MICRO FINANCING AND POVERTY ALLEVIATION IN UGANDA:
A CASE STUDY OF HOFOKAM AND PRIDE MICROFINANCE LIMITED HOIMA MUNICIPALITY

BY

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DECLARATION

I, MARTIN BYARUHANGA, do hereby declare that this research report is my original work and to the best of my knowledge, it has not been submitted before for any degree award in any academic institution.

Signed: …………………………………………..

Date: ……………………………………………..

APPROVAL

We certify that MARTIN BYARUHANGA has prepared the dissertation under our guidance and supervision.

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DEDICATION

This dissertation is dedicated to my entire family for their contribution towards my career success both in prayer and financially and may the good lord bless them abundantly.

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I praise the Almighty God for all the strength and vitality that enabled me to complete this study successfully.

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TABLE OF CONTENT

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS

AMFIU	Association of Micro Finance Institutions of Uganda
ANOVA	Analysis of Variance
ECS	Entandikwa Credit Scheme
FFCS	Federal Farm Credit System
FGD	Focus Group Discussion
HR	Human Resource
IMF	International Monetary Fund
MDG	Millennium Development Goals
MSEs	Micro and Small Enterprises
UBL	United Bank Limited
UCA	Uganda Cooperative Alliance
UCSCU	Uganda Co-operative Savings and Credit Union
UWFT	Uganda's Women Finance Trust
WB	World Bank
HOFOKAM	Hoima FortPortal Kasese Microfinance Limited
FINCA	Foundation for International Community Assistance
PAP	Poverty Alleviation project
ECS	Entandikwa Credit scheme
RFSP	Rural Financial Services Programme
SACCOs	Savings and credit cooperative organizations
BOU	Bank of Uganda
CGAP	Consultative Group to Assist the Poor

U.S	United States
MFI	Micro finance Institution
MDI	Deposit-taking Institution
GDP	Gross Domestic Product
ZTBL	ZariTaraqiati Bank Limited
UMI	Uganda Management Institute
SPSS	Statistical Package for Social Sciences SPSS

ABSTRACT

The study examined the effect of micro financing on poverty alleviation in Uganda taking a case study of HOFOKAM and Pride Microfinance Limited Hoima branches. The objectives were to examine the effect of group-lending, individual loans, agricultural credit on poverty alleviation in Hoima Municipality. The study was underpinned by Macro-to Microeconomic Theory. The study population was 400 where a sample size of 196 was selected and of these respondents, 167 responded (85.2% response rate). Data was collected using self-administered questionnaires, focus group discussion and analysed using SPSS. The findings confirmed that there is a positive relationship between Group-Lending and Poverty Alleviation (r=0.358**). Individual lending had a correlation of (r=0.441**) and agricultural credit had r=0.323**. The study concluded that social – capital - based group loans are good for poverty alleviation, it was also concluded that crop farming loans have improved incomes. The recommendations are that HOFOKAM and Pride Microfinance Ltd should continue and where possible encourage group lending; it continues to offer individual loans to business enterprises, and should increase agricultural credit so that many other individuals or groups benefit from the scheme. This required a lot of sensitisation and awareness to the intended beneficiaries through radio programmes among others

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The chapter gives an overview of microfinance and poverty alleviation in Uganda. According to World Bank (2010), microfinance emerged as a solution to poverty alleviation. However, poverty has remained a big challenge among the developing countries all over the world. This study investigates the effect of microfinance institutions on poverty alleviation in Uganda taking a case of HOFOKAM and Pride Microfinance Ltd in Hoima Municipality. In this study, microfinance (independent variable) is postulated to affect poverty alleviation (dependent variable). This chapter presents the background to the study, the statement of the problem, general objective, specific objectives, research questions, and hypotheses of the study, conceptual framework, and significance of the study, justification of the study, scope of the study, operational definitions, assumptions and limitations (Onen and Oso, 2008).

1.1 Background to the Study

This section presents the historical, theoretical, conceptual, and the contextual dimensions of the background. Cheng, et al., (2011) argued that debate regarding the origins of microfinance still stands although a few think that the pivotal role of Professor Muhammad Yunus and the Grameen Bank in Bangladesh could have been the beginning of microfinance. Firmly rooted in the belief that social impact must come before profiting from the poor, Yunus has dedicated over 30 years to advocacy of the benefits of microfinance. Grameen Bank pioneered the 'group lending' approach, and the late 1980s saw the creation of Grameen Trust, an organisation dedicated to promoting and replicating microfinance globally. By 2008, the Grameen model had been exported to over 40 countries. Grameen and its founder were instrumental in proving that the poor could be reliable borrowers and a good credit risk, and while their work was painstakingly difficult in the early days, reports of high repayment rates and scores of anecdotal success stories eventually kindled the beginnings of an industry.

1.1.1 Historical Background

Concept of microfinance is not a new idea; Jonathan Swift first introduced microcredit in the 18th century by establishing the Irish Loan Fund System, which provided small loans to poor farmers that lacked collateral. Subsequently, Friedrich Wilhelm Raiffeisen developed the idea of a financial cooperative in Germany, and cooperatives rapidly spread throughout Europe, and then to the rest of the world, in the mid-19th century. State owned development financial institution, also known as farmer's cooperatives, started appearing in the mid-1950s, and channelled loans to customers with lower-than-market interest rates. Such microcredit schemes were unsuccessful because customers interpreted the loans to be Government hand-outs and were disinclined to pay them back (Idowa, Abiola, & Salami, 2010).

In 1976, Muhammad Yunus, a Nobel Prize winner of economics pioneered the Grameen Bank. The Grameen Bank is a microfinance institution that supplies loans to the most poor and destitute villagers in rural Bangladesh (Sengupta & Aubuchan 2008). In Africa, village banks have spread throughout most countries like South Africa, Benin, Kenya and Uganda. Informal financial arrangements have existed in many forms in Uganda for several decades. From the mid-1980s, credit schemes started emerging as side components of social welfare programs. These components usually followed project-oriented approach, disbursed credit at subsidized interest rates, had very poor repayment rates and were therefore not sustainable. The first formalized microfinance institutions were FINCA and Uganda's Women Finance Trust (UWFT) in the early 1990s.

According to the Uganda Microfinance Assessment study that was carried out by Association of Microfinance institutions in Uganda (AMFIU) in 2008, over the last two decades the government of Uganda has initiated, implemented and supported various micro credit schemes aimed at fighting poverty in the country. The main focus of these Programmes has been the provision of revolving funds for micro credit to households at the grass root level. Notable examples include the Poverty Alleviation project (PAP), Entandikwa Credit scheme (ECS).

Currently the government of Uganda has narrowed down its support to what became to be known as the Rural Financial Services Programme (RFSP). When the Rural Development strategy started it mainly focused on; supporting formation of Savings and credit cooperative organizations (SACCOs) in sub counties where they did not exist, strengthening existing SACCOs, instituting effective SACCO Supervision and regulation, and enhancing access to wholesale funds for on lending to active and productive entities. In 2006 Sub County based SACCOs were formed, these SACCOs are being guided by several institutions and agencies including the two Ugandan apex institutions: Uganda Cooperative Alliance (UCA) and the Uganda Co-operative Savings and Credit Union (UCSCU).

The Association of Micro Enterprise Finance Institutions of Uganda (AMFIU) was set up in 1997 to serve as a practitioner platform to share experiences and technologies and act as a lobby and advocacy body for Ugandan MFIs. Since then, the microfinance industry has experienced a continuous growth. By 1999 it was estimated that it had total clientele of about 100,000 and by 2008, had 3,000,000 people (Uganda Microfinance Industry Assessment, 2008). However, the most pressing challenges for a large number of MFIs are high interest rates because it must achieve a double bottom line-provide financial services to the poor (outreach) and cover its costs for sustainability (Ndyamuba, 2007).

1.1.2 Theoretical Background

Macro-to Microeconomics theory is a theory expounded by Yunus (2007), and he addresses the economic problem as often categorized in either merely microeconomic or merely macroeconomic issues and analyses accordingly poverty is however, a phenomenon that require the involvement of both perspective to be studied in all detail and to be understood comprehensively. He addresses the issue that intermediary systems of all kind, notably government, non-profit organizations and multilateral institutions such as World Bank, with the aim to eradicate poverty, in fact fail to do so in an efficient and comprehensive manner due to system inherit inefficiencies (pp.9-11). Overall poverty in the country results as the sum of individual neediness. However, multilateral institutions 'focus exclusively on the goals of poverty eradication through large-scale economic growth" (p.11). The problem is that development on an aggregate level does not necessarily imply welfare improvement for individuals in the poorest part of a population. The challenge is thus to identify a mechanism that defines poverty alleviation as its main goal and achieves overall growth by focusing on individuals at the microeconomic level. The study was therefore underpinned by Macro to micro-economic theory because the research wanted to examine the effect of micro financing on poverty alleviation.

1.1.3 Conceptual Background

Microfinance refers to the provision of financial services to low-income clients, including the self-employed (Ledgerwood, 2000). The author categorized the independent variable as Group-lending/village banking, individual loans, and agricultural credit. Generally, poverty is defined as the state of being poor or deficient in money or means of subsistence (Barker 1995). Poverty is the dependent variable characterized by lack of the basic needs like food, shelter and closings. This is as a result of lack of income by the poor people to engage themselves in the small business activities, unemployment and low levels of education. Poverty alleviation is any process or intervention which seeks to reduce the level of poverty in a community, or amongst a group of people or countries (CGAP, 2011). Poverty reduction programs may be aimed at economic or non-economic poverty. Some of the popular methods used are education, economic development, and income redistribution. Poverty reduction efforts may also be aimed at removing social and legal barriers to income growth among the poor (World Bank, 2010).

Group Lending is lending by Micro Finance Institutions (MFIs) to groups of members of a community who have come together with the goal of reinforcing their creditworthiness Hatch (1984). Group lending mechanism allows a group of individuals - often called a solidarity group - to provide collateral or loan guarantee through a group repayment pledge. The incentive to repay the loan is based on peer pressure - if one group member defaults, the other group members make up the payment amount. Group lending methodology is used by those MFIs who target the very poor who are not able to provide collateral and also for the sake of ensuring repayment of the loans. Members of a community come together in smaller groups of up to 10; these smaller groups then join to form bigger groups. The members pool their money together and save in an MFI and are also given access to loan facility. The members co – guarantee each other when they need loans. Failure by one member to pay back a loan means the rest of the members cannot be given loans. They therefore put pressure on their members to repay their loans. These groups have elected officials like chairman, secretary and treasurer to run their affairs.

