researcher to further show how many members were in each group. The respondents said that they were allowed to choose the size of their group members as long as they could easily manage and control one another and also be a manageable group. The findings from the research were illustrated below,



**Figure 4 showing the range of members in each group**



**Source: primary data**

Only 66% of the selected respondents had obtained the loan in a group of 10 members and above, 33% had obtained loans in a group of 1 – 5 members. None of the selected respondents had obtained loans in the bracket of 5 - 10 members as they said they wanted to be few members who could easily be managed as some had made groups of only family members in order to easy management and accessibility.

**Table 8; showing reasons for acquiring a loan individually or as a group**

Category	Reasons for individual saving	Percentage
<b>Individually</b>	Passion	0%
	Individual business	33%
	More convenient and privacy	57%
	Personal affairs (school fees)	10%
<b>Group</b>	Lack of enough capital	25%
	Group project policy	26%
	To be able to delegate work	25%
	Others	24%

**Source: primary data**

As observed from table 8 above, the respondents who had obtained loans individually, did so with the following reasons. Those who named passion were 0%. 33% acquired the loans individually for individual businesses, 57% acquired them because they are more convenient and privacy. Additionally, 10% did so due to personal affairs (school fees)

The respondents who had acquired the loans in group due to lack of enough capital were 25%. This is corroborated by Bent (2003) who revealed that the performance of small-scale enterprises is affected by limited working capital, shortage of equipment and spare parts.

Additionally 26% acquired loans in groups due to group project policy, and 25% did so as to be able to delegate work and lastly, 24% did so because of other reasons.

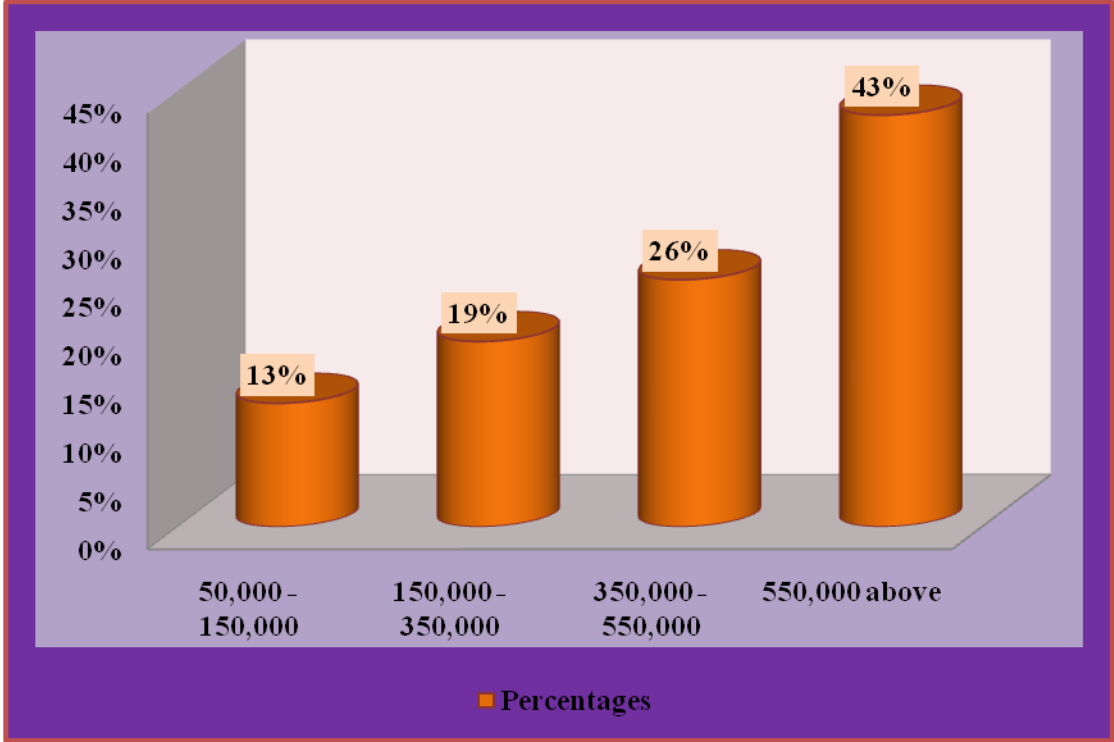
**Table 9: How much income did you start with before acquiring the loan from RUSCA LTD?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 10,000 - 100,000	4	8.0	8.2	8.2
100,000 - 200,000	7	14.0	14.3	22.4
200,000 - 300,000	4	8.0	8.2	30.6
300,000 and above	34	68.0	69.4	100.0
Total	49	98.0	100.0	
Missing System	1	2.0		
Total	50	100.0		

Source: primary data

Results from table 9 indicate that 8% of the respondents had a startup income of 10,000 – 100,000 before acquiring loans from RUSCA Ltd. 14% had an income of 100,000 – 200,000, 8% with an income of 200,000 – 300,000 and the majority 68% had an income of 300,000 and above. Only 2% of the selected respondents never revealed information concerning their income. This clearly seems to show that the clients who are in RUSCA Ltd had a small income capital before acquiring loans. These results are similar with Leynold (2002) who pointed out that to this note, while considering economic developing options in the developing countries revealed that the only set back has been lack of start up capital of all forms to tap economic potential.

