THE ROLE OF SAVINGS AND CREDIT SCHEMES ON THE WELFARE OF MEMBERS

CASE STUDY: HEDA SACCO HOIMA DISTRICT

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DEDICATION

This work is dedicated to my dearest father Barugahara Edaward and mother Kabagenyi Lucy who laid a great foundation for my education, to my dear brothers and sisters for the inspiration, to all those who trust and obey the Almighty Lord, and to the academic and research fraternity.

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May God bless you a bundantly.

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LIST OF ABBREVIATIONS

ASCA	Accumulating Savings and Credit Association
AMFIU	Association of Micro Finance Institutions in Uganda
BRAC	Bangladesh Rural Advancement Committee
HEDA SACCO	Hoima Entrepreneurship Development Savings and Credit Society
HDR	Human Development Report
ICA	International Corporative Alliance
MCI	Micro-Credit Institutions
MDIS	Micro Finance Depositing Institutions
NAADS	National Agriculture Advisory Services
NGO	Non Governmental Organization
PEAPS	Poverty Eradication Action Plans
ROSCA	Rotating Savings and Credit Association
RFSP	Rural Financial Services Programme
SACCOs	Savings Cooperative and Credit Societies/Unions
UNHS	Uganda National Household Survey

ABSTRACT

There are several savings and credit schemes in Uganda extending financial services to low income earners. Many people take up small and easily repayable loans with the desire to improve on their welfare and that of their family members. The study was to establish the role of savings and credit schemes on the welfare of members. The study was based on the following objectives: to find out the role of credit on the welfare of members, analyze the effect of savings on member's welfare and examine the effect of capacity building on the welfare of members. The researcher adopted a case study research design where both primary and secondary data was got from a sample size of 79 HEDA SACCO members and the staff. Primary data was obtained by use of self administered questionnaires and inter views. The secondary data was obtained from internal reports such as the disbursement by sector and the loan portfolio reports.

Findings of the study revealed that HEDA SACCO has played a significant role in the improving the welfare of its members by being able to give members credit to help them improve their wellbeing through acquiring of assets, managing their business properly and increasing investment. However some loopholes were indentified for example the vulnerable people especially the aged, those who had no sufficient security for loans were less involved in SACCO activities and even the young people are less considered which makes these people miss out on opportunities to improve their welfare.

Finally the study recommended that the elderly and the young should be considered in the SACCO activities because they have the potential to improve on their welfare and the SACCO should increase on its funds it gives to give credit so as to help sole the problem of in adequate capital.

CHAPTER ONE

Introduction

Cooperation has been the very basis of human civilization. The inter dependent and mutual help among human beings have been the basis of social life. It is a lesson of universal social history that man cannot live by himself alone. Since the beginning of human society, individuals have found advantage in working together and helping one another in all over the world for better living (Tsegaye,2003)

Most studies have found that micro finance allows the poor to protect diversify and increase sources of income, which helps to smooth out income fluctuations and to maintain consumption levels even during times of crisis. Zaman (2000) examines the Bangladesh Rural Advancement Committee (BRAC)`s impact on welfare of it`s clients, finds that participation in micro credit programs reduces vulnerability by smoothening consumption, building assets, providing emergency assistance during natural disasters, and empowering females.

The Feinstein International Center made research on resilience, food security dynamics and poverty traps in Northern Ethiopia (2011-2013). It came up with various conceptual frame work for welfare analysis, but they all have several features in common. The classic approach (DFID, 1999) consisted of a model that begins assets (natural resources, physical assets, financial assets and human and social capital) held by a household or other social unit. The model then traces the way these assets are used in various livelihood to achieve good welfare outcomes.

Most of the researchers have found out that savings and credit schemes have had an effect on consumption, providing emergency assistance during natural disasters and empowering female mostly, therefore my study will look at the role of savings and credit schemes on the welfare of both men and women.

1.1 BACKGROUND TO THE STUDY.

Ledger Wood (1991) defines savings and credit schemes as institutions that are formed to provide financial support to it′s members. The institution accepts deposits from members and grants them loans at reasonable rates of interests in times of need. On the other hand welfare can take a variety of form depending on the given community or society. However in more general sense welfare refers to the wellbeing of individuals or groups in consideration to their health, happiness, safety, prosperity and fortunes (incomes).

According to the Human Development Report 2013, human progress and welfare can be notably identified through the Human Development a composite measure that includes indicators along three dimensions; Life expectancy, educational attainment and command over the resources needed for a decent living. The Human Development Report (HDR, 2013) further states that the 21st century is witnessing a profound shift in global welfare and dynamics driven by the fast rising new powers of the developing world. China has overtaken Japan as the world's biggest economy lifting hundreds of millions of people out of poverty in the process. India is reshaping it′s future with new entrepreneurial creativity and social policy innovation.

Brazil is raising its living standards by expanding international relationships and anti-poverty programs that are emulated worldwide. But the rise of the south is much a larger phenomenon Indonesia, Mexico, South Africa, Thailand, Turkey and other developing countries are becoming leading actors on the world stage (HDR,2013)

According to Hassan (2013), he studied the impact of large rice price increase on welfare and poverty in Bangladesh. The recent experience with world food price shocks brings back the spotlight on the study of such events especially low income agriculture economies.

For example between January and April 2008, the price of coarse rice in Bangladesh almost doubled (World Bank 2010). Such an impact may have a considerable negative impact on welfare and poverty. At the same time an identification of income groups most affected requires an investigation of the relationship between welfare loss and income. When calculating household welfare analysis is based on household expenditure instead of household income as the later usually suffers from great measurement error. We include both the direct effect of higher rice price which lowers the entitlement of net rice buyers and increase the entitlement of net rice sellers as well as the indirect effect arising from the adjustment of household production and consumption behavior.

Bezu (2013) made research on the impact of maize Adoption welfare of farm households in Malawi and examined the link between adoption and household welfare using a three year household panel data. The distributional effect of maize technology adoption is also investigated by looking at impacts across wealth and gender groups. They applied control function approach and independent variable regression to control of endogeneity of input subsidy and improved maize adoption. It was found out found out that modern maize variety adoption positively correlated with the households own maize consumption, income and assets holdings.

According to the Africa Growth Initiative (2013) it carried out research examining The Impact of NAADS program on household production and welfare in Uganda. It found out that lower a participation rate of vulnerability status, had higher access to extension services and credit but the quality of services was of concern. No clear evidence of the program′s impact on the increased use of improved technologies, crop yield and sales by households was observed.

Households that participated in NAADS in both 2005/2006 and 2009/2010 exhibited relatively higher consumption expenditures than their counter parts that participated in NAADS in one period only or were non-NAADS.

The Uganda National Household Survey, 2012/2013 has revealed an increasing number of rich people in rural areas a trend attributed to growth in agriculture production. The report further shows that poverty levels in rural areas dropped from 27.3% in 2009, 2010 to 25.4% in 2012/2013 in rural areas but increased from 9.1% to 10.5% in urban areas for the respective years. This highlights the fact that the percentage of Ugandans living in absolute poverty and poor welfare conditions which increased by 0.3% is mostly concentrated in urban areas.

The Uganda National Panel Survey 2010-2011 55.2% of households have remained poor and thus live under poor welfare conditions. It further indicated that there is a decline in ownership of assets which could be mainly due involvement in distress sales to increase consumption without necessarily making significant improvement in their welfare status.

The Government of Uganda has moved away from its previous focus on poverty eradication through the Poverty Eradication Action Plans (PEADS) to a wider one through the prosperity for all expressed in the 2010/2011-2014/2015 National Development Plan (NDP).

Chronic poverty in Uganda, though it has halved since the 1990's still persist; around one in ten households are still trapped in poverty (11.6%) and unable to meet their basic needs this is evidenced with nearly 7.5 million people in absolute poverty (Chronic Poverty Report From Uganda, 2013)

HEDA started as an indigenous community based organization in 1999. It is situated in Hoima Town and engaged in the provision of entrepreneurship training services to its members who are in agriculture and trading sectors. To date it has transformed into Hoima Entrepreneurship Development Savings and Credit Society limited (HEDA SACCO LTD) and is registered under the cooperative statute of 1991 and regulation 1992. The study is concerned with how HEDA SACCO has contributed to the welfare of its members.

1.2 PROBLEM STATEMENT

Although the Government of Uganda has played a critical role in promoting the growth of SACCO's with the aim of lending active and productive entities to improve on their income and welfare, nearly 7.5 million people live in absolute poverty (Chronic Poverty Report from Uganda, 2013). This is further evidenced by over 0.3% Ugandans living under poor welfare conditions (UNHS, 2012/2013). The Uganda National Panel Survey (2010-2011) further indicates that there is a decline in ownership of assets among people which could be mainly due involvement in distress sales to increase consumption without necessarily making significant improvement in their welfare status. Thus there was need for the researcher to find out the role of HEDA SACCO towards improvement of its members welfare.