Group Lending reduces cost to MFIs because client selection is narrowed and also debt collection related costs is reduced. It is also an opportunity for MFIs to distribute information about productivity and social messages through the groups of community members. For Group lending methodology to be successful, the following factors have to be taken into consideration:

i) Performance is likely to improve by imposing group penalties or incentives (e.g.) member will receive another loan if other group members default).

ii) Repeated loans that increase gradually according to the borrower's performance allow screening of bad risks.

iii) Disbursing schedules to group members that are based on the repayment performance of other members is likely to improve repayment rates.

iv) Small and homogeneous self – selected groups tend to be more effective.

The Institutions that practice Group Lending methodology are mainly institutions that target the very poor. Their outreach is such that it aims to reach segments of the population that have been locked out of access to financial services because of prohibitive conditions by the Institutions In an effort to alleviate poverty in Uganda, there no clear systems in controlling microfinance especially on group-lending/village banking. This is likely to impact negatively on the poverty alleviation in Uganda. It is therefore necessary to examine the effect of group-lending on poverty alleviation in Uganda.

Individual loans refer to an amount of money borrowed by a small business person to start or run a small business (Susan, 2008). Realistically, a small business loan is a euphemism used by lending institutions to describe personal loans given to small business people. According to Hunt (1964), the significance of having small business loans is that the money is an extra resource that can be used in any sector of the business where needed. Hunt (ibid) further posits that these loans are usually flexible and with the assistance of a financial advisor can be set up in such a way that best benefits the borrower or company owner. In an effort to alleviate poverty in Uganda, microfinance institutions considers entrepreneurs to have an excellent credit rating and a solid business plan and still not be able to get a small business loan because you have no collateral.

Agricultural Credit refers to any of several credit vehicles used to finance agricultural transactions, including loans, notes, bills of exchange and bankers' acceptances. These types of financing are adapted to the specific financial needs of farmers, which are determined by planting, harvesting and marketing cycles, (Investopedia.com/terms/a/agricultural-credit.asp). In the U.S., the Federal Farm Credit System (FFCS) plays a key role in agricultural credit. Originated in 1916, the FFCS comprises approximately 100 institutions with over $180 billion in assets and provides an estimated 35% of the real-estate and non-real-estate borrowing needs of U.S. farmers. Short-term credit finances operating expenses, intermediate-term credit is used for farm machinery, and long-term credit is used for real-estate financing.

Poverty alleviation through agriculture in Uganda is a major challenge; all approaches used have not yield a significant impact, since credit remained scarce, expensive, and the providers remained risk averse, all the policy regimes only improved agriculture's access to credit marginally (Ssemogere, 2004). This is likely further to impact negatively on the poverty alleviation in Uganda. It is therefore necessary to investigate the effect of agricultural credit on poverty alleviation in Uganda.

1.1.4 Contextual Background

Poverty is the biggest problem in Uganda like many other countries in Africa. Uganda ranks 158 out of 174 poorest countries in the world. Using international poverty measures, 82.2 percent of the population lives below US $1 a day, 96.4 percent live below US $2 a day, Garbus, (2003). Matovu Dan (2006) also points out that poverty is not only widespread in rural areas but also urban slum areas yet this core problem has not been given the necessary attention it deserves and that the majority of the people who live in urban slum areas are women and children many of whom are dependent on MFIs. The poor in urban poor slum areas are in most cases not reflected in macroeconomic interventions and because of this scenario, poverty is increasing.

One of the ways for fighting poverty in Uganda has been the promotion and development of MFIs as a form of delivering of financial services to the poor and has now taken root in municipality and Uganda in general. A number of operators - ranging from government - funded programmes, donor – funded programmes, NGOs (both indigenous and foreign), community – based organisations, credit institutions, and banks, etc are involved in the delivery of microcredit (Bategeka 1999). Government has taken steps to create an appropriate environment for their operation. A policy framework to accommodate the diverse operations of the players in this sector as well as taking on the new initiatives being promoted by government in an effort to achieve “Prosperity for all” has been developed.

Inadequate access to credit by the poor has been identified as one of the contributing factors to poverty. To redress the issue, the policy of increasing access to both production and consumption credit by the poor has been articulated. Poverty alleviation has been a key development challenge over decades especially the last decades of democratic governance.

The performance of the MFI industry in Uganda has so far revealed mixed economic trends although on the whole it has indicated promising results. Studies conducted on the industry show that there has been an increase in number of MFIs outlets.

Despite the above facts and statistics, it is clear that the microfinance industry in Uganda is still in its infancy. Banks still dominate the financial sector as shown by the number of total clients and the number of savings accounts. Unfortunately banks are still concentrated in urban centres. Microfinance institutions still have a long way in building their client base, their savings and loan portfolios. MFIs have by far the biggest potential to gain ground and capture the sector. These recognized the need for better access to small enterprises for small holders as key catalyst for enhancing production, competitiveness and incomes.

Hoima Municipality is one of the kinds that have witnessed the growing of many MFIs. Historically, the Municipality being at the heart of Bunyoro Kingdom once the giant Bunyoro Empire in Western Uganda, it has risen to become a major destination for the country thought after the investment following the discovery of crude oil. Hoima is located approximately

225km, 3 hours drive on an all-weather tarmac road, northwest of Kampala, Uganda's capital city.

As a district, Hoima is bordered by Buliisa District to the north, Masindi District to the northeast, Kyankwanzi District in the east, Kibaale District to the south, Ntoroko District to the southwest and the Democratic Republic of the Congo across Lake Albert to the west. It is at the heart of the rich history of Bunyoro Kingdom hosting the palace of the Omukama (King) of Bunyoro and other cultural settings like Mparo Tombs, the 19th Century Capital of Omukama Kabalega. Well as Hoima is deep into the history of Uganda, today it's known for being home of Uganda's most cherished natural resource, oil and gas. It sits within the greater Albert graben home to over 3.5bn barrels of crude oil.

In 2011, Uganda Bureau of Statistics (UBOS) estimated the population of Hoima at 42,600 people doubling from 27,934 as indicated in 2002 population census. Like most upcoming towns in Uganda, Hoima is characterized by poverty, underdevelopment, dirt and unplanned infrastructure development (Waiswa, 2013). Hoima is an agricultural society with emphasis on food crops like Sorghum, maize, millet, peas, groundnuts, sweet potatoes, beans, cotton, tea, cabbages, fishing and cattle rearing making up the mantle of the economic base of the district.

According to the researcher, the municipality was created with the main aim of bringing services nearer to the people, and improves on their standard of living with the main emphasis on alleviating poverty which is a major challenge in Uganda today. Many Microfinance Institutions have come up in Hoima Municipality with the aim of alleviating poverty among the people. Among others these include; Centenary Rural Development Bank, Pride Microfinance Uganda, FINCA, and HOFOKAM Ltd. The researcher took a case study of HOFOKAM and Pride

Microfinance branches in Hoima Municipality. This is because they are the microfinance institutions with wide coverage in Hoima municipality.

HOFOKAM was incorporated in May 2003, as a Micro finance Institution (MFI) registered in Uganda as a Company limited by guarantee (without shares) founded by the Catholic Dioceses of Hoima, Kasese and Fort-Portal, all located in Western Uganda. HOFOKAM was formed as the result of the merger of the three well-established micro finance programmes previously owned and managed separately by Hoima, Kasese and Fort-Portal Catholic Dioceses. HOFOKAM history stretches back ten years, beginning with a village Banking Programme that began in Hoima Diocese in 1994. The vision is “to raise the average household income and standard of living of poor families in Uganda in order to stimulate growth, and eventually contribute to national development.”

Pride Microfinance Limited is a Deposit-taking Institution (MDI) 100% government owned institution. It provides financial services to that segment of the Ugandan population who are not served or are unable to access financial services through the Ugandan commercial banks. PML's focus is the micro, small and medium size entrepreneurs. The institution also offers money transfer services through Western Union. Pride Microfinance is a leading financial services provider in Uganda, specializing in the Microfinance-Deposit taking sector. While it is not considered a commercial bank, it offers a wide range of services and products similar to those offered by the traditional retail banks, albeit on a small scale. The company has headquarters in Kampala but with some branches across the country. Products/services include: Different types of loans for individuals and small scale entrepreneurs, personal bank accounts, foreign exchange services, money transfer services in partnership with Western Union, insurance products and much more.

According to BOU, banks and other financial institutions especially micro finance institutions have extended loans for trade and commerce (New Vision, 2012). Statistics indicate that financial guarantee by these financial institutions have contributed to development and GDP growth by over 6% in the past several years. BOU asserts that non-banking financial institutions have greatly contributed to personal development of entrepreneurs in the country. The institutions through encouraging accessibility to loans have ensured that farmers especially prosper, as the country is still dependent on agriculture.

Table 1: Showing Poverty Level in Hoima Municipality

Year	**Loans Portfolio**	**National Poverty Levels**	**Poverty Levels In Hoima**
2012	4,430,000,000	7.51%	8.1%
2011	3,890,000,000	8.44%	8.7%
2010	2,470,000,000	9.81%	9.12%
2009	2,289,000,000	10.2%	9.67%
2008	1,783,000,000	12.4%	10.26%

Source: Uganda Bureau of Standards, National Housing Survey (2012)

The table above indicates that the increase in loans portfolio by financial institutions, both at national and district levels, poverty is at a declining rate from 2008 to 2012. In 2008, the loan portfolio was 1,783,000,000, national poverty levels were 12.4% and poverty levels in Hoima were at 10.26%. In 2009, loans portfolio increased to 2,289,000,000 and national poverty levels reduced to 10.2% while for Hoima district reduced to 9.67%. In 2010, loans portfolio increased to 2,470,000,000 and national poverty levels reduced to 9.81%, while poverty levels in Hoima reduced to 8.7%. In 2011, loans portfolio increased to 3,890,000,000 and national poverty levels reduced to .44%, while poverty levels in Hoima reduced to 8.7%. In 2012, loans portfolio increased to 4,430,000,000 and national poverty levels reduced to 7.51%, while Hoima poverty levels reduced to 8.1%. Therefore, this is a clear indication that as loan portfolio increases, poverty levels also reduces both at national level and in Hoima.