**Figure 5 showing the money they got from RUSCA LTD**



**Source: primary data**

As observed from figure 5 above, majority of the respondents 43% had gotten 550,000/= and above, 26% had acquired 350,000/= to 550,000/=: 19% of the respondents had secured 150,000/= to 350,000/= and the minority 13% had acquired 50,000/= to 150,000/= from RUSCA Ltd. This seems to imply that generally clients in RUSCA LTD normally acquire big loans from the institution which might be a challenge to pay back.

**Table 10; showing the percentage contribution of the loan borrowed to the business on top of the starting capital.**

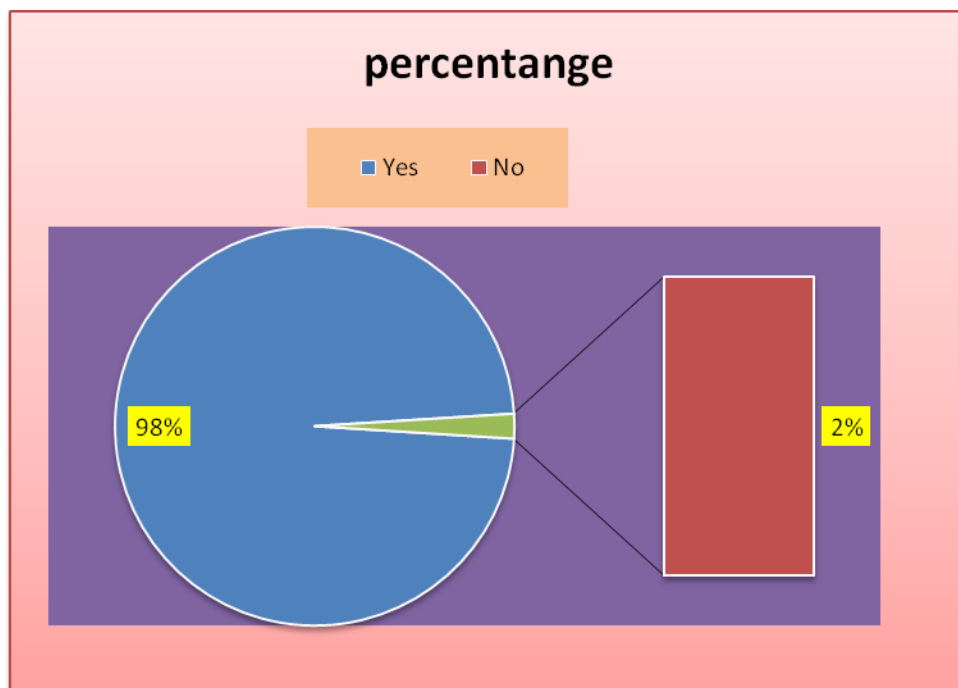
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	5% - 10%	10	20.0	22.2	22.2
	20% - 40%	6	12.0	13.3	35.6
	40% - 60%	22	44.0	48.9	84.4
	60% - 80%	7	14.0	15.6	100.0
	Total	45	90.0	100.0	
Missing	System	5	10.0		
Total		50	100.0		

**Source: primary data**

As can be seen from the table 10 above, it was observed that 44% of the respondents indicated that the loan contributed 40% - 60% percentage to their business. 20% contributed 5% - 10% to the business, 14% of the respondents said that the loan contributed 60% - 80% to the business,

and the least 20% of the respondents said that the loan they acquired contributed 5% - 10% to their business. Additionally, 10% of the respondents never responded to the question. This implies that generally, the loans acquired from the institution, contribute a lot to the businesses of the clients. The respondents further indicated that the loan repayment methods of RUSCA LTD are favourable

**Figure 6 showing whether the respondents like to acquire more loans from RUSCA**

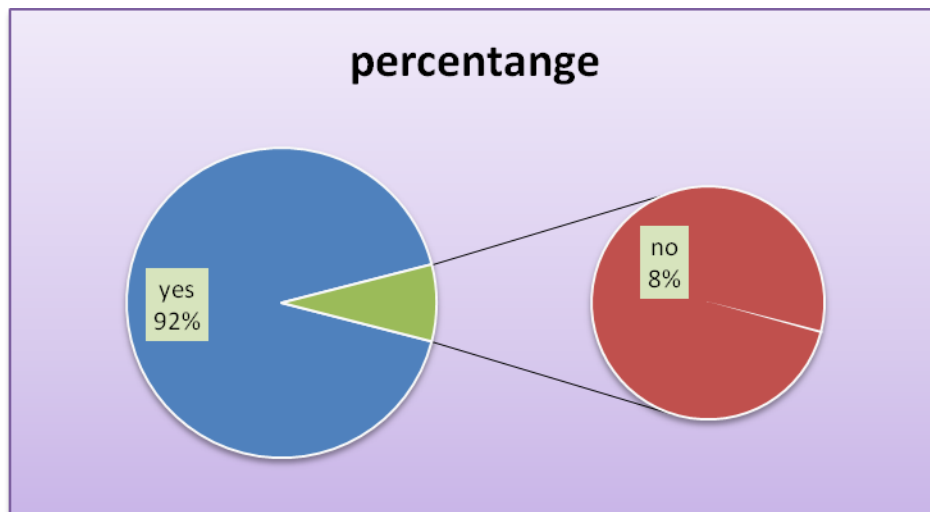


**Source: Primary source**

As seen from the figure 6 above, it was observed that the majority 98% of the respondents confirmed that they would like to acquire more loans from RUSCA Ltd, and the minority 2% of the respondents indicated that they don't like any more loans from the institution. This seem to show that despite the loans they obtain, clients of RUSCA Ltd still need more loans to boast their businesses. Barnes (1996) argued on the same note that households continue to apply for more

loans because the loan funds could assist a household to better manage its existing asset base or reduce its liabilities and that access to a loan help to absorb any emergency and eventualities say on consumption or otherwise thus enabling households or individuals to meet unexpected demands for cash without having to sell or pawn key income generating assets.