1.3 Broad objective

The study sought to establish the role of SACCO`s on the welfare of its members.

1.4 Specific objectives of the study

The objectives of the study were;

(i) To find out the role of credit on welfare of members

(ii) To analyze the effect of savings on welfare of the members.

(iii)To examine the effect of capacity building on welfare of members.

1.5 Research questions

(i) What is the importance of accessing credit on the welfare of its members?

(ii) Do savings have an impact on the welfare of members in savings and credit scheme?

(iii)What is the relationship between capacity building and welfare of members?

1.6 Scope of the study

Geographical scope

The research took place in Buhaguzi county Hoima Municipality.

Content scope

The researcher investigated the contribution of SACCO on the welfare of its members.I assessed the relationship of the independent variables that included savings, credit and capacity building against the dependent variables which included income, assets and investments.

Time scope

The study focused on the period 2010-2013 but references to previous years were made.

1.7 Significance of the study

This study contributed to the existing body of knowledge, useful to present and future scholars, researchers and students interested in the subject matter. It acted as a reference point for future social development scholars and practitioners.

The study marketed HEDA SACCO and the findings aimed at helping it come up with appropriate packages for its clients.

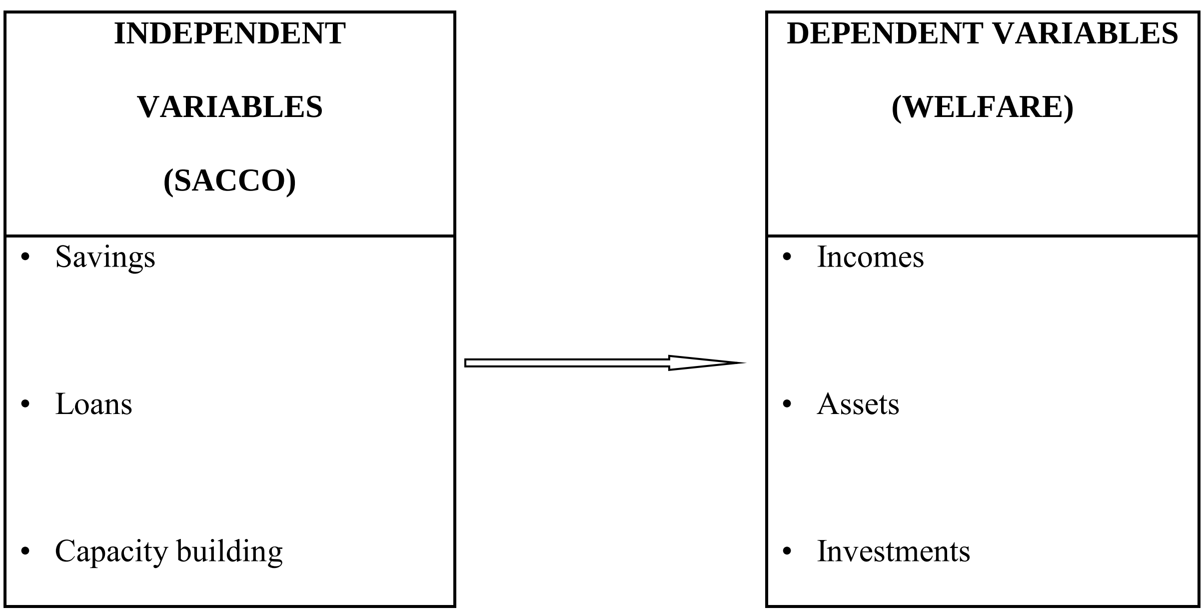
The study was to equip the researcher with real experience of scientific research that led to attainment of a Bachelors Degree in business Administration and Management.

1.8 Conceptual frame work

This study adopted the social network theory. Social network refers to ties and relationships, associations and norms that shape the quality and quantity of social interactions. Social networks may be either strong or weak. According to Coleman (1998) social network refers to the manner in which ties and their emergent properties trust and norms can constitute a resource for the members. In this respect social ties are critical for economic prosperity and sustainable development which is formed out of repeated social interactions between individuals and groups such as gift circles, credit associations like SACCOS and ROSCAs, Atterton (2007), Coleman (1998) and Putman (1993).

The various relationships and associations among individuals affect individual attitudes and perceptions towards utilization of small loans. As a result, social ties such as group solidarity enables the property less and voiceless to access credit for Micro Credit Institutions. In addition, the existence of social relations in the form of indigenous networks and norms of association are seen as substituting the physical collateral like land titles which the poor lack, in the selection of loan beneficiaries and loan disbursal and recovery (Mayoux 2001). The assumption here is that social networks are inherently positive and beneficial with the horizontal norms accrued to general trust and information which can be used by Micro Credit Institutions.

Figure 1: showing a diagrammatic representation of the conceptual frame work.



Source: Atterton (2007), Ledgerwood (2006), Coleman (1998)

The diagram above shows application of the social network theoretical framework on savings and credit utilization and its impact on household income. There is a relationship between the savings and credit schemes and welfare of members as there is noticeable change on the wellbeing of members in terms of their income, assets volume and investment.

1.9 Definition of key Terms

Access, refers to the ease and ability to participate in and derive benefits from social and public services, in this case micro-credit. Simply put the ease and ability of people to borrow money.

Credit, is a method of paying for goods and services later, usually paying interest as well as the original money. In this case, credit is used to imply loans people borrow form MFIs, with an interest rate charged, depending on the amount and time of repayment.

Impact, this refers to the effect that loan utilization has on people's livelihoods, whether positively or negatively.

Household, a person or group of people occupying a single dwelling. A household includes all members of a common decision making unit (common residence) that share income and other resources.

Income; the return in money from one's business, practice, or capital invested; gains, profit.

Micro-credit, is the extension of very small loans (micro-loans) to the unemployed, to the poor entrepreneurs, and others living in poverty who are not considered bankable.

Micro-finance; Microfinance generally refers to the provision of small-scale savings, credit, insurance, and any other financial services, to those who cannot access them from formal financial institutions.

Micro-finance Institution (MFIs), are formal and registered organizations that provide savings and/or credit facilities to micro and small scale business people, or provide financial services to poor people who have experienced difficulties in obtaining these services from traditional financial institutions such as banks.

Utilization, this is the way in which people or organizations make use of something thus contextually implying the ways in which people make use of MFI credit.

CHARPTER TWO

LITRETURE REVIEW

2.0 Introduction

Generally savings and credit schemes have played a big role in wealth creation and they have been recognized as a catalyst to social economic transformation that has contributed to welfare improvement. This chapter presents what other researchers and writers have written about the role of savings and credit schemes in the improvement of welfare and the relationship between savings and credit schemes and welfare.

2.1 The role of savings and credit schemes on welfare.

Welfare can be measured by finding out a proportion of the population living below the poverty line. The trend of Ugandans living with in poor welfare conditions and poverty has been declining over time. The percentage of people living under poverty in rural areas has dropped from 27.3% in 2009/2010 to 25.4% in 2012/2013 in rural areas but increased from 9.1% to 10.5% in urban areas for the respective years. This further highlights the fact that the percentage of Ugandans living in absolute poverty which increased by 0.3% is mostly concentrated in urban areas. Poverty continues to be concentrated in the North and East regions in Uganda. (UNHS 2012/2013). To reduce the poverty levels, the Poverty Eradication Action Plan (PEAP) emphasizes among other things the strategic improvement of access to credit through the savings and credit schemes.

Credit is an important input in agricultural production since it increases agricultural productivity, mainly land and labour. It is believed that credit increases employment at household level and there by helps to alleviate poverty. Credit enables poor people to overcome their liquidity constraints and undertake some investments, especially with improved farm technology and inputs their by leading to increased agriculture production (Adugna and Hiedues, 2000)

On the other hand credit has enabled the poor people to smoothen out their consumption patterns during their lean time period during the year (Binswanger and Khandker, 1995). By so doing credit maintains the productive capacity of poor rural households (Heidhues, 1995).

According to Navajas et al (2000), the major aim of savings and credit schemes is to improve the welfare of the poor through access to small loans. Diane and Zeller (2001) argue that lack of adequate access to credit for the poor may have negative consequences for various household level outcomes including technology usage, agriculture production, food security, nutrition, health and overall welfare. Access to credit therefore affects welfare outcomes by alleviating the capital constraints on agricultural households hence enabling the poor households with little or no savings acquire agricultural inputs. This reduces the opportunity costs of capital intensive assets relatively to family labour, thus encouraging the adoption of labour-saving, high yielding technology and therefore increasing land and labour productivity. Access to credit in addition increases the poor households risk-bearing ability, improves risk –copying strategies and enables consumption smoothening over time. By so doing savings and credit schemes are urged to improve the welfare of the poor.