1.2 Statement of the Problem

Effective micro financing was believed to alleviate poverty by generating income, creating jobs, allowing children to go school, enabling families to obtain health care, and empowering people to make the choices that best serves their needs (Annan, 2005). HOFOKAM and Pride Microfinance Ltd are microfinance institutions whose purposes to community are to fight poverty. They have delivered their microcredit services through group-lending, individual loans and agricultural credit in Hoima Municipality. The belief is that once majority of the poor access micro financing services, then poverty was accordingly be alleviated. In spite of all that above, poverty levels have remained high both in urban suburb and rural areas in Uganda. In Hoima Municipality, majority of the people lack the basic needs like food, Shelter and clothing. Poverty levels have continued to rise, from 35% in 1998 to 38% in 2003 (Muhwezi, 2005). According to World Bank (2011), the gap between the rich and the poor has also widened. In Hoima, the poverty levels are manifested in uneven distribution and low levels of income, low levels of education, unemployment, high infant mortality rate, and poor access to health care among others (Ndora, 1999). One wanders as to why the situation remains when microfinance services are in place. Yet there is high claim that MFIs alleviate poverty. If nothing on eradication of poverty is done, this creates fear as to whether poverty reduction one of the pillars of the Millennium Development Goals (MDG) will be achieved by 2015. Thus the need to study HOFOKAM and pride!

1.3 Purpose of the Study

The study aimed at examining the effect of micro-financing on poverty alleviation in Uganda.

1.4 Objectives of the Study

i) To examine the effect of group-lending on poverty alleviation in Hoima Municipality.

ii) To determine the effect of individual lending on poverty alleviation in Hoima Municipality.

iii) To investigate the effect of agricultural credit on poverty alleviation in Hoima Municipality.

1.5 Research Questions

i) What is the effect of group-lending on poverty alleviation in Hoima Municipality?

ii) What is the effect of individual lending and poverty alleviation in Hoima Municipality?

iii) What is the effect of agricultural credit on poverty alleviation in Hoima Municipality?

1.6 Hypotheses

H1: Group lending has a *significant effect on poverty alleviation;*

H2: Individual lending have a significant effect on poverty alleviation;

H3: Agricultural credit has a significant impact on poverty alleviation.

1.7 Conceptual Framework

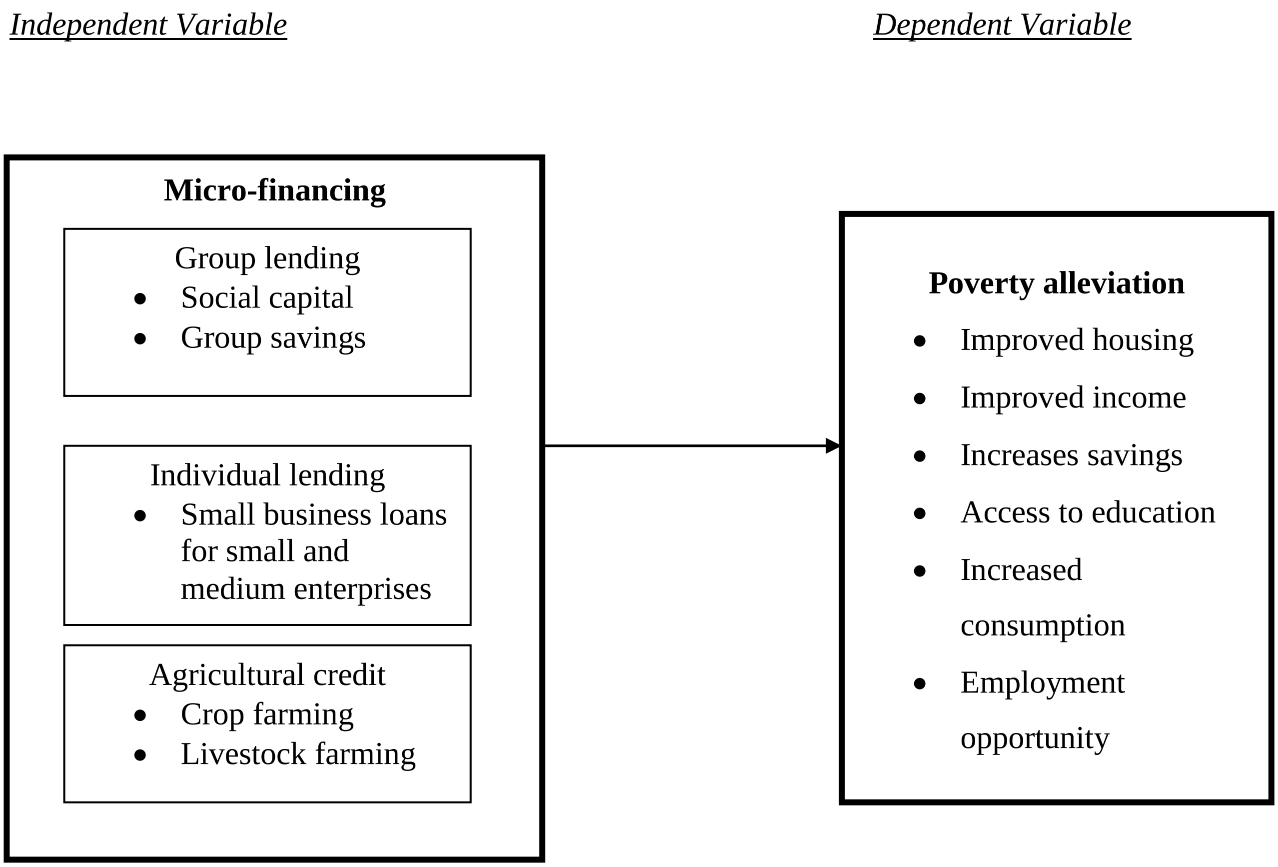

Figure 1: Conceptual Model

Source: Adopted and modified from Ledger wood (2000).

This study attempted to examine the effect of microfinance institutions on poverty alleviation. It was postulated that microfinance institutions (independent variables) had affected poverty alleviation (dependent variable). In this study, the independent variable were categorized as group-lending/village banking (social-capital-based lending, individual savings), agricultural credit (crop farming and livestock rearing loans), and individual lending (commercial loans).

Poverty alleviation (dependent variable) characterized by subsidized interest rate loans, education for all, improved housing conditions, income redistribution, removal of social and legal barriers to growth among the poor, Increase the level of savings, improved systems of marketing and employment opportunities.

1.8 Significance of the Study

The study accomplished is expected to add more knowledge to the already existing literature on the impact of micro-financing on poverty alleviation;

The study findings may enhance further research in the microfinance industry and its operations in poverty alleviation and welfare improvement both in Uganda and internationally;

The study accomplished may help microfinance authorities and policy makers to design appropriate loaning policies that will improve the livelihood of the poor in the rural areas;

The study is expected to enable the identification of better loaning strategies that are critical for better accessibility to loan facility provided by the microfinance institutions;

Microfinance institutions used as case study benefited from this research by improving on their operations towards loan provision and poverty alleviation.

1.9 Justification of the Study

The microfinance institutions have played a very big part in the financial sector especially in the rural areas among the poor, though as there are still some challenges affecting these institutions which work hard to deliver services to the urban and rural poor (Mwangi and Brown, 2006). Microfinance institutions are crucial to impact positively on poverty alleviation because, they are well positioned to grow and reach millions of potential clients who do not have access to mainstream financial services. However, their good intended objectives are faced with some challenges (Lafourcade, Mwangi, and Brown, 2005). Therefore, amidst those challenges, the researcher wanted to determine the impact of microfinance institutions on poverty alleviation. This was important for Uganda because for the need for effective and efficient microfinance sector and donors to address poverty.

1.10 Scope of the Study

1.10.1 Content Scope

The study was specifically to assess the impact of group-lending, individual lending and agricultural credit on the poverty alleviation in Uganda.

1.10.2 Geographical Scope

The study was carried out at HOFOKAM and Pride Microfinance institutions offices in Hoima municipality in western Uganda. This is because these microfinance institutions have wide coverage and serves more poor households within the district.

1.10.3 Time Scope

The study focused from the period between 2006 and 2012 because this the time when HOFOKAM and Pride Microfinance institutions strengthened their operations in the area. The length of time within which to finish this research was 3 months.

1.11 Operational Definitions of Terms and Concepts

- **Microfinance** is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. In other words, it is the provision of financial services to clients who have otherwise been neglected by the mainstream banking industry where as microfinance institutions are the organizations providing microfinance services.
- **Group-based lending/models**, it's where several entrepreneurs come together to apply for loans and other services as a group. Or a Lending mechanism which allows a group of individuals often called a solidarity group to provide collateral or loan guarantee.
- **Social capital** refers to The substitute, inform of peer guarantee that introduces shared liability and pressure from social groups as a replacement for security and appraisals required by the financial intermediaries
- **Savings** is broadly defined as a means to secure future consumption at any time either in cash or in kind (Robinson, 2004).This study referred "cash deposited" by clients in order to consume or invest it in a later date as "savings"

Savings plays a role in both financial performance and outreach of MFIs through four major ways (Campion and White 200; Schreiner, 1999; Robinson, 2004; Islam et al., 2006; Hulme and Mosley, 1996).

Savings is a source of relatively cheap funds because it normally attracts low interest rates compared to commercial loans.

Savings affects outreach as a financial service as MFIs not providing savings services may achieve lower outreach than MFIs providing savings.

Savings mobilization provide relatively less costly information during loan appraisal process

Savings may improve corporate governance of the MFI and increased outreach

- **Individual lending:** Single-client lending where repayment relies solely on the individual
- **Agricultural credit** refers to a credit financing vehicle, such as a loan, banker's acceptance or letter of credit, that is designed specifically for agriculture producers. Typically, this financing is used to fund operations, purchase equipment or acquire real estate.