**Figure 7 showing whether they were making any savings before joining RUSCA LTD**



**Source: Primary source**

According to the findings, as observed in figure 7 above, 92% of the respondents indicated they were making saving before joining RUSCA LTD. 8% of the respondents said they had not made savings before joining the institution. These results seem to support, Getubig (1997) and Jeff (1997) who said that most MFIs require compulsory savings as a condition for receiving a loan and that compulsory savings should probably be seen as part of the cost of the loan rather than as a deposit in the true sense of the word.

**Table 11 showing the savings techniques you were using**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid in a group	9	18.0	18.8	18.8
Individually	35	70.0	72.9	91.7
with a friend	2	4.0	4.2	95.8
None	2	4.0	4.2	100.0
Total	48	96.0	100.0	
Missing System	2	4.0		
Total	50	100.0		

**Source: Primary source**

As observed from table 11 above, the results above indicate that majority of the respondents 70% were saving individually with in their homes, 18% were saving in a group, 4% were saving with a friend and 4% of the respondents were not using any saving techniques. This seems to suggest that since majority of them were saving individually, there was need to consolidate the savings into one pool that is joining RUSCA LTD. This analysis agrees with Chao-Béroff (2003) who notes for example that in West Africa, rural population continue to prefer individual savings as they seem more liquid, cheaper to maintain, and even sometimes more profitable.

**Table 12 : Showing Savings improvement after joining RUSCA LTD**

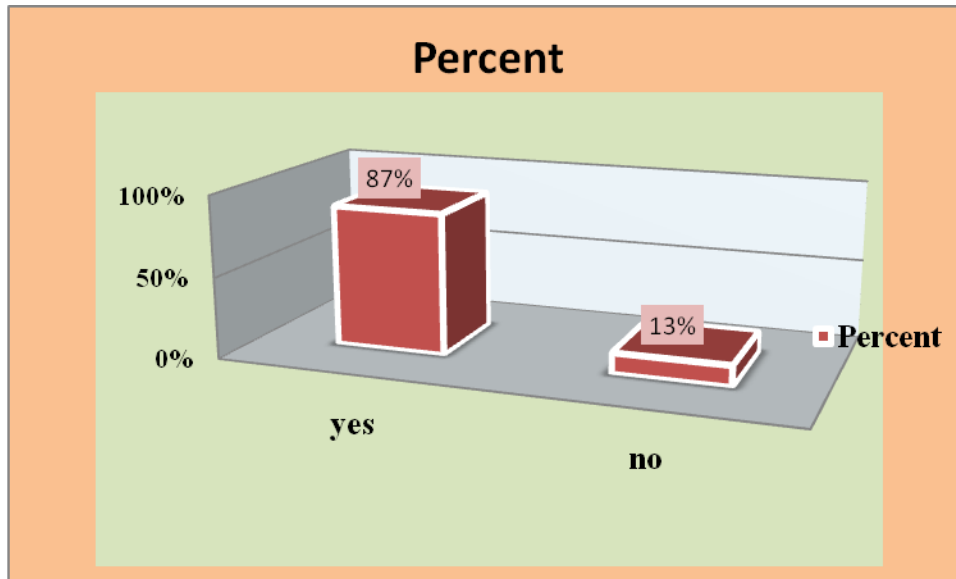
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	48	96.0	98.0	98.0
No	1	2.0	2.0	100.0
Total	49	98.0	100.0	
Missing System	1	2.0		
Total	50	100.0		

**Source: primary data**

As seen from the table 12 above, it can be observed that 96% of the respondents agreed that their savings had improved after joining RUSCA Ltd whereas 2% of the respondents said that their savings had not increased after joining the institution. More so, 2% of the respondents never responded when subjected to the question whether their savings had improved. This seem to mean that generally RUSCA ltd is generally playing a big role in improving the welfare of its clients since most of them have increased their savings. In support to this analysis, Beatriz Armendariz de Aghion and Jonathan Morduch (2005) note that for many observers enabling the poor to gain access to saving facilities is paramount to poverty eradication



**Figure 8: showing if there are any supporting services obtained from RUSCA LTD**



**Source: primary data**

As observed from figure 8 above, it can be observed that the majority 87% said yes that they were obtaining supporting services from the microfinance institution, and the minority 13% said no, that is they were not obtaining any other supporting services from the microfinance institution. This implies that RUSCA LTD as a microfinance institution has tried its level best to improve on households' welfare by giving supporting services since the majority had obtained some of the services.