Rhyne and Otero (1992) assert that financially sustainable Micro Finance Institutions (MFIs) with high outreach have a greater likelihood of having a positive impact on poverty alleviation because they guarantee sustainable access to credit by the poor. Outreach is the number of clients served by the MFI`s. Financial sustainability on the other hand measures the extent to which MFI`s covers it`s operational and financial costs from internally guaranteed revenues (interests and commissions). MFI`s with higher repayment rates are more likely to be financially sustainable.

Buckley (1997) maintain that the commonly touted indicators of success of savings and credit schemes (namely high interest repayments and rates, outreach and financial sustainability) says nothing about the impact on SACCO operations and only tantamount to "Micro finance evangelism". Based on a study on three countries (Kenya, Malawi and Ghana), Buckley (1997) concluded that there was little evidence to suggest any significant and sustained impact of SACCOs on beneficiaries in terms of micro entrepreneurship graduating to higher or more sophiscated operations, increased income in flows or level of employment. The main argument that was raised was that improvement in access to micro finance and markets was not sufficient unless there was change in the under takings themselves (i.e. changes in techniques and technology)

Zeller and Sharma (1998) argue that micro finance can help to establish or expand family enterprises potentially making the difference between grinding poverty and economically secure life. But Burger (1989) said that microfinance tends to stabilize rather than increase income and tends to preserve rather than create jobs.

Mosley and Hulme (1998) in their study of 13 Micro finance institutions in seven developing countries conclude that household income tended to increase at a decreasing rate, as the debtors income and asset position improved. On the other hand findings by Diagne and Zeller (2001) in their Malawi study also suggested that SACCO`s did not have any significant effect on household income.

Musopole et al (2007) found that households are influenced by their desire to access credit and invest in small scale businesses to save money when they decide to join micro credit groups. This is the case because households can increase their income and therefore alleviate poverty through access to credit. It is however, very difficult to access credit such that the productive capacity of the poor households is affected. The very few well to do households get credit at a softer term from formal markets as they are able to provide collateral. That is why most of households join groups or cooperatives to access credit for them to invest and save money since this micro credit can easily give loans to groups rather than to an individual.

2.1 Savings and credit schemes

Cooperation has been the very basis of human civilization. The interdependence and the mutual help among human beings has been the basis of social life. It is the lesson of Universal social history that man cannot live by himself and for himself alone. Since the beginning of human society, individuals have found advantage in working together and helping one another in all over the world (Tsegaye, 2003).

The cooperative model has been adapted to numerous and varied businesses in 1942, Ivan Emilanoff, a cooperative scholar, remarked that diversity of cooperatives is Keleidoscopic and their variability is likely infinite (Kimberly and Cropp, 2004) Because of this diversity, no universally accepted definition of a cooperative exists.

Two definitions however are commonly used:

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (ICA,1995)

The definition recognizes the essential elements of cooperatives; membership is voluntarily, coercion (force) is the antithesis (contrast) of co-operation. Persons compelled to act contrary to their wishes are not truly cooperating. True cooperation with others arises from a belief in mutual help; it cannot be dictated in authentic cooperatives , persons join voluntarily and have freedom to quit the cooperative at any time (Chambo,2009)

In much of the global South, the poor are largely rural and the rural are largely poor. Thriving informal financial markets demonstrate that the rural poor demand financial services which can help them reduce their vulnerabilities and build up their assets. Because informal services in rural areas is critically important (Nagarajan & Meyer,2005). Yet, the rural poor are largely unserved by institutional finance. Micro finance has primarily served larger commercial farmers and producers (Malkamaki & Wanjau, 2006; Sebstad & Cohen, 2001).

This limited outreach is not hard to explain. Serving rural areas on sustainable basis is difficult and expensive. Where roads are poor , the costs of transport and travel time are high. Sparse population density and small transactions limit loan and savings volumes.

Geographically limited markets and the lack of options for storing and accessing liquidity result in high liquidity and covariant risks. Cash may be less available than the urban settings while cash flow may be much more seasonal (Zeller, 2003) Furthermore, skilled and cost reducing technologies often are not available or feasible , finally, the rural poor may not be able to pay the high interest rates typically needed to recover the costs of even efficient micro finance operations

(Harper,2005). The challenges are daunting and no type of financial institution meets these challenges better than member owned ones.

A savings scheme is a programme designed to encourage savings through small but regular deposits or automatic deductions from salaries or wages. Savings and credit schemes aim at increasing people's incomes and poverty alleviation to the poor and low income earners. Savings and credit schemes are becoming a beacon of hope to developing countries as they are seen as a possible way through which people's welfare can be improved. These institutions grant loans to members at reasonable rates of interests in times of need. The lent money helps the entrepreneurs in impoverished societies to start essential businesses in their communities (Guilford, 2007)

On the other hand savings and credit schemes can be defined as, ''an association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise'' (National co-operatives policy, 2011). Co-operatives are based on the principles of voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, co-operation among co-operatives and concern for the community.

In Uganda, co-operatives are organized in four tier vertical structure of primary societies that consists of at least 30 persons aged above 12 years. A minimum of two primary societies form a secondary while two or more secondary societies form a tertiary which provides specialized services. Secondary and tertiary societies form the apex.

Ugandans started organizing themselves in to co-operatives in 1913 which operated informally until 1946 when the first co-operative ordinance was enacted. This also marked the of Co-operative Department and the present co-operative movement. By the end of 1946 there were 75 organizations of cooperative nature. Fifty (50) of these were agriculture marketing societies, 8 were shop keepers (supply) societies, 6 were consumer stores and the remainder were miscellaneous societies such as fishermen (mainly for supply of nets), cattle and diary societies and one thrift society. (National Co-operative policy,2011)

The period 1946 to 1970 saw a significant growth of the co-operative movement especially in the cotton and coffee sectors. In 1951, co-operatives handled 14,300 tons of cotton and coffee. Following the acquisition of two coffee curing works and ten ginneries in 1956, the total tonnage rose to 89,308 tons by 1960. In 1965, out of 437,923 bales of cotton produced in the country, co-operatives handled 267,420 bales (61%) in addition to 40% of Robusta coffee; valued at 60 million shillings and 90% of Arabic coffee valued at 30 million shillings (National Co-operatives Policy, 2011)

The period 1992 through 2006 exhibited a continuous decline of co-operative commodity marketing, for instance of the total coffee exports (130,068 tons) in 1992/93, co-operatives accounted for 22% (28,585 tons). This dropped to only 2% (3,868 tons) out of the total of 180,164 tons in2001/02 and further to a meager 1% (2,104 tons) out of 162,254 tons in 2007/07. While performance of co-operatives declined, that of multinational companies increased from 14% (18,459 tons) to a massive 83% (134,589 tons) over the same period. On the other hand, as co-operative commodity marketing declined other cooperatives enterprises emerged; for instance, 2,351 SACCOS were registered between 2004 and 2008 with savings of over 100 billion shillings and loans of 77 billion shillings. (National Co-operatives Policy, 2011)

As a result of the policy statement that was issued by Bank of Uganda in 1999 on all micro finance supervision and regulation, all financial institutions were categorized in 4 tiers that is tier 1, tier 2, tier 3 and tier 4. Tier 1 includes all commercial banks that are regulated by the (FIS) Financial institutions Act (2004), tier 2 includes all credit institutions which are also regulated by the FIS 2004,tier 3 comprises of Micro deposit taking institutions(MDIs) and tier 4 which comprises of SACCOs, NGOs and smaller companies (AMFIU, 2008)

One form of micro lending that has been successful for the people at both ends of the economic spectrum is a micro credit scheme. Socially conscious investors can go to savings and credit schemes and invest whatever amount of money they want and even choose the area where the money will go and what annual return they would like to earn on the money. Credit schemes then distribute the investment to the micro lenders that service the chosen area or project. The money is lent to the impoverished entrepreneurs who use the money to start or finance their business that enables them to rise out of poverty. The entrepreneurs repay the loan with interest and the original investor has helped someone rise out of poverty and earns returns on his investment at the same time (Guilford,2007)

Savings is done two forms i.e. formal savings and informal savings

(i) Formal sector

Ideally the credit needs of rural the poor should be met by the commercial banks or other specialized financial institutions that operate in the national mainstream of a country that is by accepting deposits of individuals and lending out to members in form of credit financing. The rationale of special savings and credit schemes is to serve the poor.