- **Crop farming (**Crop production) generally refers to the growing of crops either for sale or domestic consumption.
- **Livestock farming** refers to the domestic animals and birds, such as cattle or poultry, raised for home use or for profit, especially on a farm.
- **Poverty:** According to the United Nations Educational, Scientific and Cultural Organisation (UNESCO), poverty is perceived as the relative absence of income, assets, basic services, and self-respect, opportunities for education and social mobility and participation in decision-making. In another definition, it is reckoned to be the insufficiency of income or, more generally, disposable income to prop up a minimum standard of living. To some scholars, poverty means the state of deprivation of fundamental human needs. These include access to adequate food and water, ample shelter, good health, long life, knowledge and the capacity to provide materially for oneself and for one's family through productive activities. To Sen (1987), poverty is the lack of abilities to function. It is for the analyst to determine the relevant abilities in a given society and to target those segments of the society lacking the abilities. To Ravallion (1994), poverty exists when one or more persons in a society do not attain the minimum level of economic well-being.
- **Poverty Alleviation:** refers to those measures intended to raise, enabling the poor to create wealth for themselves as a means for ending poverty forever. To reduce poverty, different measures must be taken for instance the provision of job opportunities, reduction of inflation, checking population growth, proper utilisation of resources and the provision of education as well as the establishment of small scale industries. These measures typically enable the society to sustain itself by providing skills and the opportunity for investment.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

Under this chapter the researcher brings out a critical review of the issues that have been explored and studied both theoretically and empirically on the existing literature on the role of microfinance and poverty alleviation in developing countries and elsewhere in the world and this was done in line with the specific objectives of the study in order to identify the knowledgeable gaps. It is important to note that the greatest part of the existing literature on the works of other scholars, opinions, suggestions who have written about the topic of the study or those who have addressed similar issues as those of the variable is available in the study.

2.1 Theoretical Review

Yunus argues that microfinance is an example of such most robust mechanism to enhance development in recent years. Through simple yet sophisticated lending schemes, they support poor people by granting microcredit and enhance private savings. Increases in savings or saving rates can, in turn enable an economy to pass a prohibitive level of capital accumulation and associated level of income and, hence to evade stagnation caused by saving traps. As groups form voluntarily, no group is willing to accept a member whose reputation is questionable and who is likely to take too high risks in investing the loan and risks to be unable to repay by hindsight. In case of Grameen Bank, the sanction for default is casting credit denial for all group members (Morduch, 1999, p.1575). By this means microfinance institution substitution collateral with the mechanism of social reputation within a group (p.1570). This mitigates the risk of default due to adverse selection through symmetric information in the detriment of the MFI. In addition, group-lending decreases transaction costs, another for standard banks to refrain from lending to the poor individual are granted the possibility to access local financial markets and to invest in small business.

This approach is also to encounter the often assumed insufficient credit worthiness of the poor, which is one of the main arguments to explain why contracts between standard banking institutions and poor are often said to be not feasible. Yunus argues that “one major institution that needs to be redesigned is the financial institution,” and in fact criticizes that poor people are often not assumed to be credit-worthy (Romanes Lecture, 2008). The theory from Macro-to Micro was founded by Yunus (2007), and he addresses the economic problem as often categorized in either merely microeconomic or merely macroeconomic issues and analyses accordingly poverty is however, a phenomenon that require the involvement of both perspective to be studied in all detail and to be understood comprehensively. He addresses the issue that intermediary systems of all kind, notably government, non-profit organizations and multilateral institutions such as World Bank, with the aim to eradicate poverty, in fact fail to do so in an efficient and comprehensive manner due to system inherit inefficiencies (pp.9-11). Overall poverty in the country results as the sum of individual neediness. However, multilateral institutions ‘focus exclusively on the goals of poverty eradication through large-scale economic growth” (p.11). The problem is that development on an aggregate level does not necessarily imply welfare improvement for individuals in the poorest part of a population. The challenge is thus to identify a mechanism that defines poverty alleviation as its main goal and achieves overall growth by focusing on individuals at the microeconomic level. However, according to Yunus areas of study were based in Bangladesh and therefore one wonders whether it’s the case in Uganda and Hoima Municipality in particular, therefore necessitating a new study on the effect of micro financing on poverty alleviation in Hoima Municipality

2.2 Group Lending and Poverty Alleviation

2.2.1 Social Capital and Poverty Alleviation

Rhyne and Otero (1994) observed that for the poor who lack physical collateral, they form self-help groups such as the solidarity groups through which members can develop a substitute for the lack of collateral. The substitute, inform of peer guarantee introduces shared liability and pressure from social groups as a replacement for security and appraisals required by the financial intermediaries (see for e.g. Karlan, 2001; 2007). Ghatak (1999) observed that when potential clients select fellow borrowers with whom they will be jointly liable for loans, will exploit information known to borrowers but not to banks to be used to screen out bad credit risks. Grootaert and Bastealer, (2002) argued that social capital through structural and cognitive mechanisms facilitate information sharing, collective action, and decision making through established roles and networks supplemented by shared norms and trust within the social structures (van Bastelaer, 2000). According to Coleman (1990), social sanction created by trust, force people to behave cooperatively in the society. When providing financial services such as loans, banks always require assurance for future repayment by asking for collateral from borrowers. The poor especially, in developing countries, lack physical collateral to secure the loans. Thus they use their social capital inform of interpersonal and generalized trust and social sanction to substitute and guarantee the loan and its future repayment (Atemnkeng, 2009). According to Rhyne and Otero (1994), their study seem to be quit over time aware of the fact that their many changes globally which might be affecting their findings. Along that line, its pertinent for the research to carry on a new study on the effect of micro financing and poverty alleviation in today's context.

2.2.2 Group Savings

Lending entails high risk of loan default due to adverse selection of borrowers and disability of lenders to enforce the loan contracts. Contrary to the practice of formal finance, Grameen Bank lends (in small amounts) to the poor based on group responsibility where individual access to credit depends on group repayment behaviour. Group lending uses peer pressure to monitor and enforce contracts and helps screen good borrowers from bad ones. Unlike other development banks, Grameen Bank mobilizes savings as an integral part of lending. Each member is required to save Taka 1 each week and buy a Grameen Bank share worth Taka 100. In addition, each borrower contributes 5 percent of the loan amount to a group fund and Taka 5 for every 1,000 Takas above loan size greater than Taka 1,000 to an emergency fund. These savings mobilization schemes provide protection of loans against default, an internal source of finance, and a stake for the members in Bank operations.

It is believed that by 1993, Grameen Bank had 1,039 branches covering almost half of Bangladesh's villages; the Bank served more than 1.8 million borrowers and disbursed $169 million. By 1993, cumulative member savings totalled over $218 million. Almost 94 percent of the Bank's members are poor women, accounting for nearly 70 percent of savings mobilized, and receiving over 80 percent of the total loans disbursed. Its loan recovery rate has been consistently over 90 percent compared with rates from 25 to 50 percent for other financial institutions in Bangladesh. Contrary to common belief, Grameen's experience is that women are better credit risks with higher loan recovery rates than men (97 percent compared to 89 percent in 1992), and that the dropout rate is lower for women (15 percent) than for men (25 percent). The Grameen model is being replicated in more than 30 countries and the World Bank has provided a grant of $2 million for its replication in low-income countries.

Over the last decades, empirical evidence has shown that around the world poor households save in various forms and for various purposes. The general agreement is that they will deposit part of their savings if appropriate financial institutions are available. However, little progress has been made to establish full-fledged microfinance institutions (MFIs) that provide both credit and savings facilities. In our microfinance world, the predominant perception is that small loans empower the poor and that microenterprise development can be enhanced through microcredit. The majority of donor-supported programs has stressed and continues stressing credit as the key financial instrument for poverty alleviation. The Working Group on Savings Mobilization of the Consultative Group to Assist the Poorest (CGAP), which was chaired by the German Technical Cooperation (GTZ), has defined an agenda focusing on small and micro savings. The objective of the Working Group was to enrich the theoretical debate about micro savings and to produce relevant products for practitioners that highlight how small and micro savings can be mobilized successfully. First, the paper summarized the benefits of savings facilities from a client's and an institutional perspective. Second, some key questions on mobilising small savings would be raised that will serve as an analytical framework. Third, the paper presented the lessons learned from different in-depth case studies that were carried out over 1997 in Latin America, Africa and Asia. Finally, the main conclusions were distilled from the previous sections.

From the client's perspective, savings such as credit facilities are important tools for efficient liquidity management. Virtually all people will save in any given time and face a portfolio decision with regards to different savings options. The advantage that deposit facilities show over informal savings is a good mix of accessibility to cash, security, and rate of return and divisibility of savings. In-kind savings such as gold, jewellery or livestock require time to be converted into cash. Cash-holding might show a high level of liquidity but is not an appropriate hedging instrument against inflation. In addition, in-kind savings such as cash can be stolen or get lost. The rate of return of in-kind savings does not only depend on the current market situation but also on its physical conditions ("A cow with a broken leg can't be sold.") and maintenance costs. And as Marguerite Robinson puts it: You may find it difficult to sell half a cow when school fees are due. Deposit facilities are particularly important for the poorest households that do not have an effective demand for credit. Very poor households are remarkably sensitive to savings facilities as they self-finance consumption and investment. Particularly these households will largely benefit from secure and profitable savings that are easily accessible to enhance their liquidity management.

From an institutional perspective, mobilizing small and micro savings can help MFIs to attain self-sustainability. Deposits can be an attractive source of funds as their financial costs are normally lower than funds from the interbank market. Withdrawals from small amounts on deposit do not expose the financial institution to liquidity risks such as larger savings would do. Small savings are also a more stable funding source than donor funds or rediscount lines from the Central Banks. The former are generally independent from political interests. Small depositors, in general, do not intervene in the day-to-day business as most governments and donors do if they provide funds. A similar risk of dependence might also exist with larger savers such as better-off people and institutional savers. Finally, deposit-taking can instil a stronger demand-orientation and thriftiness of operations. Confidence of potential depositors can only be gained if the risks of moral hazard in detriment of the depositors are reduced by good operational performance that is visible and tangible for the customers. Depositors who are unsatisfied with financial services have important means for retaliation: If depositors close their savings accounts, financial institutions will suffer from liquidity shortage which may have disastrous effects on their operations. However, the above studies were carried neither in Africa nor in Uganda, therefore the research would like to examine as to whether the findings in Latin America and elsewhere in world on savings have similar efects, hence the need to study the effects of micro financing on HOKAM and Pride MFIs in Hoima Municipality.