**Table 13; showing the number of supporting services received from RUSCA LTD**

<b>Supporting services</b>	<b>Frequency</b>	<b>Percentages</b>
Training	22	44%
Insurance	12	24%
Water tanks and solar energy	16	32%
<b>Total</b>	<b>50</b>	<b>100</b>

**Source: primary data**

The results indicated that most of the respondents 44% were receiving training services and the respondents said that they were being trained on how to conduct group meetings and how to keep good records of their transactions in business. Van der Walt's, (2005) in the study on cooperative failures in Limpopo province observed that poor management, lack of training among others are contributory factors to the failure of cooperatives and to this end, Ortmann and King (2007) support Van der Walt's (2005) that the performance of MFIs depends on educating and training members and enhancing their knowledge of business . 32% of the respondents had acquired water tanks and solar energy and this seem to have improved on their standards of living and cut on some costs of living such as paraffin used for lighting.24% of the clients were obtaining insurance services from RUSCA LTD.

**Table 14; showing how the supporting services have improved their economic welfare**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	developed my business	18	36.0	41.9	41.9
	increased my standard of living	23	46.0	53.5	95.3
	running a profit making project	2	4.0	4.7	100.0
	Total	43	86.0	100.0	
Missing	System	7	14.0		
Total		50	100.0		

**Source: primary data**

The findings in table 14 indicated that majority of the clients 46% had benefited from these services because it managed to increase their standards of living, 36% had managed to develop their businesses while others 4% managed to set up and run profit making businesses. However there were some clients 14% who had not benefited from the services of RUSCA Ltd and therefore never responded to the same. This analysis seem to indicate that the supporting services provided by RUSCA LTD have improved their economic welfare in different ways as seen in table 14.

**Table 15; showing some of the problems that clients have been experiencing from RUSCA Ltd**

<b>Problems faced</b>	<b>Frequency</b>	<b>Percentages</b>
high rates of borrowing	7	14%
limited access to loans	17	34%
current inflation rates	11	22%
short payback period	6	12%
unfavorable customer care	1	2%
Others (no response)	8	16%
<b>Total</b>	<b>50</b>	<b>100%</b>

**Source: primary data**

As seen from the table 15 above, it can be observed that the majority 34% said that the major problem encountered in the institution is limited access to loans. 22% of the respondents pointed

out the problem of current inflation rates, 14% agreed with the problem of high rates of borrowing, 12% agreed to the problem of short payback period and the least 2% pointed out the problem of unfavorable customer care. However, 16% of the respondents never responded to the question about the problems they encounter in RUSCA LTD. This analysis seem to imply that since the majority of clients are limited access to loans then a client's need may not be satisfied as planned before though a small change on the economic welfare may be observed.

#### **4.2 Conclusion**

The analysis of data from the research carried out demonstrated that the biggest percentage of households started their business with their money they had saved before joining RUSCA and later on got top ups inform of loans from RUSCA .

The clients were able to increase their income and improve on their economic wellbeing as well as an improvement in their businesses.

In conclusion the researcher made a noticeable and positive impact of microfinance activities on the living standards and poverty alleviation among the poor people in Uganda.

## **CHAPTER FIVE**

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

#### **5.0 Introduction**

After a clear analysis and interpretation of the research, this chapter provided the summary of the findings from the research, conclusions and the recommendations which ought to be put in place in order to improve the economic welfare of the clients in RUSCA Ltd. It further provides the areas for further study that other researchers can study.

#### **5.1 Summary and conclusions**

During the research a sample size of the study was 52 respondents consisting of only the clients of RUSCA and they were selected at random using the simple random sampling technique. The research also carried out showed that provisions of loans and other supporting services to the clients had a great impact on the economic welfare of the households in Rubaare Sub County-Ntungamo District.

From the study, it can be observed that majority of the respondents from the clients were male and most of them had an age group of 50 years and above who were married. This implies that there was gender imbalance of the clients in the microfinance institution.

The study indicated that most of the clients came to know about the institution through their friends and most of them join and opt for the loan services of RUSCA Ltd so as to boost their businesses and realise profits as the target goal.

The study also examined how loans are disbursed to the different individuals and the group members in RUSCA Ltd. The study also looked at different ways in which the loans are administered and terms and conditions involved when allocating the loans.

The findings also revealed that majority of the households had been in the institution for a long time and had acquired loans from other financial institutions. This means that the institution has done a lot by bringing services closer to them thereby improving their economic welfare.

The findings also revealed that since the most common type of business done by the house holds was small scale business of which they had much experience in this kind of services, the microfinance institution has done a great job by bringing other financial services like training and saving services which has improved on the economic welfare of households in RUSCA LTD.

The findings also indicated that individual loans were common in RUSCA LTD where by the clients prefer to service the loans individually. This can be attributed to the fact that most of them deal in small scale businesses. Additionally, those who acquire the loans in groups do so in big number that is 10 and above so that they can combine efforts in servicing them.

The findings explored the impact of the loan contribution to their business top of the starting capital indicated that the loan services obtained from RUSCA Ltd have done a great job evidenced by the 40% - 60% loan contribution.

Research findings show that most households would like to get more loans in addition to their individual saving techniques so as to boast their economic well being.

The study also confirmed that the microfinance institution was also providing other services like insurance, water tanks, solar energy and training on how to run a profit making project among others.