Formal finance considers lending to the poor as too risky (high default rates) and expensive (high transaction costs). Stringent collateral requirements of formal lending institutions often rule out a large segment of the population from access to credit. Quite commonly, they prefer to deal in large sums creating a preference for large and medium enterprises (as against small and micro enterprises), higher income households (as against poor households) and bigger farmers (as against small and marginal farmers and landless workers).

In general formal savings and credit schemes are overwhelmingly urban-oriented from the point of view of both the distribution of branch network over the national territory and the concentration of their deposit lending activities. Their objectives, organizational structure and lending procedures severely restrict the ability of formal institutions to service the needs of the poor.

(ii) Informal sector.

The informal sector which includes saving at home, savings clubs, Rotating Savings and Credit Associations (ROSCAS), Accumulated Savings and Credit Association (ASCAS) and others (Mutesasira et al.1991, Steel and Aryeetey, 1994). Services in the informal sector are readily accessible with low transactions costs and the relative flexibility in service provision tends to attract the majority who are not reached by formal banking sector. There is however a very high price that the poor pay in terms of high risk and low or negative interest rates for such services. Savings may be exposed to theft, destroyed by fire and animals may be lost due to dishonesty apart from temptation to spend and demands from relatives and friends for assistance.

The definition of informal finance includes such schemes as the operations of SACCO`s known all over Africa, professional moneylenders, part-time moneylenders (estate owners, traders, grain millers, smallholder farmers, employers, relations and friends, mobile bankers, known as susu or esusu collectors in West Africa, credit unions and cooperative societies. These exist in both urban and rural areas. While savings collectors fall under the first category of deposit mobilizers, money lenders including relations and friends do not generally accept deposits and may be assigned to a second category.

Savings and credit schemes take in deposits and also lend in varied forms. Most informal units deal with specific groups of people, ensuring that only those satisfy distinct selection criteria are able to either deposit with them or borrow from them.

(Journal of Microfinance)

There are various types of savings and credit schemes depending on the membership profile and the products extended to the SACCOs members differ accordingly. In essence there are three broad categories of SACCOs;

(a) Community based SACCOs

These SACCOS can be found in urban areas or regional towns, but are most frequently encountered on village level. A variety of group and individual loans can be given out, including women solidarity loans, business loans for individual members, or loans for small and micro enterprises (The International Journal of Social Science and Entrepreneurship)

(b) Employee based SACCOs

These represent SACCOs where all the members are drawn from one employer and these SACCOs are generally located in urban areas or regional level. Specific salary loans are extended which are often guaranteed by the employer. (The International Journal of Social Science and Entrepreneurship)

(c) Rotating Savings and Credit Associations (ROSCAs)

These are formed when a group of people come together to make regular cyclical contributions to a common fund, which is then given as a lump sum to one member of the group in each cycle (Grameen Bank, 2000). According to Harper (2002), this model is a very common form of savings and credit. He states that the members of the group are usually neighbors and friends, and the group provides an opportunity for social interaction and is very popular with women. They are also called merry-go- rounds or Self-Help Groups (Fisher and Sriram, 2002).

It is difficult to pinpoint the origin ROSCA, various incarnations of ROSCA have been in existence in different parts of the world with different names like Totine in Cameroon and Senegal, Esusu in Nigeria, Stokvel in South Africa, Bishi and Chit Fund in India (Bouman,1994)

In his comparative study of rotating credit associations Shirley Ardener (1964) described a ROSCA as an association formed upon a core of participants who agree to make regular contributions to a fund which is given in a whole or in part, to each contributor in rotation.

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A ROSCA is a group of small people generally between 15and 30 who agree to from a group and contribute an agreed amount of money at regular meetings. The entire fund is then distributed to each member on a rotating basis until everyone in the group has received a loan. The system involves a high degree of flexibility, with the participants determining the size of the group. The amount to be saved , the frequency of contributions and how funds can be used (Johnson et al,2005)

Susan and Ben (1997) assert that ROSCAs are an extremely common phenomenon. They exist in almost every country and there principle is very simple, a number of people agree to save a fixed amount of money at regular intervals and at each meeting each member contributes an agreed sum of money which when it accumulates it is distributed amongst the members . Money from ROSCAs is used to purchase assets and is used for consumption.

(d) Accumulating Savings and Credit Associations (ASCAs)

Armendáriz et al. (2010) also tells about a new form for ROSCAs, ASCA (Accumulating Savings and Credit Associations) often called credit unions. ASCA is a more formal ROSCA and here its members can either use the group to mainly save or mainly borrow. The groups have also got a more formal approach. The costs including a safe place to store the funds, bookkeeping and management become more complex and are higher than in a ROSCA.

In a ROSCA either one member gets the pot or a member borrows the pot (does not need to e.g. store the funds). An advantage on the other hand is that the savers can only save and does not need to feel obligated to borrow from the ROSCA.

The term "ASCA" was first introduced by Bouman (1995) to describe savings groups in which funds are not immediately with drawn like ROSCA, but are left to grow for loan making. Usually savings are accumulated in regular meetings throughout a cycle of six to twelve months. In the course of the cycle, the deposits are lent out in parts to group members and in some groups also to non members, in the latter case mostly at a higher interest rate. Each group can agree on the duration of the cycle, the frequency of meetings, the amount saved (and whether deposits are mandatory or optional) as well as loan conditions (amount, interest rate, payback period etc).

According to their wants and needs most ASCAs are time bound at the end of the cycle, the individual savings are cashed out and profits are distributed among all group members who then put them to use for their own well being (Collins 2009)

An ASCA is essentially an unregistered and informal version of a SACCO. They are very similar to ROSCAs but, like a SACCO, they involve a central fund in to which weekly contributions are deposited instead of the fund being automatically distributed to each member in turn, members can take out loans at an agreed interest rate (Mutesasira, 1991). Members can theoretically take out a loan at any time and in amounts in line with their actual needs and opportunities. Furthermore, through the interest paid on loans, members can attain a substantial return on their savings contributions.

2.3 The role of credit on welfare.

Provision of credit is increasingly being looked upon by development agencies as an important instrument in dealing with poverty in both urban and rural sectors. Specifically in the efforts to promote micro enterprise, self employment and income generating activities among the poor, credit is often considered a critical input. The learning effects of skill transfer and training activities (which form an important component in many an externally funded technical cooperation project) cannot by themselves translate in to higher productivity, incomes and employment for the poor without simultaneous improvement in the latter's access to credit.

Credit can be used as working capital so that clients' efforts become more productive; for example, clients can buy produce in bulk at discounted or wholesale prices and resell at retail prices for more profitability (Brau et al, 2005). As clients become more productive, their incomes increase and they are able to accumulate savings for other investments as well as improvements in welfare (nutrition, hygiene, housing) and emergencies (Hashemi, 2003). Improvement in economic activities of the beneficiaries of MFIs will mean substantial improvements in their clothing, sanitation, feeding, housing, medical care, household property/equipment owned and ability to cover costs related to school fees, transportation and other physiological needs (Armendariz et al, 2005).

According to S.Tilakaratna (1996) credit is much more than just another input such as fertilizer or improved seeds. It's a command over resources i.e. an instrument which enables a person to obtain access to extend control over resources. Being a generalized claim on goods and services, credit has the potential to improve the bargaining power of the poor in their dealings with other groups in a population. Hence access to credit is also considered an important factor in development approaches that seek to empower the poor.

Further more credit is often viewed as an entry point for initiating development activities among the poor. Experience however shows that provision of credit by itself may not prove effective as an instrument of raising production and incomes of the rural poor, particularly of the bottom poor. Credit may need to be supported by access of improved technology, input supply, infrastructure facilities and markets.

According to Levitsky (1993) the primary purpose of all credit programmes for small entrepreneurs is to raise the living standards of beneficiaries, their families and their communities. Current debates in micro finance include issues whether micro finance interventions can lead to improved welfare and can reduce poverty, reaching the poorest of the poor and assessing the impact of interventions (Johnson and Rogaly,1997). This is based on the theory that provision of small loans to micro entrepreneurs is an effective policy instrument in the fight against poverty (Hulme and Mosley,1996)

Community based savings and micro finance is known for providing useful sums of money to poor households to start income generating activities and improve on their business. The revenue generated from the business is used to pay back the loan, cater for basic households needs and for the general improvement of peoples living conditions. Loans also help members to manage their life cycle events such as education, marriage, birth and home making, widow hood, old age and death (Mutesasira cited in Micro Save Africa, 2000)

According to UNDP, (2005) around 83% of the population in Bangladesh lived on less than $ 2 per day and 36% on less than $ 1 per day. The value of Human development index for

Bangladesh has been increasing at an average rate of 8.8% per annum from the 1990s due to an increased availability of community based saving micro finance services for poor households to help increase on their income (Micro save Africa,1991)

An evaluation of the impact of BRAC was made in Levitsky (1988). BRAC is one of the largest NGOs involved in poverty alleviation and improvement of welfare in Bangladesh. A comparison between 50 male and female members from randomly chosen branches who had received loans and a control group who had not yet received loans from BRAC was made. Both groups came from similar social economic backgrounds. An examination was made of the source of income in order to determine that the improved situation was due to BRAC credit. The study showed that the per capita annual income of the households that borrowed from BRAC was 26% higher than that of the control households. It also showed that 50% of the borrowing households had an annual income of more than 19,000 taka (Bangladesh currency) per annum whereas this was true for only 29% of control group.