2.3 Individual Lending and Poverty Alleviation

2.3.1 Small Business Loans for small and medium enterprises and Poverty Alleviation

Osemene, & Abudulraheem (2011), studied the effectiveness of Microfinance Bank in Alleviating Poverty in Kwara State Nigeria. According to their study, supply loans, savings and other financial services to the poor and low income population on sustainable basis helps the alleviation of poverty. Microfinance has significant role to play in the economy, as it helps reduce poverty by providing financial services to the active poor, help in generating employment and also provide small loans to grow small businesses. It therefore recommended that regulatory and other statutory bodies should monitor the interest rate on loans and advances to make it access to microfinance clients that is economically active poor. However, Osemene, & Abudulraheem (2011), studies were carried in Nageria so one wonders as to whether their findings are the same in Uganda and Hoima Municipality in particular, hence the need for the new study on the effect of micro financing in Hoima Municipality.

2.4 Agricultural Credit and Poverty Alleviation

2.4.1 Crop Farming and Poverty Alleviation

Adams, (2010) studied on the impact of microfinance from the perspectives of maize farmers in Nkoranza in the BrongAhafo Region of Ghana. The findings of the study based on a survey of 100 participants in the microfinance program suggest that the impact of microfinance on both social and economic wellbeing is marginal. The key issue identified by most of the recipients is lack of entrepreneurial skills and market for their produce. The key recommendation from the study is the need to improve infrastructure and establish linkages between the farm and non-farm sectors of the rural economy. According to Adam (2010), the research findings and recommendations were narrowed on maize farming as a single crop. However, crop farming involve a variety of crops which the researcher feels can have a significant effect on poverty alleviation. Therefore, this called for the new study to determine the effect of agricultural loans on poverty alleviation in Uganda.

India’s rapid growth in recent years has been mainly driven by the services sector, particularly four industries: communications, banking and insurance, trade, and real estate. But growth in India’s services sector may benefit the poor directly, because employment in these service industries requires educational qualifications that the poor typically do not have. India’s agricultural sector grew strongly in the wake of the Green Revolution, but growth has slowed in recent years. This deceleration has contributed to rural distress in parts of the country, affecting both large and small farmers.

Iqbal, et al., (2003) study, was carried out to check the impact of credit on the productivity of wheat crop in District Lahore, Punjab, Pakistan. United Bank Limited (UBL) was selected as a representative of the institutional credit sources. Primary data were collected through a well-structured questionnaire by dividing the district into three strata. Two villages were selected randomly from each stratum and then out of the list of loanees provided by the UBL, ten were randomly interviewed from each village. An equal number of non-loanees were also selected for the purpose of comparison. Multiple regression analysis was carried out for making of analysis.

Findings showed that agricultural credit plays an important role in facilitating the transformation of agriculture and raising the participation of farmers in production process. Every modern business is operated on own capital or borrowed capital. Similarly, farming also requires capital. The need for farm credit in increasing production and effective utilization of farm resources is quite clear. Agricultural credit is an important financial support that a small farmer can get in order to bridge the gap between his income and expenditure in the field. Agricultural credit is an essential ingredient in the growth strategy of agricultural sector. Farming not only requires credit in the form of improved seeds, fertilizer and modern implements but also requires liquid capital for financing the harvesting, haulage of produce and other similar farm operation also. Agriculture credit is a social necessity for agriculture development in Pakistan.

Agricultural credit is considered as one of the strategic resources for pushing the crop production to the high horizons consequently raises the living standards of our rural poor farming community. Hence, it plays a pivotal role in development of the economy. It has mainly two sources; informal and formal. Informal sources normally consist of commission agents, input providers, village shop keepers, friends and relatives. Out of these sources, credit from commission agents, shopkeepers and input suppliers has more baneful effects on the rural poor. Evidence suggests that such loans further aggravate rural poverty as the effective rate of interest on informal credits is exorbitantly high (Nasir, 2007). It is a general practice that the small growers obtain loan in the form of cash or inputs like seed, fertilizers and pesticides. These are tied loans in the sense that farmers obtaining them have to deliver their produce to these commission agents who offer the price of their produce much lower than the market price. According to a study conducted by Punjab Economic Research Institute (PERI), the cost of tied loan in case of cotton is 45 percent and in case of wheat, the cost of borrowing loan from commission agent comes to 47 percent, the concept of such credit should be clearly understood by policy makers and bankers.

Agriculture credit is seemed as the only way of eliminating the two major problems of Pakistan's rural economy. Firstly, the persistently poor income of small farmers due to low per acre yield and secondly, perpetual losses encountered due to no recovery of credit. Agriculture credit gave to farmers an independent economic and social identity (Anka, 1992). Anjoum (1973) stated that the Agricultural bank of Pakistan had not met the credit requirements of agriculture sector in Peshawar Tehsil. He found that 72% borrowers obtained credit as package of mix inputs.

However the recovery position was found satisfactory. The author suggested an effective supervised credit system in order to meet the requirements of agriculture in the project area.

Khan (1981) found several measures to improve the flow of formal credit to agricultural sector, the situation was still unfavorable. The study reported that various problems are associated with formal credit system and recommended large number of measures for system improvement but still the situation is out of the control. The reason is the political interruption in banking system which affects all the activities of the banker. For instance, in Pakistan, there are two major sources of agricultural credit, institutional and non-institutional source.

The institutional sources include ZariTarkiati Bank Limited, commercial banks, cooperatives and domestic private banks while the non-institutional credit suppliers include friends, neighbors, and professional money lenders are the main source of credit in the country (Idress and Ibrahim, 1993). Government of Pakistan attaches high priority to ensure the timely availability of credit to the farmers for achieving higher production. Credit requirements of the farming community have shown an increasing trend over the years. Therefore, government has enhanced agricultural credit allocation from Rs.42852 Million in 1998 to Rs.151860 Million in 2009. Institutional credit to the farmers is being provided through ZariTaraqiati Bank Limited (ZTBL).

In Uganda, Micro finance credit to the rural poor dates as far back as 1950 though it was not as it is described today. In the 1950's the Uganda credit and savings back was established to facilitate loans to Ugandans in furtherance of agricultural commercial, building and cooperative society purposes. This carried out the function of providing credit to its members solely for agricultural purposes. However, these loans were basically medium term general farm improvement loans and were not provided on recurrent basis. More so not every farmer was to access these loans, there was a lot of bureaucracy in accessing them that left masses without credit (Hunt, 1967).

Njoku, (2000) asserts that, financial markets in developing countries and particularly the sub Saharan African (SSA) region are largely under developed, lacking in-depth, highly inefficient in provision of services like credit facilities especially to farmers, they charge a high interest rate, are concentrated in the urban areas and are dominated by a few often foreign owned financial banks, in particular credit and savings markets in the rural areas are generally non-existent and those that do, many work imperfectly for example they have a small coverage in terms of their client base concentrating mainly on the elite members of the community, and this leaves many of the rural poor farmers, who would be beneficiaries unaware of the operative measures and criteria of accessing credit facilities. Njoku (2000) conclusions are limited in today's context as in time dimensions, one would wonder what the situation is Uganda today hence a need for a new study to determine the effect of agricultural credit on poverty alleviation in Uganda.

2.4.2 Livestock Farming Loans and Poverty Alleviation

According to Dolberg (2001), generating capabilities for effective community action is an empowering resource poor women contribute importantly to food security. Yet, the question needs to be answered how to reach them? Livestock projects have not been very good at that so far. A review of more than 800 projects concluded that there had been very little positive and sustainable impact on the poor. As an exception to this general rule, the Bangladesh Poultry Model is used to move poor women on a food subsidy on to a sustainable development path in which micro-credit plays an important role. This paper examined this Model to derive lessons learned for development workers and especially livestock sector specialists. Further, the paper attempts to place the discussion of an appropriate livestock development approach that contributed to reducing widespread malnutrition in a wider context. The current development debate centres on issues such as outreach of micro-credit programmes, the relationship between vulnerability and assets and the importance of learning from experience. One straightforward conclusion is that recipients and donors alike need to give much higher priority to small animals such as poultry. These may act as "starters" in a development process in contrast to larger animals. The latter do reach to a much lesser extent the most vulnerable and food insecure households. It remains that reaching out is not only a question of technologies, but of appropriate institutional arrangements, policies and human capabilities.

2.5 Summary of Literature Review

Microfinance is not a new development. Some developed countries as well as developing countries particularly in Asia have a long history of microfinance. During the eighteenth and nineteenth centuries, in number of European countries, microfinance evolved as a type of the informal banking for the poor. Informal finance and self-help have been at the foundation of microfinance in Europe. The early history of microfinance in Ireland can be traced back to 18th century. It is a history of how self-help led to financial innovation, legal backing and conductive regulation, and creating a mass microfinance movement. But the unpleasant regulations prompted by commercial banking brought it down. The so-called Irish loan funds appeared in early eighteenth as charities, initially financed from donated resources and offering interest free loans. They were soon replaced by financial intermediation between savers and borrowers. Loans were granted on short–term basis and instalments were scheduled on weekly basis. To enforce the repayment, monitoring process was used.

Microfinance seemingly supported, can alleviate poverty through income redistribution, generating employment and also providing small loans to grow small businesses. However from the above existing sources of literature, microfinance still pose a challenge of the high interest rates charged, caused by high operating costs, these has a specific impact of village banking, agricultural credit, and individual loans. This necessitates the researcher to carry on a new study and suggest measures.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents a description of research methodology that was used to carry out the study. It covered the research design, study population, determination of sample size, sampling techniques and procedures, data collection methods , data collection instruments, Validity and reliability of research instruments, Procedure of data collection, data analysis and measurement of variables.

3.1 Research Design

The study was guided by a case study design that used both qualitative and quantitative approaches. This type of design entails a methodical identification of a single unit for analysis that is most representative of the entire universe. Mbaaga (1990) mentions that case study research designs are popular particularly in the academic arena due to their inherent ability to expeditiously support investigations. Secondly, by focusing on a single or simple section of study universe, it is possible to undertake an in-depth analysis of the phenomenon. Quantitative pilot studies was used to help guide the selection of cases in qualitative studies, statistical data complemented qualitative interview studies by helping to identify structural constraints interviewees are not aware of. Results from qualitative interviews helped to identify unobserved heterogeneity in quantitative data as well previously unknown explaining variables and mis-specified models, cross-sectional research looked at a variable at a particular point in time and focuses on finding relationships between variables at a specific point in time. This is because it observes all population or a representative subset at one specific point in time.