## **5.2 Recommendations**

This chapter entails the recommendations that were made for the different parties who are involved in the process of improving the economic welfare of households.

### **5.2.1 The government**

The government is a body that sets laws that affects both the microfinance institutions and the households in the country. Therefore due to the influence the government has on the financial institutions, it should be greatly considered in the entire process of improving the general economic well-being of its citizens (households in Rubaare Sub County in particular). This is because, the government may impose policies that allow the microfinance institutions to operate favourably with less competition from other financial institutions. Therefore the government needs to supplement efforts of microfinance institutions and allow more microfinance institutions to operate in all areas of the country especially the rural areas so as to meet the increasing demand of their services in such areas.

Policies like imposing low taxes on small scale business so as to encourage development of businesses. The government should also establish programs that sensitise communities on eradication of poverty through training and educating the communities on how to save and gain.

The government should also try to monitor the financial performance of the different microfinance institutions and if possible support them with loans and grants so that the households can also benefit in so doing.

### **5.2.2 Management of RUSCA LTD**

Since the study revealed that the loan interests provided by RUSCA Ltd were abit high, the management should revisit and review so as to avoid defaulters and encourage more clients to apply for loans which they are able to pay back

In the findings the researcher found out from the clients that they are given short repayments periods which are not very favourable to them. Therefore management needs to revisit and reconsider their policies and provide grace periods for these households before they begin with the repayment process. This will allow them get enough time to gather money for the repayments.

The management is also recommended to employ more skilled labour force that can provide professional and quality services as they are serving the clients of the microfinance institution which can also be in form of trainings and educating programs

### **5.2.3 Clients**

Clients should apply for the loans which they can manage in order to avoid repayment problems that is they should apply for the loans which they can easily repay back and manage as well. The clients should also make follow up and monitoring of how they are using the funds in their projects.

In a bid to control their projects, they should be able to compare their actual profits with the planned profits. The clients should always avoid diverting the profits to other channels other than those that were the reasons for acquiring the loans as this has always resulted into total failure.

Clients should also choose the right members when planning to acquire loans as a group as some members may not be trustworthy.



The clients are also recommended to attend workshops and other training services that may be availed by the microfinance institution so as to acquire knowledge on how use loans for right purposes and know the implications of misallocating the loans and help them think of businesses that will produce more reasonable profits.

### **5.3 Suggestions for Further Research**

The role of microfinance institutions in providing sustainability strategies for households

The impact of microfinance institutions in improving saving techniques of households

The effect of microfinance institution in empowering women

### **5.4 General conclusion**

The main objective of this research was to investigate the role of micro-finance in improving the economic welfare among households in Rubaare sub county-Ntungamo District. And from the study, it can be concluded that the microfinance institutions have achieved it through the training services, saving services and not forgetting their credit services they provide to the clients.

## REFERENCES

### BOOKS

ALFRED, L. (2006). Micro finance rural livelihoods and Women's empowerment in Uganda. Netherlands: African studies Centre.

AMIN.M.E. (2005).*Social science Research, conception, Methodology & Analysis*. Uganda: Makerere University printery.

ARMENDARIZ, B. and JONATHAN.M. (2005), *The economics of Microfinance*, Cambridge, MA: MIT Press.

ASHLEY, C., (1999) 'sustainable livelihoods: Lessons From Early Experience', London: DFID

BARNES. (1996).*Assets and the impact of Microenterprise interventions: a frame work for Analysis*. Washington AIMS.

BHATT, L. (2002).*Due Diligence Guidelines for Evaluating Poverty Outreach of Development Policies and Projects*. Food Consumption and Nutrition Division, International Food Policy Research Institute, Washington, DC.

CHEN.M.,(1996). *Beyond credit: A subsector Approach to promoting Women's Enterprises*. Canada: Agha khan Foundation.

CLEVELAND, H and JACOBS, G. (1999).*The Genetic Code for Social Development"*. In *Human Choice*, World Academy of Art & Science, USA.

COHEN. L. et al, 2000. *Research methods of education*. London: Routledge College for school Leadership

CRESWELL. J.W. (2009). *Research Design: Qualitative and Mixed methods approach* .3<sup>rd</sup>ed. London: McGraw Hill Companies

De VOS, A.S. (1998). *Research at Grassroots*. Pretoria: Van Schaik.

DELGADO. L., (1998).*The Microfinance Revolution: Sustainable Banking for the Poor*. Washington, DC: The World Bank.

DESCOMBE .M. (2007).*The Good Research Guide: 2nd edition*, Buckingham, OUP

DUFLO. E., RACHEL.G, and KREMER, M. (2006), “*Using Randomization in Development Economics Research*”: A Toolkit, Poverty Action Lab, Working Paper, and Cambridge, MA: MIT.

FISHER, THOMAS and M.S. SRIRAM (2002).*Beyond micro-credit: Putting Development Back into Microfinance*, New Delhi: Vistaar Publications; Oxford: Oxfam.

GBOSI .A.et al (2004), *The Nigerian Economy and Current Problems*. Pack Publishers, Abakaliki, Ebonyi state.

GETUBIG, I.J. 1997. *Creating the vision: Micro financing the poor in Asia-pacific: issues, constraints and capacity-building*. Asian and pacific Development Centre, Kuala Lumpur.