Another impact study done in Levitsky(1988) compared the income of BRAC members with a baseline. The results showed 160% increase in real incomes, 84% increase in employment and 153% increase in possession of assets. Savings and credit schemes have led to women empowerment by positively influencing women's decisions making power and enhancing their overall socio economic status (The Micro finance Banker, 2009). By the end of 2006, microfinance services had reached over 79 million of the world's poorest women. With such influence of micro finance, there is a significant contribution to gender equality and promotion of sustainable livelihoods and better working conditions for women.

2.4 The effect of savings on welfare.

Savings should be looked upon as an important component to credit essential for both the long run viability of credit schemes as well as the self reliance of the borrowers.

Savings clearly offers substantial benefits and correspondingly, in general, savings programs have been shown to have a positive impact on participants. Dupas and Robinson (2009), who used a unique study design that controlled for potential biases while allowing for the use of simple regression analysis, find that access to a formal savings account has substantial positive impacts on women's productive investment levels and expenditures, and also makes women less vulnerable to shocks from illness.

Magyezi (1999) states that savings act as collateral security for the savers to acquire more and bigger loans. He confirms that such practices promote savings cultures. The extent to which savers benefit from savings remains unclear as credit providers attach very low interest to it.

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

Most studies have found out that Micro finance allows the poor to protect, diversify and increase source of income, which helps to smooth out income fluctuations and to maintain consumption levels even during times of crisis. Zaman (2000), who examined the Bangladesh Rural

Advancement Committee (BRAC)`s impact on the welfare of its clients, finds that participation in Micro credit programs reduces vulnerability by smoothing consumption, building assets, providing emergency assistance during natural disasters and empowering females.

Research has even found that most people prefer savings to credit (Hirschland, 2005) Further more small loans are not appropriate for poor women (Kabeer, 2001). A loan becomes a debt and the poor often face a crisis if an expected source for repayment evaporates. Therefore, borrowing is often much riskier than saving. Because starting a new business is risky and sustainable providers of credit cannot afford to lose money, credit is generally not used to start a new business but rather to expand an existing one. Therefore, most people must rely on savings to start up new business ventures. Savings enables future investment by giving access to lump sums of money. These large sums of money can be used for investment opportunities, for life cycle events such as marriages, funerals etc or for emergencies. Savings can also be used for consumption.

Furthermore, while borrowers pay interest, savers can earn interest. Finally, although not everyone is credit worthy or is willing to take such risk, all people are deposit worthy and want to develop assets.

Kendall (2010) says informal financial options alone are unable to meet all of a household`s savings needs, and households often report that having access to saving account is their greatest financial need.

Research has even found that most people prefer savings to credit (Hirschland 2005). Furthermore, small loans are not always appropriate for poor women (Kabeer 2001). A loan becomes a debt, and the poor often face a crisis if an expected source for repayment evaporates. Therefore, borrowing is often much riskier than saving. Because starting a new business is risky and sustainable providers of credit cannot afford to lose money, credit is generally not used to start a new business but rather to expand an existing one. Therefore, most people must rely on savings to start up new business ventures. Savings enables future investment, by giving access to lump sums of money. These large sums of money can be used for investment opportunities, for life cycle events, such as marriages,

funerals, etc., or for emergencies. Savings can also be used to smooth consumption. Furthermore, while borrowers pay interest, savers can earn interest. Finally, although not everyone is creditworthy or is willing to take such risk, all people are deposit- worthy and want to develop assets.

2.4 The role of capacity building on welfare.

Chowdhury and Bhuiya (2004) assessed impact of BRAC's poverty alleviation programme from a "human well-being" perspective in a programme in Bangladesh where they examined seven dimensions of 'human-well being'. The project included the provision of microfinance and training of clients on human and legal rights . They noted that the project led to better child survival rates, higher nutritional status, improvement in the basic level of education, and increased networking in the community.

Children of BRAC clients suffered from far less protein-energy malnutrition than children of non-members, and the educational performance of BRAC member's children was also higher than that of children in non-BRAC households (ibid.). BRAC member households spent significantly more on consumption of food items than poor non-members did and per capita calorie intake was also significantly higher.

Raising capacity of the rural poor and the self-employed to sustain economic activities in essential for their survival. According to the MASAF findings (Tsegaye ,2003) the poor are eager and determined to save if the opportunity is made available. They can be organized and take up leadership. They require more guidance, training and financial development assistance than the urban and semi-urban MFI clients do, but they offer the advantage that they can easily be mobilized in to groups that are able to give loans to people in their own communities and recover the money with interest. Such intervention requires long-term institutional and financial support. Small poor communities cannot become sustainable in a short period due to their small size, low absorptive capacity, high illiteracy and lack of exposure to MFIs best practices.

According to (Agriculture Finance Year book,2012) training in life skills have included training farmers on the use of improved planting material and improved animal breeds, finance management,post harvest handling amongst other have led to improved agriculture yields for food and income security. This is done through providing farmers with relevant and educative information on credit facilities and schemes through solidarity groups.

Capacity building helps to improve on output gained in terms of profit. For example Mr.Ssenyojo Francis of Kawala village testifies that Caritas gave him 50 suckers of improved banana (matooke), and availed him a wheelbarrow and a spray pump at half market price in 2006. In 2008 he started realizing the benefit from improved banana establishment so he decided to expand his plantation. By 2010 he was realizing approxmently Ugx. Shs.400,000 per month from his matooke. Caritas gives its beneficiaries a one time opportunity unless there is justified reason to give second chance. This means that for further expansion Mr. Ssenyojo had to acquire the necessary inputs and implements at market prices, he knew what was necessary for better yields and he knew he could still profit from the investment (Caritas Uganda Report,2010)

According to Obed (2013) credit schemes provide capacity building, entrepreneurial skill development and other trainings that are essential to developing skills of members.

Needam (1996) describes the need for education for development participants skills for transfer in the new and changing situations. He says it develops creativity and potential for communication. He further explains that the participants apply arrange of skills and techniques to develop a variety of ideas incretion of new and modified products. Such models are vital in the sustainability of businesses since business people look out for only those ideas that lead to success of the business.

Mulira (1991) contends that what Micro Finance Institutions do by establishing client`s interests and feeling through education is essential. He clarifies that education enhances learners self motivation by developing an inquirinsg mind, they gain profiency in speaking, reading and writing and communicate effectively as individuals or as groups. He adds that business education develops attitudes for group work, social justice, cooperation, friendship and respect for humanity.

.According to Mandre (2009) while arguing for micro-business initiatives, he challenges micro-entrepreneurs whether they have what it takes to start up a business, arguing that one ought to consider his/her qualifications to run business. Technical knowhow and experience are critical issues in question, because the success of the business revolves around that. In addition, Brown (2009) argues that micro-credit institutions need to strengthen their non-financial business services they offer like management and assist in business development. They should avail relevant business skills training to the poor people, so as to enhance their operating capacity to effectively and efficiently use the credit to transform their household well being. Indeed Nachiket and Bindu (2008) asserted that access to MC can help to alleviate poverty and improve on household wellbeing only if accompanied with other complementary inputs: typically training and skill development interventions; such as business skills and knowledge of the micro-entrepreneur for sustainability.

Similarly, Rukunga (1999) also emphasized that for any business; be it sole, partnership or a company to be successful, no matter how small and humble when started may grow over time depending on the determination and managerial skills of the entrepreneur. This may raise awareness of the services, marketing strategies and benefits of micro-credit and returns to investments. The challenge however is that majority of the MCIs trainings offered to clients are basically about credit servicing, ignoring other critical aspects like book keeping and business planning, records keeping and management. The trainings are designed, implemented and delivered by the Micro Credit Institutions with little or no involvement of the clients in the process. Of great concern also are the methods of evaluation of the trainings if any do the Micro Credit Institutions evaluate the borrowers‟ application of the skills and knowledge gained, how and when this is done are serious issues which need further investigations.