3.2 Study Population

For the purpose of this study, the target population was drawn from HOFOKAM and Pride Microfinance Limited Hoima Branches within the Municipality and included those involved in or with knowledge about the effect of micro financing on poverty alleviation. Branch managers, loan officers, accountants, supervisors, and clients of the microfinance institutions used as case study, were used for this study. A total population of 400 of respondents comprising of the different categories were used for this study (Hofokam and Pride Human Resource Reports, 2012).

3.3 Determination of the Sample Size

A total sample size of 196 was used for this study in line with Krejcie and Morgan (1970) table guide. Selection of sample size used in the study was done as explained in table 2 below:

Table: 2 Sample Size Selections

Category	**Population**	**Sample Size**	**Sampling Technique**
Branch Managers	02	02	Purposive
Loan Officers	15	07	Simple Random Sampling
Accountants	03	02	Simple Random Sampling
Supervisors	02	02	Purposive
Clients	378	185	Simple Random Sampling
Total	**400**	**196**	

Source: Primary data

A sample of 196 respondents was targeted for selection. In selecting the respondents groups, purposive was used on the first and fourth category of respondents who were branch managers and supervisors, since the entire accessible population (target population) was used as respondents. Simple random sampling or probabilistic sampling was used to loan officers, Accountants and client beneficiaries' respondent category because respondents had equal chance of being selected. This was derived at by calculating the study population divided by total population times total sample size selected.

3.4 Sampling Techniques and Procedures

For the purpose of this study, both simple random and purposive sampling methods were used for selecting the sample. According to Ntayi (2011), for a population which is reasonable, a census may be appropriate. Random sampling involves picking a sample at a random without discrimination and all samples are given equal chances of being selected for the study. Mugenda and Mugenda (1999) further explained the goal for simple random sampling is to achieve desired presentation from the members of accessible population. Therefore for the purpose of this study, a census of 2 branch managers and 7 loan officers, 2 accountants, 2 supervisors, 185 clients from both HOFOKAM and Pride were randomly sampled for this study.

3.5 Data Collection Methods

Data for the research was collected using three methods. These included self-administered questionnaires; focus group discussion and documentary review. Self-administered questionnaires and focus group discussion were used since it enabled the researcher obtain first-hand information from the field. Data was obtained from respondent categories indicated. The type of data included social demographic characteristics of the respondents such as age, gender, level of education etc. perceptions about the study variable etc. Documentary review enabled the researcher obtain information on already existing literature about the impact of microfinance institutions on poverty alleviation in Uganda, HOFOKAM and Pride Microfinance Limited Hoima Branches in particular. This information was collected from reports, circulars newspapers, Magazines and internet. Both qualitative and quantitative data collection methods were employed in the study. Use of multiple data collection methods checks validity of study findings. This allowed generalisation of results to target population.

3.5.1 Questionnaire Survey

A self-administered questionnaire was used in the study and targeted all respondents. Mugenda and Mugenda (2005), states that questionnaires are used to obtain vital information about the population and ensure a wide coverage of the population in a short time. In addition Sekaran (2003), states that questionnaires are an efficient data collection mechanisms where the researcher knows exactly what is required and how to measure the variables of interest. He further asserts that administering questionnaires to number of interest simultaneously is less expensive and time consuming and does not require much skill to administer as compared to conducting interviews. Closed ended question was used with detailed guiding instructions as regards the manner in which respondents were required to fill them independently with minimal supervision. This was made possible due to the fact that majority of the respondents were able to read and write and in instances where the respondents were illiterate, a research assist trained by the researcher was used to translate questionnaire into the local language and fill them according to the responses provided by the respondents. Closed ended questionnaire had pre-coded answers according to themes from which respondents were asked to choose the appropriate responses. Respondents were given ample time to fill and return questionnaires later when they were through.

3.5.2 Focus Group Discussion

This method was used to collect information from respondent of all categories and it was used to cross validate information got from questionnaires. The meetings for the respondents under these categories were arranged in groups of fifteen to twenty (15-20) respondents comprising both men and women and included: managers, accountants, supervisors, loan officials, and client beneficiaries for purposes of effective research facilitation and respondent participation. This method also enabled participants to hear from each other's response and make additional comments. It therefore enabled the researcher to get highly interactive sessions of interview in which objectivity and subjectivity of responses was got and it facilitated collecting data in a social context.

3.5.3 Documentary Review

The study also involved carrying out library and office research where secondary sources about the research questions were considered. This included related literature on annual and quarterly basis on the effect of micro financing on poverty alleviation progress reports such as institutional operational policy manual (2006-2012), Institutional Business plan (2006-2012), institutional loan repayments reports, portfolio performance reports, newspapers and regulations governing micro-finance institutions like the Microfinance deposit taking Act 2001. Established libraries and record offices were visited. These were useful to cross validate primary data and provided basis for explaining certain concepts.

3.6 Data Collection Instruments

Data collection instruments were chosen as per each data collection method used:

3.6.1 Structured Questionnaire

The researcher used closed ended questionnaire for all respondents. The use of questionnaire enabled the collection of data from a large number of respondents and also enabled respondents give sensitive information without fear as their personal identity was not needed on the questionnaire. This supports Amin (2005), contention that questionnaires Offer greater assurance of anonymity thus enabling the respondents to give sensitive information without fear. Rensis Likert's scale statement having five category response continuum of 5 – 1 was used where I meant "strongly disagree", 2 meant "Disagree; 3 meant "Not sure" 4 meant "Agree" and 5 meant "strongly agree" with assertion. This was designed to establish the extent to which respondents were in agreement with statements and it was used to measure the variables under study. In using this, each respondent selected a response most suitable to him/her in describing each statement and the response categories were weighed from 5 – 1 and average for all items was computed accordingly.

3.6.2 Focus Group Discussion Check List

Group discussion checklist was used for all categories of respondents. The use of group discussion checklist helped the researcher to generate more information with greater in depth on the various questions asked. The group discussion checklist made it possible to get the required data to meet the study objectives in addition to the provision of the rich Information that could not be captured in the closed ended questionnaires.

3.6.3 Documentary Review Checklist

Documentary review checklist containing a list of documents to be reviewed was used and this provided necessary data for the study. The documents for review were obtained from libraries, plus internet. They included reports, newspapers, policies and regulations governing HOFOKAM and Pride micro-finance institutions, annual final accounts, Budgets and circulars.

3.7 Validity and Reliability

3.7.1 Validity

Validity refers to the degree to which results obtained from analysis of the data actually represents the phenomenon under study. The validity of the research instrument was determined by pre testing. Mugenda and Mugenda (2005) who assert that pre testing ensures clarity and accuracy of results so that data collected gives meaningful, reliable results representing variable in the study. Pre-testing helped to estimate the time needed to take, to fill the questionnaires. Questionnaires were scrutinized by five colleagues at Uganda Management Institute for their peer opinion on content and accuracy. Results from the field and opinion of colleagues helped identify gaps and make modifications to the instruments where necessary. The supervisors were also notified accordingly.

Using the formula;

Judge1. = 43/52= 0.84

Judge2. = 44/52= 0.85

Judge3. = 41/52= 0.79

Therefore the total= 0.84+0.85+0.79 = **2.48/3 = 0.83**

In calculating validity the researcher ensured that questions were relevant in order to ensure that data collected give meaningful and reliable results represented by variables in the study (Mugenda and Mugenda, 1999). The researcher used the following formula to establish validity of the research instruments as seen below.

Content validity Index (CVI) $= \frac{\text{Agreed items by all judges as suitable}}{\text{Total number of items judged.}}$

If the overall Content Validity Index (CVI) of the instrument is equal to the average acceptable Index of 0.7 or above, then the instrument was to be accepted as valid (Amin 2005).

3.7.2 Reliability

To ensure reliability of research instruments, the interview guide was piloted on purposively selected respondents and where need arises; adjustments were made before the real research process. The questionnaires was pretested equally and revised if it became necessary before the research process begins. Reliability (internal consistency and stability) of the instruments was tested using Cronbach's Alpha Coefficient which should be above 0.5 (50%) (Cronbach, 1946). The findings of the reliability test showed that all the variables were above the accepted alpha coefficient of 0.5. Reliability was obtained by using Cronbach's coefficient test as stated in the following formula:

$$\alpha = \frac{K}{K-1}\left[\frac{1-\sum \delta^{2} k}{\delta^{2}}\right]$$

Where:

α = Alpha coefficient

δ^{2} = Variance of the total test

$\sum \delta^{2} k$ = Sum of variances of the k questions in the instrument

K = Number of questions in the research instrument

Thus, from the formula above, the Cronbach alpha coefficients for the study variables were generated as shown in table below. All the variables have coefficients greater than 0.5, which is the minimum expected coefficient.

Table 3: Showing Cronbach's Alpha Coefficient for the Study Variables

Study Variables	***Anchor***	***Cronbach's Alpha***
Group Lending	5 Point	**0.6193**
Individual Lending	5 Point	**0.8245**
Agricultural Credit	5 Point	**0.7998**

Source: Primary data

3.8 Procedure of Data Collection

After the research proposal was approved and passed together with the research data collection tools, the researcher obtained a letter from the head of Higher Degrees Department at Uganda Management Institute (UMI), granting permission to proceed with data collection and was presented to the concerned authorities at HOFOKAM and Pride Microfinance Limited Hoima Branches, for acceptance and authorization to undertake the study in their local government. The authorities' permission to the researcher was of great significance in clarifying and averting suspicion about the study and helped to elicit increased willingness on the part of respondents to be objective and honest while responding to questions posed to them. The letter introduced the researcher as a participant of UMI and explained the importance and purpose of the research.

In addition the letter requested for assistance to be offered to the researcher. The researcher recruited one research assistant to ensure that the influence of personal factors of the research during data collection are minimized by bringing on board a person who is neutral about the research variable relationship and the selected organization of the study. The research assistant also helped in translating the questionnaires into the local language especially among other authorized persons respondent category with low level of education. The researcher trained the assistant for three days before going to the field to ensure quality work. The researcher made contact with the various authorities where the study was to be carried out and together made appointments when to carry out the study. This approach enabled proper planning and mobilization of resources on the agreed dates. The researcher together with the assistant finally went to the respondents and collect data.