HELEN .T. (1999).*Women at the Center: Grameen Bank Borrowers after One Decade* (New York: Westview Press.

HUYSAMEN .G.K. 1994. *Methodology for the Social and Behavioral Sciences*. Cape Town: Southern Book Publishers

INTERNATIONAL COMMISSION ON PEACE AND FOOD, *Uncommon Opportunities: An Agenda for Peace and Equitable Development*, Zed Books, UK, 1994, p. 163.

JACOBS .G. and ASOKON .N. "Towards a Comprehensive Theory of Social Development". In: *Human Choice*, World Academy of Art & Science, USA, 1999, p. 152.

JEFF. G. (1997). *Observations on Microcredit Schemes in the Pacific: Making Microcredit*.

JOHNSON, D. (1994). *Research Methods in Educational Management*. London: Longman.

KARL, M. 1995. *Women and Empowerment: participation and decision making*, zed books, London.

KENDALL, K. A. (2000). *Social Work Education: It's Origin in Europe*. Alexandria, VA: Council on Social Work Education.

KHANDKER, S. (2003). "Microfinance and Poverty: Evidence using panel data from Bangladesh",

KIDER (2006). *Diversing Trends in Macro and Micro Volatility: Facts*. Working paper, New York University.

KOSANOVICH, W.T and FLECK, H. (2001), comprehensive assessment of self-employment Assistance Programs, U.S department of labor, Washington, D.C.

- LAZEAR .E. (2004): “*Balance Skills and Entrepreneurship*”. Hoover Institution and Stanford Graduate School of Business. AEA Papers and Proceedings.
- LAZER, C. (2005).*Expanding scope of Customer Loyalty Programs* September 11, 2010
- LEDGER WOOD. J. (1999). *Micro Finance hand book: An institutional and financial perspective*.
- MARK .S. (2001). *Micro finance in Rural Argentina. Microfinance Risk Management*. Washington University Press, St Louis.
- Mc.NELLY. B. (1998). Practitioner –led impact Assessment: A test in Mali. Washington DC, MSI AIMS.
- MOUTON, J. & MARAIS, H.C. 1990.*Basic concepts in the methodology of the Social Sciences*.HSRC. K.F. Mauer. Impression. Pretoria: Van Schaik.
- MUDUULI, M.C. (2001). Uganda’s Poverty Eradication Action Plan: National Sustainable Development Strategy Principles Tested a Presentation at International Forum on National Sustainable Development Strategies (Nsdss) (Accra, Ghana).
- MUTESASIRA, S. (1997).*Microwaves UGANDA: promoting secure*
- NEUMAN, W.L. (2003).*Social research methods. Qualitative and quantitative approaches*.5<sup>th</sup>ed, Allyn and Bacon, Boston.
- NOVAGRATZ, J. (1992) Hopeful change: The potential of microenterprise programs as a community Revitalization intervention, New York. Rockefeller Foundation.

ONEN.D. (2008). *A General Guide to Writing Research Proposal and Report*, 2<sup>nd</sup> ed. Kampala: Makerere University printer.

PANDEY. J. M. (1993). *The significance of micro finance institution in the development of small-scale enterprises*.

PATTON, M.Q. (2001). *Qualitative Research and Evaluation Methods*. 2<sup>nd</sup> ed. London: Sage Publications, Inc.

PETER. C., and CATHY .N. (2002). *A student's Guide to Methodology*. 2<sup>nd</sup> ed. University of Sheffield. London: Sage publishers, Inc.

RAHMAN, H., (1995). "Rethinking Rural Poverty: Bangladesh as a case study" University press limited, Dhaka.

ROBISON, M. S., 2001. *The microfinance revolution*. Sustainable finance for the poor, Washington D.C. International Bank for Reconstruction.

ROBINSON. M. (2000): *The Microfinance Revolution*. Washington D.C.: The World Bank.

YUNUS, M. (2003). *Banker to the Poor: Micro Lending and the Battle against World Poverty*. New York: Public Affairs.

## **Journals**

ALEEM .I. (1990), "Imperfect information, screening and the costs of informal lending: a case study of a rural credit market in Pakistan", *World Bank Economic Review*, no.4 (3), pp.329-349.

ANDERSON, SIWAN, and JEAN-MARIE BALAND. (2002). “*The Economics of ROSCAs and Intrahousehold Allocation*”, Quarterly Journal of Economics, 117 (3): 983 – 995.

ARABSHEIBANI, et al (2000) “And a Vision Appeared unto Them of a Great Profit: Evidence of self-Deception among the self-Employed”, *Economics Letters*, Vol.67, pp. 35-41.

BALKIN.S. (1992). A replication of the Grameen Bank in a United States Large city: A description of and lessons from the full circle Fund of the Women’s self employment project of Chicago. (Working paper 92-1). Chicago: Roosevelt University, Department of Economics.

BENDICK. M., and M.L.Egan. 1987. Transfer payment Diversion for small Business Development: British and French experience. *Industrial and labor relations Review* 40(4): 528-42.

BENQ, P. (1997), “Economic Freedom and Success of Microfinance Institutions”, *Journal of Developmental Entrepreneurship*, Vol. 13, No. 2, pp.205-219.

BENT.V. 2003. “*Estimating switching costs: the case of banking,*” *Journal of Financial Intermediation*, Elsevier, Vol.12 (1), pages 25-56, January.