Harvey (2009) also argued that a significant number of micro- entrepreneurs in Uganda are family-owned businesses which either lack proper marketing strategies and formal plans or have failed to communicate through the family ownership and management team. Therefore my study comparatively assessed the organizational and operating capacity of MC users in terms of saving skills, marketing skills, business skills and credit servicing, and the borrowers knowledge and skills in business and investment which are cardinal for successful a business in both rural and urban communities.

According to Hanning (1997) Micro Finance Clients who attend business education and other co curricular activities organized by savings and credit schemes save on sustainable basis compared to those who do not attend.

Ndora (1991) recommends that participants in micro finance institutions should be encouraged to save in every training session in a bid to promote clients savings. According to him business education and saving culture should be encouraged in every training session in a bid to promote clients saving culture.

Generally, the above literature exhibits several knowledge gaps. Several questions are not adequately answered by already existing literature and studies: where attempts are made, it is limited by time and geographic scope. For example questions like what is the effect of capacity building on peoples' welfare are not adequately answered and the literature by the various scholars does not show whether people are really satisfied by the impact of savings and credit schemes on their welfare. The already identified knowledge gaps in the reviewed literature formed the back bone of my study, and the study findings presented and discussed explicitly answer these questions.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presented the approach used in the design and execution of the study; including description of the procedures and methods of data collection and analysis. It described the research design, the study area, sample size, sampling technique, data collection procedures, measurement of variables, data validity and reliability, data analysis and ethical issues in research.

3.1 Research design

The study adopted a case study research design (Ranjit 1996).This is because the design deals with samples of the population of the cross section of the population of the SACCO over a short period of time. In carrying out the study both qualitative and quantitative approaches were employed to assist in data collection and processing. To obtain both qualitative and quantitative data to be used for this research, interview guides and questionnaires were employed.

3.2 Study area

The area of study are SACCOs located in Hoima Municipality using HEDA SACCO as the main area of study located on the ground floor of the National offices of Kolping building in Hoima Municipality

3.3 Study population

The study population consisted 325 members (Loan Portfolio report, 2013) of diverse socio economic background from different the households of members of HEDA SACCO. The respondents were chosen randomly for comparative purposes. The study included key informants who where purposively sampled due to their expertise and experience on the subject matter. They gave more detailed and in depth information vital for the study.

3.4 Sample size

A sample size of 79 respondents was generated from half the number of the study population of 325 members (HEDA SACCO Loan Portfolio Report,2013).The respondents were got by using the sampling formula (n=N/1+N(e)^2). These included both staff members and other group members.

3.5 Sampling techniques

The sampling technique used comprised of both non probability and probability techniques. This was because the population was not homogeneous and therefore techniques such as purposive sampling and stratified random sampling were the best options to be used due to the fact that purposive sampling only focused on expert knowledge while stratified random sampling dealt with groups of people.

The formula therefore used was

n=N/1+N (e)ˆ2

Where N= Target population

n= Sample size

e= (0.08)ˆ2 desired marginal error

Therefore, when N=162, e = (0.08)ˆ2, n was derived as follows;

n=162 / (1+162(0.08)ˆ2)

n=79

Figure 2: Table showing respondents category, target population and sample size

Respondents Category	Target Population	Sample Size
Staff	7	3
Group members	155	76
Total	**162**	**79**

Source; HEDA SACCO 2013 (Modified by the researcher)

The figures in the table were computed as follows:

Respondents: Staff 7/162(79) = 3

Group members 155/162(79) = 76

3.6 Data sources

Data is collected from both primary and secondary sources of data. This is because there is need for some degree of accuracy in the study. Primary data is collected from the original source using interview guides and self administered questionnaires. Secondary data is obtained from books and written literature.

3.7 Data collection instruments

The researcher used data collection tools depending on the respondents and the most appropriate of the available tools. The tools will include; questionnaires, interview guides and document review.

3.7.1 Questionnaires

The questionnaires were administered to the randomly selected household respondents of HEDA SACCO. The questionnaire is prepared in two sections i.e section A which shows the background information of respondents and section B that shows the organization and running the SACCO.

3.7.2 Interview guide

The interview guide is used where direct questions are asked to respondents through direct interaction with the respondents and answers are put down by the researcher. Respondents are interviewed on aspects such as; how the respondents rate their wellbeing whether there has been any significant change in their household after accessing credit.

3.8 Quality control

3.8.1 Validity

This refers to the truthfulness or the extent to which the instrument is relevant in what is supposed to be measured Amin(2005)

In data validity, the researcher used key informants like the HEDA SACCO manager who gave more clarity on the data this was aimed at checking on the accuracy of the responses from the respondents and all the data entry and analysis will be performed by the researcher together with the supervisor in order to reduce on errors

3.8.2 Reliability

The researcher sought to ensure that all the data collected from the field work will stands reliability in the subject matter and clarity of questions. Based on the assertions of Sekara (2001), he says that through the use of Cronbachs Alpha answers above 0.6 means the tool is reliable.

3.9 Measurement of variables

The researcher developed questionnaires were the different options of expected answers were give and the relevant and correct answer was chosen by the respondent. Meanwhile the previous researchers will be used for purposes of interviews and helping to develop interview guides.

3.10 Analysis and presentation

3.10.1 Quantitative data

The researcher used tools or software's with the help of computer packages such as SPSS to derive meaning from data collected to analyze and present the results in form of tables and figures

3.10.2 Qualitative data

The researcher went ahead to analyze interviews accordingly and presented the response in a narrative form this was ensured thorough cross checking the household survey questionnaires, to establish completeness, accuracy, and consistency and uniformity of the answers given

3.10.3 Data collection procedures

The researcher will ensure that he gets an approval letter from the university, local council and chairman in the area of the location of the research, contact with the participants through the use of consent forms and lastly a letter of acceptance from the institution where the research is to be carried out.

3.11 Ethical consideration

The researcher protected respondents from most likely dangers that could have risen for example in cases where information sought raises questions and therefore the information given had to be confidential.

The researcher acknowledged other people's work through citing as a means of recognition so as to avoid issues of plagiarisms.

The researcher avoided in any way what so ever of rewarding or paying for answers given for research, this therefore reduced on expenses of research.

3.12 Study limitations

During the study, the researcher faced a number of limitations and therefore the researcher advices that beware of the limitations and how he has tried to minimize them.

3.12.1Sample size

The sample size was small and the researcher minimized this through use of stratified random sampling and purposive sampling.

3.12.2Time dimension of the study

The time dimension of the study was cross sectional which had a specified time period but through use of purposive sampling technique which requires expert knowledge, it minimized time limitation**.**

3.12.3Measurement of tools

According to the questionnaire design, the researcher believes some key responses could have been left out but through consultation and customizing of questions, it was minimized.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.1Introduction

Findings of the study are presented in this chapter. The main purpose of this study was to establish the role of savings and credit schemes on the welfare of members of HEDA SACCO in Hoima District. The selected targeted sample for this study was 79 members/beneficiaries and 4 Staff members of HEDA SACCO were also included from the targeted sample for the study. Out of the expected sample of 79 respondents, only 55 accepted to be interviewed and answered the questionnaires, thus giving a response rate of 69.6%

4.2 Background characteristics of respondents

Table 1: Gender of respondents

GENDER		
	Frequency	**Percent**
Male	29	52.7
Female	26	47.3
Total	**55**	**100.0**

Source: Primary Data 2014

Findings of the study as presented in Table 1 show that 52.7% of the respondents were males and women constituted the remaining 43.7%. This shows a considerable gender balance amongst the members of HEDA SACCO and that HEDA SACCO has no segregation in terms of gender.

Thus this showed HEDA SACCO policy of helping all people to improve their wellbeing without segregating any one in terms of gender.

Table 2: Age distribution of respondents

AGE	Frequency	Percent
18-25	8	14.5
26-34	17	30.9
35-44	15	27.3
45-Above	15	27.3
Total	**55**	**100.0**

Source: Primary Data 2014

As the data presented in table 2 above, shows that the majority of respondents were in the age bracket of 26-34 (30.9%), 27.3% were for both people in the age groups of 35-44 and 45-Above while 14.5% were in age group (18-25). Such age distribution shows that HEDA SACCO comprehensively works and favors people who are in the age group (26-34), this is because people in this age group are seen as having energies and capacity to plan for funds given to them. On the other hand adolescents are usually seen as not being serious and stable while the elderly are usually weak and not able to utilize the funds given to them.

Table 3: A table showing the distribution of respondents by level of education

LEVEL OF EDUCATION		
	Frequency	**Percent**
Primary	17	30.9
Secondary level	9	16.4
Certificate	8	14.5
Diploma	18	32.7
Degree	2	3.6
None	1	1.8
Total	**55**	**100.0**

Source: Primary Data 2014

The findings of the study show that majority of the respondent's attained primary, secondary and diploma levels of education as shown in Table 3 30.9% attained primary education, 32.7% had attained diploma education while 16.4% attained secondary education. This means that the majority of the people are educated and can be able to manage and handle loans given to them and thus help them improve their welfare while on the other hand the 1.8% are most likely to fail in managing the loans accessed because they do not at least have any education.