The researcher ensured that during data collection, questions were discussed in the presence of respondents in order to be well understood and where necessary make adjustments to reduce chances of noncompliance and non-reliability of the tool.

3.9 Data Analysis

Collected data was compiled, sorted edited and coded to have the required quality, accuracy and completeness. It was entered into the computer for analysis using Statistical Package for Social Sciences (SPSS 19). Correlations were used to measure the relationship between variables. The results were presented in descriptive formats such as narratives, tables, frequencies, percentages, graphs and citations.

3.9.1 Quantitative Data Analysis

Data obtained was cleaned, sorted and coded, then entered into the Computer and statistically analyzed using the statistical package for social scientists (SPSS) software package to generate descriptive and inferential statistics. Descriptive analysis was applied to describe the primary variable and associated indicator items related to the study objectives. The Pearson product correlation Co-efficient analysis was used to test the relationship among the variables and regression coefficient models to determine the extent to which the independent variables effects on the dependent variable. The results were presented inform of tables then discussed in relation to existing literature. Conclusion and recommendations was drawn in relation to the set objectives of the study.

3.9.2 Qualitative Data Analysis

Qualitative data was collected using focus group checklist during discussions with respondent category in meetings and documentary reviews using documentary checklist. Content analysis was used to edit the data and re-organize it into meaningful shorter sentences. The data was analyzed and organized based on patterns, repetitions and commonalities into themes based on the study variables. The data then was used to reinforce information got from questionnaires to draw conclusion and recommendations.

3.10 Measurements of the Research Variables

The variables of the study were measured using the five linkert scale. Different variables were measured at different levels. The variables were measured at nominal and ordinal scale. The nominal scale measurement was used in the first part of the questionnaire (demographics) which comprised items with some common set such as sex, age, marital status, designation and level of education of respondents. According to Mugenda and Mugenda (1999), nominal scales are assigned only for purposes of identification but do not allow comparisons of the variable being measured. The researcher used ordinal measurement which categorizes and ranks variable, being measured like uses of statements such as strongly agree, agree, no comment, disagree and strongly disagree (Amin 2005). The numbers in the ordinal scale represented relative position or order among the variable (Mugenda and Mugenda 1999: Amin 2005). Both nominal and ordinal scales was used to measure discrete variables and only the specified numbers such as 1, 2, 3, 4, and 5 was applied (Amin 2005, P. 11). All the effect of micro financing on poverty alleviation was measured using a 5 linkert scale ranging from strongly agree (5) to strongly disagree (1) (Amin 2005).

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.0 Introduction

This chapter gives the presentation, analysis and interpretation of the results of the study. The trend of the discussion is focused on the relationship between and among the study variables in an attempt to answer the research questions. The variables of the study and their percentages are presented in tables, graphs and statistical tests to show the relationship between research variables. Descriptive statistics are presented later in the chapter to explore the results pertaining to the study based on the research objectives as stated below:

i) To examine the effect of group-lending on poverty alleviation in Hoima Municipality.

ii) To determine the effect of individual lending on poverty alleviation in Hoima Municipality.

iii) To investigate the effect of agricultural credit on poverty alleviation in Hoima Municipality.

4.1 Response Rate

Response rate was frequently used to compare survey quality. The study targeted a sample of 196 respondents. A total of 196 questionnaires were distributed and 167 responses were received back, therefore accounting for 85% response rate. Frederick and Wiseman (2003) argued that a response rate has to be presented in research findings as they presented the validity of the study and failure to do so put the validity of the study findings into question.

4.2 Demographic Characteristics of Respondents

This section examines the characteristics of the sample collected. This section gives the number of people who responded to the study with regards to the characteristics of the respondents in relation to sex, age, level of education, years in service within the institution. Frequency tables were used for presentation and analysis of the sample characteristics.

4.2.1 Gender of Respondents

Frequency table was used to present and analyse data on gender of the respondents. This is illustrated in table 4 below.

Table 4: Showing Frequency Distribution for Gender of the Respondents

Gender of respondents		**Frequency**	**Valid Percent**	**Cumulative Percent**
Valid	Male	103	61.7	61.7
	Female	64	38.3	100.0
	Total	**167**	**100.0**	

Source: Primary data

From table 4 above, majority of the respondent (62%) were male, while 38% were female. This implied that majority of the respondents who participated in the study were male. This could have been due to the fact that most households in the area are male headed and thus women lack the collateral critical for borrowing except when you are a widow. More so, this could have been so due to the fact that the cultural set up in this region where by traditionally people believe that males are supposed to take more responsibilities of engaging much more in business than women and women take part in domestic work. This implies that management may have not sensitized the women on gender balance so as to execute their mandate in the region. Thus need to consider women as well.

4.2.2Age of Respondents

Frequency table was used to present and analyse data on the age group of the respondents. This is illustrated in table 5 below.

Table 5: Showing Frequency Distribution for Age of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-29 years	47	28.1	28.1	28.1
	30-39 years	53	31.7	31.7	59.8
	40-49 years	53	31.7	31.7	91.5
	46 years and above	14	8.4	8.4	100.0
	Total	**167**	**100.0**	**100.0**	

Source: Primary data

From table 5 above, the age bracket 30 – 39 years and 40 – 49 years bracket comprised the majority of the respondents respectively (32%). Further analysis indicate that those who were in the 20 – 29 age bracket comprised 28% of the respondents, while those in the 46 years and above bracket comprised on 8% of the respondents. This implied that those in the age bracket 30 – 49 were the most active age group involved in microfinance activities.

4.2.3 Marital Status of Respondents

Frequency table was used to present and analyse data on the marital status of the respondents. This is illustrated in table 6 below.

Table 6: Showing Frequency Distribution for Marital Status of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	24	14.4	14.4	14.4
	Married	119	71.3	71.3	85.7
	Divorced	20	12.0	12.0	97.7
	Widow	4	2.4	2.4	100.0
	Total	**167**	**100.0**	**100.0**	

Source: Primary data

From table 6 above, majority of the respondents (71%) were married, while 14% were single. Further analysis indicates that 12% had divorced, while only 4% were widowed. Therefore, this implied that majority (71%) of the respondents were married.

4.2.4 Education Level of Respondents

Frequency table was used to present and analyse data on the education level of the respondents. This is illustrated in table 7 below.

Table 7: Showing Frequency Distribution for Education Level of Respondents

		Frequency	Valid Percent	Cumulative Percent
Valid	Primary	73	43.7	43.7
	Secondary	29	17.4	61.1
	Certificate	29	17.4	78.5
	Diploma	25	15.0	93.5
	Degree	10	6.0	99.5
	Post graduate	1	.6	100.0
	Total	**167**	**100.0**	

Source: Primary data

From table 7 above, majority of the respondents (44%) had attained primary level of education, while 17% had attained secondary and certificate level of education respectively. Further analysis from the table indicate that 15% of the respondents had diploma, while only 0.6% of the respondents had attained post graduate level of education. This implied that majority (44%) of the respondents could read and write.

4.3 Descriptive Statistics for the Study Variables

Descriptive statistics were used to analyse the variables under study. Data on micro-financing through group lending, individual lending, agricultural credit, and poverty alleviation were collected based on the respondents' understanding of the microfinance operations. The data was presented in table form below.

4.3.1 Descriptive Statistics for Group Lending

Descriptive statistics were used to analyse group lending. Data on group lending was collected based on the respondents' understanding of the microfinance operations. The data was presented in table form below 8 below.

Table 8: Showing Descriptive Statistics for Group Lending

Group-Lending	**SDA**	**DA**	**NS**	**A**	**SA**	**Mean**	**S.D**
I have ever obtained a loan through group lending to enable me improve my income	31.1% (52)	3.0% (5)	0.6% (1)	14.4% (24)	50.9% (85)	3.51	1.793
Employee encourage clients to get involved in group lending	5.4% (9)	1.8% (3)	9.0% (15)	21.0% (35)	62.9% (105)	4.34	1.080
Clients are satisfied with group lending	9.0% (15)	7.2% (12)	19.2% (32)	18.6% (31)	46.1% (77)	3.86	1.318
Group lending is based on individual collateral security	7.2% (12)	8.4% (14)	15.0% (25)	14.4% (24)	55.1% (92)	4.02	1.301
Clients go through training with group lending	3.6% (6)	3.6% (6)	9.6% (16)	18.6% (31)	64.7% (108)	4.37	1.038
All types of loans are offered within group lending	13.8% (23)	9.0% (15)	16.2% (27)	15.0% (25)	46.1% (77)	3.71	1.466
Interest rate charged on group lending is average	15.6% (26)	9.6% (16)	15.6% (26)	31.7% (53)	27.5% (46)	3.46	1.392
Group lending has improved people's housing conditions	5.4% (9)	4.8% (8)	17.4% (29)	21.0% (35)	51.5% (86)	4.08	1.169
With group lending social infrastructure has improved	1.8% (3)	5.4% (9)	15.6% (26)	28.7% (48)	48.5% (81)	4.17	0.998
Marketing systems are enhanced through group lending	3.0% (5)	4.8% (8)	13.8% (23)	30.5% (51)	47.9% (80)	4.16	1.030
Issues are effectively and amicably solved within group lending	4.2% (7)	7.8% (13)	15.6% (26)	25.7% (43)	46.7% (78)	4.03	1.148
Commercial standards are applied to determine interest rates and fees with group lending	15.0% (25)	9.6% (16)	19.2% (32)	26.3% (44)	29.9% (50)	3.47	1.396
There are high repayment rates in group lending	10.2% (17)	9.6% (16)	21.6% (36)	23.4% (39)	35.3% (59)	3.64	1.323
Loan size depend on the amount which the borrower has saved with group lending	7.8% (13)	4.2% (7)	13.2% (22)	16.8% (28)	58.1% (97)	4.13	1.254
Group lending encourage individual's savings	2.4% (4)	3.0% (5)	11.4% (19)	18.6% (31)	64.7% (108)	4.40	0.970
Summary of Average Mean & SDV for Group-Lending						**3.987**	**0.598**

Source: Primary data

The response on the question “Staff reporting on time at office” shows that 88.1% (147) of the respondents agreed with the statement, 4.2% (7) were not sure and 7.8% (13) of the respondents disagreed with the statement while mean was 4.45 and standard deviation was 1.045 which means that greater part of respondents agreed with the statement since mean was above 3.0. This implied that majority of the respondents were committed to the activities of the MFIs for which they worked.