BHADURI, AMIT. “*On the Formation of Usurious Interest Rates in Backward Agriculture.*” Cambridge, *Journal of Economics*, December 1977, 1(4), pp. 341-52.

CHAO-BEROFF, R., 2003(July), “Rural Savings Mobilization in West Africa: Guard Against shocks or Build an Asset Base,” *The Micro banking Bulletin*, No.9, pp.16-18(Washington: Microfinance information Exchange).

COOK .M.L and ILIOPOULOS. C., (2000).*Ill-defined property rights in collective action: the case of US agricultural cooperatives*. In C Menard (Ed.).*Institutions, contracts and organization. Perspectives from New Institutional Economics*. Cheltenham: Edward Elgar.

DIAGNE, A. and ZELLER, M. (2001). “*Access to credit and its impact in Malawi*” Research Report No. 116 Washington, D.C, USA: International Food Policy Research Institute (IFPRI).

DUNN, 2001.*Microcredit and Microenterprise Performance: Impact Evidence from Peru*, small Enterprise Development journal 12, 22-33

DURISAMY.M. (1998). “*Children’s Schooling in Rural Tamil Nadu: Gender is parity and the Role of Access, Parental and Household Factors*”, *Journal of Educational Planning and Administration*, XII (2), 131 – 154. 23

EDGCOMB, E.L., 2002. *What makes for effective microenterprise training?*. *Microfinance*, 4:99-114.

EVANS, D.S., and LINDA, S.L. (1989). “*Some Empirical Aspects of Entrepreneurship*”, *American Economic Review* 79(3), 519-535.

EYIAH.A.K, 2001. *An intergrated approach to financing small contractors in developing countries: A conceptual model*, Construction Management and economics 19,511-518

GATES, R. (2002). *Publishing cooperative: an alternative for society publishers*. A SPARC Discussion Paper, The scholarly publishing and academic resources coalition



JONATHAN, M. (1998). *“Does microfinance really help the poor? New evidence on flagship programs in Bangladesh”*, Draft, McArthur Foundation project on inequality working paper, Princeton University.

KABEER, N. (2005). *“Conflicts Over Credit: Re-evaluating the Empowerment Potential of Loans to Women in Rural Bangladesh”*, World Development, Vol. 29, No. 1, pp. 63-84.

KABEER, N., (2001), *“Conflicts over Credit: Re-evaluation the empowerment Potential of Loans to women in Rural Bangladesh”*: World Development, Vol.29, No.1.

MAYOUX, L. (1999), *“Questioning virtuous spirals: Microfinance and women’s empowerment in Africa”*, Journal of International Development (11), 957-984.

MEYER, R. L. (2002), *“Track Record of Financial Institutions in Assisting the Poor in Asia”* ADB Institute Research Paper, No 49, December 2002. 31

MODURCH.J. (2000). *“The microfinance Schism.”* World Development, Vol. 28, No. 4, pp. 617-629.

NAJAVAS.S. (2000). *“Microcredit and the poorest of the poor: Theory and Evidence from Bolivia”* World Development, Vol 28 No.2 pp333-346.

NOURSE.T. H., 2001.*The missing parts of Microfinance: Services for consumption and insurance*, SAIS review 21, 61-70

ORTMANN, G.F and R.P. KING (2007).*Agricultural Cooperatives 1 and 2*, Agrekon 46, 1(40-68 and 2 (219-244).

RAHMAN. A., (1999), “*Microcredit Initiatives for Equitable and Sustainable Development*”: Who Pays? World Bank Development 26 (12), December.

RAHMAN, S.M. (2000).Micro credit in transition and forthcoming challenges.Holiday.Dhaka, journal of microfinance, Vol 6, no.1.

RUTHERFORD .S. (2000).The savings of the poor. Improving financial services in Bangladesh. Journal of international development London.

SHANKAR, S. (2006). “Transaction costs in Group Microcredit in India: case studies of three microfinance institutions, center for Microfinance, IFMR Working paper.

SHYLENDRA, 2007. A microfinance institution: Economic and political weekly, 13: 1185-1187.

SUBBIAH.A. and NAVANEETH K.K., 2006.*Linking self-groups (SHGs) with banks*, Kisan World.33 (5):55-56.

VAN DER WALT.L., 2005.*The resuscitation of the cooperative sector in South Africa*. Paper presented at the international Co-operative Alliance XX1 international Cooperative Research Conference, 11-14 August 2005, Cork, Ireland.

WOLLER .G. (2002).*From market failure to marketing failure: market orientation as the key to deep outreach in Microfinance*, Journal of International Development 14,305-324

YAQUB.S. (1995); *Empowered to default*. Evidence: From BRACs Microfinance credit programs Small enterprise development vol.6, No. 20.

ZOHIR .S., MATIN.I. (2004). *Wider impacts of microfinance institutions: issues and concepts*, journal of international development, vol 16,301-330.

## **Reports**

World Bank indicators of social development (2000).

World Bank Report (2003).

Poverty Status Report (2003).

MFPEd (2002). *Sustainable Micro-Finance in Uganda*.

## APPENDICES

### Appendix I: Questionnaire

Dear respondent,

I am Abesigamukama Keith a student at Uganda Martyrs University in the faculty of Business Administration and management. I am conducting a study to find out the role of microfinance institutions on the economic welfare of households in Rubaare sub county, Ntungamo District.