Table 4: Distribution of respondents by occupation.

OCCUPATION	Frequency	Percent
Formal Employment	9	16.4
Self Employment	22	40.0
Peasant	24	43.6
Total	**55**	**100.0**

Source: Primary Data 2014

As presented in the tables 4 above majority of the members were peasants (43.6%), 40.0% were self employed while 16.4% were formally employed. This implies that HEDA SACCO favors the peasants who mainly deal in agriculture sector this is due to the fact that they want to be able to enable government achieve its aim of ensuring that most of the rural people living standards improve and the fact that most are peasants (involved in agriculture) this becomes a good channel to achieve the good living standards.

4.3 Savings and credit organization and operation.

Table 5: Response on what is required to get credit from HEDA SACCO.

REQUIREMENT FOR CREDIT		
	Frequency	**Percent**
Security	41	74.5
Initial Savings	14	25.5
TOTAL	**55**	**100.0**

Source: Primary Source 2014

From the table 5 above it can clearly be seen that members need to have security (74.5% the respondents) in order to able to access credit from HEDA SACCO, this is to enable the SACCO recover its money in case a member fails to repay back the loan given to them. On the other hand 25.5% respondents said they had to be with initial savings to help them accumulate there savings. This means that some of the people who would be willing to acquire a loan are discouraged as they do not have enough property to pledge as collateral security and some fear for their property of being attached because of failure to pay back.

Table 6: The type of credit/loan accessed.

TYPE OF LOAN	Frequency	Percent
Agriculture	10	18.2
Household needs	3	5.5
Trade and business	26	47.3
Others	1	1.8
TOTAL	**54**	**98.2**

Source: Primary Source 2014

Findings from the study as shown in table 6 above show that most members acquired trade and business loans (47.3%), while education had (25.5%) and agriculture had (18.5%) this shows most members accessed credit with an aim of investing in business so as to have a medium through which they can be able raise income in their households. On the other hand education had a significant group of people because most members want to get their families out of the illiteracy levels because educated people are seen to be understanding what business is and how it is done. Agriculture had 18.5%, this shows that HEDA SACCO also funds agriculture which is a main source of food to the family and source of income.

According to Kahwa Enock (Loans officer) he acquired a loan and bought new stock for his shop and was able to buy a new motorcycle that helps him in transportation of his goods and stock.

According to the disbursement by sector report (December,2013) trade and business took the lion's share of the issued loans.

Table 7: How you organize yourself before accessing credit.

HOW YOU ORGANIZE BEFORE ACCCESING CREDIT		
	Frequency	**Percent**
Group loan	1	1.8
Individual loan	53	96.4
Total	**54**	**98.2**

Source: Primary Data 2014

Findings in table 7. show that most members access individual loans with 98.1% being able to get loans on individual basis, this is because most members believe that other people cannot be trusted and thus believe that it's better to get individual loans while on the other hand 1.9% were able to access group loans thus this shows that there is corporation amongst members.

Table 8: Response on whether members received any training before accessing/ using credit

DID YOU GET ANY TRAINIG		
	Frequency	**Percent**
Yes	38	69.1
No	16	29.1
Total	**54**	**98.2**

Source: Primary Data 2014

Table 4.3.4 shows that 70.4% of members were able to get training. The training helped the members be able to manage both their loans and business this enabled their business to be sustainable and thus they were able to get more techniques and skills in running business while on the other hand 29.6% did not receive any kind of training thus were able to miss out valuable skills needed to mange business.

Table 9: The type of training received.

WHICH TYPE OF TRAINIG	Frequency	Percent
Business Skills/book Keeping	21	38.2
Marketing and customer care	6	10.9
Loan servicing	9	16.4
Others (specify)...........	2	3.6
No training	17	30.9
Total	**55**	**100.0**

Source: Primary Data 2014

Findings of study shown in table 9 above show that most members have at least been able to get training with 55.3% getting training in business skills and book keeping, 23.7% got training on loan servicing, 15.8% got training in customer care and marketing while 5.3% get training in other areas. Training received was aimed at helping members improve on management of their business and incomes they get on the other hand the members were trained on how to market their business to able to increase on their sale.

This was confirmed by Hanning (1997) who asserts that Micro Finance Clients who attend business education and other co curricular activities organized by savings and credit schemes save on sustainable basis compared to those who do not attend.

Ndora (1991) recommends that participants in micro finance institutions should be encouraged to save in every training session in a bid to promote clients savings. According to him business education and saving culture should be encouraged in every training session in a bid to promote clients saving culture.

Table 10: How the business is managed.

HOW DO YOU MANAGE BUSINESS LOAN

	Frequency	**Percent**
Regular book keeping	30	54.5
Daily personal audit /observation of stock	24	43.6
Others (specify)............	1	1.8
Total	**55**	**100.0**

Source: Primary Data 2014

Findings in table 10 show that 54.5% of the members of HEDA SACCO do carry out regular book keeping, 43.6% carry out daily personal audit/ observation of stock while 1.8% didn`t do any of the above. It was established that members who do carry out record keeping are able to know how their business is running i.e. to know the incomes generated, stock bought the debtors amongst others.

According to Nachiket and Bindu (2008) they confirm that access to credit from savings and credit schemes can help to alleviate poverty and improve on household wellbeing only if accompanied with other complementary inputs like training and skill development interventions in business.

Furthermore Lutaaya John a member of the SACCO says that there is need for more training in the areas of managing business and loans acquired this he says is to help them be able to identify the various business opportunities around thus this will enable them to invest leading to more income generation.

Table 11: The problems faced in running business

PROBLEMS FACED IN RUNNING BUSINESS		
	Frequency	**Percent**
Lack of business skills	9	16.4
Inadequate capital	42	76.4
Limited time of pay back of credit	2	3.6
Others (specify)...................	2	3.6
Total	**55**	**100.0**

Source: Primary Data 2014

Findings in study shown in table 11 above showed that the major problem that HEDA SACCO members faced was inadequate capital with 76.6% citing it, 16.4% didn`t have sufficient business skills and 3.6% said the payback period was short. This showed that even if the members got credit from HEDA SACCO it was not sufficient enough to buy new stock and run their businesses.

Diane and Zeller (2001) argue that lack of adequate access to credit for the poor may have negative consequences for various household level outcomes including technology usage, agriculture production, food security, nutrition, health and overall welfare. Access to credit therefore affects welfare outcomes by alleviating the capital constraints on agricultural households hence enabling the poor households with little or no savings acquire agricultural inputs. This reduces the opportunity costs of capital intensive assets relatively to family labour, thus encouraging the adoption of labour-saving, high yielding technology and therefore increasing land and labour productivity.

Table 12: Major source of income

MAJOR SOOURCE OF INCOME	**Frequency**	**Percent**
Agriculture	29	52.7
Employment	8	14.5
Commerce and trade	17	30.9
Semi skilled services	1	1.8
Total	**55**	**100.0**

Source: Primary Data 2014

The table 12 above shows that agriculture with 52.7% was the major source income, commerce and trade with 30.9%, 14.5% from employment while 1.8% from semi skilled services as shown in table 4.3.8 above. This means that most HEDA SACCO members earn their incomes from carrying out agriculture this could be due to the fact that agriculture is the back bone of Uganda's economy while a good percentage earn their income from doing commerce and trade and some from employment

According to Guilford,2007 credit helps entrepreneurs in impoverished societies to start essential businesses in their communities to enable them improve on their welfare.

Enock Kaahwa a member of the SACCO says he acquired a loan to get money to buy more stock for his retail shop which is the major source of income for his family. He was able to stock more kilos of sugar, boxes of soap, cooking oil and other domestic commodities for sale in his shop. According to him he used to generate very low income from his business because of lack of sufficient stock but after accessing credit his income increased because he bought more stock and now his business is doing well in terms of sales thus increasing on the income he earns.

Table 13: Whether there is a significant change in household income

IS THERE A SIGNIFICANT CHANGE IN HOUSEHOLD INCOME		
	Frequency	Percent
Yes	53	96.4
No	1	1.8
Total	**54**	**98.2**

Source: Primary Data 2014

From the table 13 above, 96.4% of HEDA SACCO members said there was a significant change in their household income because of using credit while 1.9% were yet to see any change. This means that the members have had their incomes and wellbeing improve due to usage of credit services of HEDA SACCO.

Akankunda Maclean said she was able to buy four goats and some household items from the loan she got. From 4 goats the number had increased to 9 goats since they were able to give birth to kids and she hopes to sell off some in order to raise some money to top up on the school fees of her lastborn who is primary six.

Table 14: Benefits or assets attained from proceeds of credit

WAHT BENEFITS HAVE BEEN OBTAINED		
	Frequency	**Percent**
House	10	18.2
Household items	20	36.4
Land	1	1.8
Business	17	30.9
Others (specify).......	6	10.9
Total	**54**	**98.2**

Source: Primary Data 2014

From the table 14 above 36.4% were able to get household items, 30.9% had their businesses grow,18.2% were able to improve on their houses while 1.8% were able to facilitate purchase of land and 1.8% were not yet to able receive any material benefit. This shows that HEDA SACCO members have been able to acquire more items or assets thus showing a significant change in their wellbeing.

As clients become more productive, their incomes increase and they are able to accumulate savings for other investments as well as improvements in welfare (nutrition, hygiene, housing) and emergencies (Hashemi, 2003).

Improvement in economic activities of the beneficiaries of MFIs will mean substantial improvements in their clothing, sanitation, feeding, housing, medical care, household property/equipment owned and ability to cover costs related to school fees, transportation and other physiological needs (Armendariz et al, 2005).

According to Lilian Barugahara,she bought a new energy cooking stove for both home and income generating activities, she also acquired a water harvesting tank for both domestic animals and household usage.

Conclusion

This chapter dealt with presentation and discussion of findings. The research found out that HEDA SACCO has played a significant role in improving the welfare of its members by being able to give members credit to help improve their well being through acquiring assets, managing their business properly. However some loopholes were identified for example the vulnerable people especially the aged, those who had no security were less involved in the SACCO's activities, also the SACCO less favored the adolescents who would be instead be considered because if they are left out they will be redundant and hence end up in drug abuse and later will turn into criminals of Uganda tomorrow.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

5.1 Introduction

This study was about establishing the role of credit and savings schemes of the welfare of members using HEDA SACCO as a case study found in Hoima Municipality in Hoima district. In this chapter, I present the summary, conclusion and recommendations regarding the role of savings and credit schemes on members welfare. The main area of the discussion was based on the main objectives of my study; to find out the role of SACCO on peoples welfare.

5.2. Summary of Facts Findings

5.2.1 Role of credit on welfare

The study revealed that savings and credit schemes are of great importance to the members since they provide credit to support small scale enterprises with loans to the extent that many members were self employed , financing social economic projects, giving business views and possessed business skills like book keeping which helped them to manage and monitor their business this is due to the fact that HEDA SACCO gave them affordable loans and offered financial advisory services to the members. A case in point is Mr Lutaaya John who got a loan to invest in his shop which increased on his stock and profits and he has been able to buy a new bicycle.

5.2.2 Effects of savings on welfare.

The study revealed that members do carry out savings in order to be able to finance future needs and their business. This is achieved through the savings that were deposited in to the SACCO by members who put it there as means of covering for any emergencies that occurred. This was catalyzed by the business skills that members acquired through the trainings they acquired on business management.

5.2.3 Effect of capacity building on welfare

Evidence from the study revealed that capacity building has helped members manage their business through practicing good business skills like book keeping, good customer care all these help the business to increase on the income generated and thus improve the welfare of the member . Access to credit can help to improve the wellbeing of users only if accompanied with other complementary inputs like business skill training and development (Nachiket and Bindu 2008)

5.3 Conclusion

The study revealed that access to credit improves welfare of members through giving the members the potential to invest the credit in ventures that are beneficial like agriculture and business. Investing in such helps increase on the income received by the member and they use the income to improve on their welfare through buying more assets, increasing their savings capacity.

The study further revealed that savings and credit schemes encourage members to carry out savings so as to increase on their income. Savings was encouraged so as to help members be able to meet future emergencies that may occur as a means to overcome any shortfall that may come their way.

On the other hand capacity building has a great effect on the welfare of members. This was confirmed by the results of the study that showed with capacity building members are able to get skills which help them to improve on their decision making when it gets to investing and managing their business.

5.4 General conclusion

Savings and credit schemes are becoming increasingly important in poor counties like Uganda as an engine of growth and development of peoples welfare therefore it is important that policy makers accord more attention to them than ever before in order that the current and potential beneficiaries can actually get an opportunity to improve on their welfare.

5.5 Recommendations

After critically analyzing the findings of the study the following recommendations were suggested if HEDA SACCO is to fully and wholly be able to improve on the welfare of members as discussed below:

The findings of the study revealed that vulnerable people mostly the elderly and the adolescents were less considered in terms of financing. Such people need attention because they are poor and leave under poor welfare conditions yet they have responsibility to look after others. This calls for joint effort where special attention like subsidized loans and loans in form of farm inputs need to be provided so as to help the elderly improve on their welfare.

According to the researcher's analysis it was found out that some people may not be accessing credit facilities due to lack of collateral security. This calls for alternative means of considering people without collateral securities like, group members acting as collateral security or they do credit rating so as to hedge against the credit risk and ensure that they serve all people with ought segregation.

The findings of the study further revealed that lack of enough capital to run business is a hindrance to business growth thus this limits the opportunity to enjoy high profits from business which would increase on the income of members that would thus enable improve on their welfare. Therefore in order to increase on capital issued to members HEDA SACCO should mobilize more savings and encourage members buy more shares so as to have more money to be issued as loans to the members.

5.5 Other areas for further research

The researcher recommends further research in the following areas.

(i) Credit terms and financial accessibility

(ii) Microfinance and profitability of small business

(iii) Education and performance of small scale business

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APPENDIX 1

QUESTIONIER ON THE ROLE OF SAVINGS AND CREDIT SCHEME ON THE WELFARE OF MEMBERS.

Dear Respondent,

I am **Twesige Martin** requesting you to respond to the following questions on my study. The researcher is a student of Uganda Martyrs University pursuing Bachelors of Business Administration and Management degree course.

The questionnaire below is intended to facilitate the study and your views and responses are highly appreciated. You have been identified as a stake holder in this study. The information you are going to give is purely for academic purposes and so will be treated and regarded as confidential. Your corporation will be highly appreciated.

SECTION A: BACKGROUND INFORMATION.

TICK WERE APPROPRIATE.

1. Gender

i. Male ☐ ii. Female ☐

2. Age

i. 18-25 ☐ ii. 26-34 ☐

iii. 35-44 ☐ iv. 45-Above ☐

3. Level of education

i. Primary ☐ ii. Secondary level ☐

ii. Certificate ☐ iii. Diploma ☐

iv. Degree ☐ vi. None ☐

4. Occupation

i. Formal employment ☐ . Self employed ☐

iii. Peasant ☐ . Others specify........ ☐

SECTION B: SAVINGS AND CREDIT SCEMES ORGANIZATION AND OPERATION.

5. What is required to acquire credit from the organization?

1. Security ☐ 2. Initial savings ☐

3. Land title ☐ 4.None ☐

5. Other (specify)..

6. How do you organize yourself before accessing credit?

1. Group loan ☐ 2.Individual loan ☐

3. Business loan ☐ 4.Other (specify)................................

7. What type of loan/credit did you access?

1. Agriculture ☐ 2.Education ☐

3. Household needs ☐ 4.Trade and Business ☐

5. Other (specify)..............................

8. Did you get any training from any organization or person before accessing /using the loan/credit?

1. Yes ☐ 2.No ☐

9. If yes for question 8, from which organization?...

10. If yes still for question 8, what type of training did you get?

1. Business skills/book keeping ☐ 2.Marketing and customer care ☐

3.Loan servicing ☐ 4.Other (specify)..................

11. If you got the loan for business , how do you monitor your business progress?

1. Regular book keeping ☐ 2.Daily personal audit/Observation of stock ☐

3. Other (specify)..

12. What problems do you face in running your business?

1. Lack of business skills ☐ 2.Inadquate capital ☐

3. Limited time of pay back of credit ☐

4. Others (specify)...

13. What is the major source of income in this household?

1. Agriculture ☐ 2.Employment ☐

3. Commerce/Trade ☐ 4.Semi skilled services ☐

5. Others(specify)...................................

14. In your view, are there significant changes in your household income because of using credit facilities?

1. Yes ☐ 2.No ☐

15.If yes, what benefits or assets have you obtained from the proceeds of credit facilities?

1. House ☐ 2.Household items ☐

3. Land ☐ 4.Business ☐

5. Others (specify)..........................

INTERVIEW GUIDE.

1.How do you rate your households' wellbeing in relation to the rest of your community before accessing credit facilities?

2.What indicators do you use to consider a change in your well being?

3.Inn your view, what suggestions do you give to improve on credit utilization so as to improve on the well being of members?

THANK YOU !!!!!!!!!!