Kindly answer the following questions as honestly as possible. There is no need to disclose your name. All information provided will be treated with highest degree of confidentiality and anonymity and used only for purposes of this study.

#### To be answered by the clients of RUSCA ltd?

(Please answer or tick appropriately as required.)

1. Sex: female  male

2. Age.

a) 20-30

b) 30-40

c) 40-50

d) 50 above

3. Marital status

a) Married

b) Co-habiting

c) Single

4. How did you come to know about RUSCA LTD?

a) Friends

b) Adverts

c) Work shops

d) Newspapers

5. What factors made you opt for the services of RUSCA LTD?

a) Boosting business

b) Starting a business

c) School fees

d) Others

.....  
6. How long have you been a client of RUSCA LTD?  
.....

7. Have you ever acquired any loan from other financial institutions?

Yes  No

8. What kind of enterprise do you deal in?

a) Project

b) Small business

c) Personal affairs

9. Why did you opt for the above option?

a) Experience

- b) Advice from friends
- c) Social responsibility
- d) Passion
- e) Others

**10.** Did you acquire a loan as a group or as an individual?

Individual  Group

**11.** In case you acquired a loan as a group; how many members are there in each group?

- a) 1-5 members
- b) 5-10 members
- c) 10 members and above

**12.** As a client of RUSCA LTD, would you prefer to acquire a loan individually or as a group?

Individual  Group

**13.** If Individual why

- a) Passion
- b) Individual business
- c) More convenient and privacy
- d) Personal affairs (school fees)

If in a Group why

- a) Lack of enough capital
- b) Group project policy
- c) To be able to delegate work

d) Others

**14.** How much income did you start with before acquiring the loan from RUSCA LTD?

a) 10000- 100,000

b) 100,000- 200,000

c) 200,000- 300,000

d) 300,000- above

**15.** How much money did you get from RUSCA LTD?

a) 50,000- 150,000

b) 150,000-350,000

c) 350,000-550,000

d) 550,000 above

**16.** On top of your starting capital, what percentage contribution did the loan borrowed from

Rusca contribute to your business?

a) 5%-10%

b) 20%-40%

c) 40%-60%

d) 60%-80%

e) 80%-100%

17. Is the period for the repayment for the above loan favorable or un-favorable? Give reasons for your answer?

.....  
.....

18. Would you like to acquire more loans from RUSCA LTD?

Yes  No

19. Were you making any savings before joining RUSCA LTD?

Yes  No

20. What were the saving techniques you were using?

a) In a group

b) Individually

c) With a friend

d) None

21. Have your savings improved after joining RUSCA LTD?

Yes  No

22. Are there any other supporting services you obtain from RUSCA LTD?

Yes  No

23. In case they are there, what are they?

.....  
.....



**24.** How have these services enabled you and reached your needs?

- a) Developed my business
- b) Increased my standard of living
- c) Running a profit making project
- d) Others

.....  
.....

**25.** What are some of the problems you have been experiencing from RUSCA LTD?

- a) High rates of borrowing
- b) Limited access to loans
- c) Current inflation rates
- d) Short payback period
- e) Unfavorable customer care

**26.** Would you recommend RUSCA LTD to other people?

Yes  No

**27.** As one of the clients of RUSCA LTD, what would you like RUSCA to change among its policies and service delivery?

.....  
.....

Thank you very much for your contribution.

**Appendix ii: Table for Determining Sample Size from a Given Population**

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: “N” is population size

“S” is sample size.

Krejcie, Robert V., Morgan, Daryle W., “Determining Sample Size for Research Activities”,  
Educational and Psychological Measurement, 1970.

### Appendix iii: Researcher Budget

<b>ITEM</b>	<b>AMOUNT IN UGX</b>
Stationery	80,000
Accommodation	180,000
Research Equipment	150,000
Consultation expenses	120,000
Meals	150,000
Transport	150,000
<b>GRAND TOTAL</b>	<b>830,000</b>

**Appendix iv: Introductory Letter**

Uganda  
Martyrs  
University

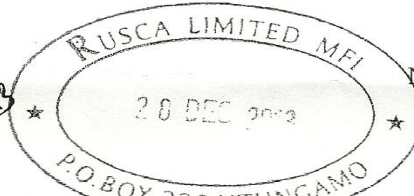
*File*  
making a difference



**Office of the Dean  
Faculty of Business Administration and Management**

Your ref.:  
Our ref.:

*He has been allowed as requested. 28/12/2013*



Nkozi, 30<sup>th</sup> October, 2013

**To Whom it may Concern**

Dear Sir/Madam,

**Re: Assistance for Research:**

Greetings and best wishes from Uganda Martyrs University.

This is to introduce to you ABELIGAMUKAMA KEITH who is a student of Uganda Martyrs University. As part of the requirements for the award of the Degree of Bachelor of Business Administration and Management of the University, the student is required to submit a dissertation which involves a field research on a selected case study such as a firm, governmental or non governmental organization, financial or other institutions.

The purpose of this letter is to request you permit and facilitate the student in this survey. Your support will be greatly appreciated.

Thank you in advance.

Yours Sincerely,

Moses Kibrai  
Dean