When respondents were asked if have ever obtained a loan through group lending, 65.3% (109) of the respondents agreed with the statement, 0.6% (1) were not sure and 34.1% (57) of the respondents disagreed with the statement while mean was 3.51 and standard deviation was 1.793 which means that greater part of respondents agreed with the statement since mean was above 3.0. This implied most of the lending by the MFI was done through socially connected grouping that helped in loan repayment. Complementary data especially from the key informants of HOFOKAM and Pride Microfinance institutions when they were asked to explain how employees encourage clients to get involved in group lending, most respondents revealed that;

*“Clients are encouraged to form groups and obtain loans without collateral securities and that they have done so by mobilising them through radio programs and meetings (**key informant; Kaawa Dan Manager HOFOKAM Hoima branch).”***

The response on the question “Clients are satisfied with group lending” shows that 64.7% (108) of the respondents agreed with the statement, 19.2% (32) were not sure and 16.2% (27) of the respondents disagreed with the statement while mean was 3.86 and standard deviation was 1.318

which means that greater part of respondents agreed with the statement since mean was above 3.0. This implied that most of the clients were protected because of existence of group liability on the existing loans. This was reinforced by key informants when they were asked to explain how they were satisfied with group lending and majority of the respondents both from HOFOKAM and Pride microfinance institutions reaffirmed that;

*"Group lending helps them to come together and in case a member fails to pay on time, then other members pay for him or her. That such kind of sharing within the group has contributed to their development" (**key informant, credit manager from Pride microfinance limited**).*

When respondents were asked if group lending is based on individual collateral security, 69.5% (116) of the respondents agreed with the statement, 15.0% (25) were not sure and 15.6% (26) of the respondents disagreed with the statement while mean was 4.02 and standard deviation was 1.301 which means that greater part of respondents agreed with the statement since mean was above 3.0. This implied that the collateral was based on social capital that enabled the clients to secure loans from the MFIs. I further examined responses from key informants and FGDs by asking them to explain how group lending is not based on individual collateral security and they confirm to the same reasons as those advanced by table above. For instance, most of the respondents noted that;

"Each group make by laws in such a way that for every member to be guaranteed by the group to obtain a loan, he/she must first bring in a mortgage security and that the chairman Lc1 has to witness and put his stamp on their agreement. That at the later date when one fails to pay

completely, then the members have to sell off the security in order to get back their money they contributed for him/her. These range from Local Council one recommendation letters or guarantors, group membership, to presentation of physical assets like house chattels, land. But the kind of security depends on the amount of loan our members want to be given"

When respondents were asked if clients go through training with group lending, 83.3% (139) of the respondents agreed with the statement, 9.6% (16) were not sure and 7.2% (12) of the respondents disagreed with the statement while mean was 4.37 and standard deviation was 1.038 which means that greater part of respondents agreed with the statement since mean was above 3.0. This implied that clients who received the loans after training would put the loan to good use to improve on their livelihood and welfare as poverty alleviation strategy. This was reinforced with FGD, especially when respondents both from Pride and HOFOKAM were asked to comment on the procedural processes they go through with group lending and majority noted that;

"Special trainings are conducted by their loans officers especially in areas of how they are supposed to save, how to put the loan in proper use, also on proper records and book keeping. That the whole exercise is facilitated by selecting the group executive committee comprising of the chairperson, treasurer and secretary."

When respondents were asked if all types of loans are offered within group lending, 61.1% (102) of the respondents agreed with the statement, 16.2% (27) were not sure and 22.8% (38) of the respondents disagreed with the statement while mean was 3.71 and standard deviation was 1.466

which means that greater part of respondents agreed with the statement since mean was above 3.0. This implied that the MFIs lend their loans through only the strategy of group lending to avoid default by the clients. In the same way, I asked the clients through the FGD a question of which types of loans were offered within group lending methodology in order to reinforce the above observation and majority of the respondents from both HOFOKAM and Pride microfinance institutions narrated that;

"All types of loans are offered within group lending and this includes; agriculture loans for livestock and crop farming, small business loans, school fees loans depending on individual have needs and desires."

The response on the question "Interest rate charged on group lending is average" shows that 31.2% (99) of the respondents agreed with the statement, 15.6% (26) were not sure and 25.2% (42) of the respondents disagreed with the statement while mean was 3.46 and standard deviation was 1.392 which means that greater part of respondents agreed with the statement since mean was above 3.0. During the FGD I asked the respondents the basis of charging interest rates under group lending and majority of them both from HOFOKAM and Pride microfinance institutions noted that;

"the interest rates charged is average because these MFIs considers the period taken (value for money), cost of capital because this MFIs also borrow with interest which they have to pay back, sustainability and their growth and above all operational expenses because they keep on monitoring and supervising these clients."

The response on the question "Group lending has improved people's housing conditions" shows that 72.5% (121) of the respondents agreed with the statement, 17.4% (29) were not sure and 10.2% (17) of the respondents disagreed with the statement while mean was 4.08 and standard deviation was 1.169 which means that greater part of respondents agreed with the statement since mean was above 3.0. In the same way during the FGD respondents were asked on how group lending improved people's housing conditions, majority of the respondents both from HOFOKAM and Pride MFIs noted that;

"They have bought plot of lands to build their houses out of profits from their businesses, others had bought Ebiibajja (land), also improved on their houses,"

The response on the question "With group lending social infrastructure has improved" shows that 77.2% (129) of the respondents agreed with the statement, 15.6% (26) were not sure and 7.2% (12) of the respondents disagreed with the statement while mean was 4.17 and standard deviation was 0.998 which means that greater part of respondents agreed with the statement since mean was above 3.0. Likewise, during the FGD, respondents were asked to comment on the type of social infrastructure that has been improved through group lending and majority of them both from HOFOKAM and pride MFIs noted that;

'*They have been able to obtain additional capital to improve on their well being, like fulfilling their plans.'*

The response on the question "Marketing systems are enhanced through group lending" shows that 78.4% (131) of the respondents agreed with the statement, 13.8% (23) were not sure and 7.8% (13) of the respondents disagreed with the statement while mean was 4.16 and standard deviation was 1.030 which means that greater part of respondents agreed with the statement since mean was above 3.0. However, during the FGD the respondents were asked to comment on how group lending had enhanced marketing systems and majority of the respondents from both HOFOKAM and Pride MFIs noted that;

"It was fairly because HOFOKAM and Pride also borrow from MFIs who are wholesalers and that they offer them credit at a shorter period that in turn they also have to give short term loans and therefore, farmers are forced to sell off their produce at cheaper prices in order to pay back the loans on time. This causes them to sell at cheaper prices because they can't wait for the prices to increase."

The response on the question "Issues are effectively and amicably solved within group lending" shows that 72.4% (121) of the respondents agreed with the statement, 15.6% (26) were not sure and 12% (20) of the respondents disagreed with the statement while mean was 4.03 and standard deviation was 1.148 which means that greater part of respondents agreed with the statement since mean was above 3.0. During the FGD I asked the respondents to explain the way emerging issues are amicably and effectively dealt within group lending I order to reinforce the above information, however, majority of the respondents both from HOFOKAM and Pride MFIs noted that;

"Each group has by-laws and therefore, in case of any issue arising, they have to deal with it in accordance of the group constitution. Those members meet regularly within their groups and discuss their issues."

When respondents were asked if commercial standards are applied to determine interest rates and fees with group lending, 56.2% (94) of the respondents agreed with the statement, 19.2% (32) were not sure and 24.6% (41) of the respondents disagreed with the statement while mean was 3.47 and standard deviation was 1.396 which means that greater part of respondents agreed with the statement since mean was above 3.0.

When respondents were asked if there are high repayment rates in group lending, 58.7% (98) of the respondents agreed with the statement, 21.6% (36) were not sure and 19.8% (33) of the respondents disagreed with the statement while mean was 3.64 and standard deviation was 1.323 which means that greater part of respondents agreed with the statement since mean was above 3.0. On the same note during the FGD respondents were asked to comment on how effective is repayment under group lending, however, majority of the respondent both from HOFOKAM and Pride MFIs noted that;

"Sometimes they even pay back before the due date and sometimes they fail to pay on time due to anticipated challenges."

When respondents were asked if loan size depend on the amount which the borrower has saved with group lending, 74.9% (125) of the respondents agreed with the statement, 13.2% (22) were not sure and 12% (20) of the respondents disagreed with the statement while mean was 4.13 and standard deviation was 1.254 which means that greater part of respondents agreed with the statement since mean was above 3.0. To reaffirm the above during the FGD respondents both from HOFOKAM and Pride MFIs were asked to comment on what determines the loan size under group lending, however, majority of the respondents both from HOFOKAM and Pride MFIs noted that;

"Before someone is given any loan, members have to recommend him/her depending on the size of the business; the amount the member has saved within their group account that the minimum is 20% of the loan to be requested."

When respondents were asked if group lending encourage individual's savings, 83.3% (139) of the respondents agreed with the statement, 11.4% (19) were not sure and 5.4% (9) of the respondents disagreed with the statement while mean was 4.40 and standard deviation was 0.970 which means that greater part of respondents agreed with the statement since mean was above 3.0. On the similar note, respondents both from HOFOKAM and Pride MFIs were asked during FGD to comment on how does group lending encourage individual's savings and majority of the respondents said that;

"In order for someone to become a member it's a requirement for him/her to save with a group at least 20% of the amount a member is likely to request as a loan."

4.3.2 Descriptive Statistics for Individual Lending

Descriptive statistics were used to analyse individual lending. Data on individual lending was collected based on the respondents' understanding of the microfinance operations. The data was presented in table form below 9 below.

Table 9: Showing Descriptive Statistics for Individual Lending

Individual lending	SDA	DA	NS	A	SA	Mean	S.D
Have ever obtained an individual loan from this institution	45.5% (76)	6.6% (11)	3.0% (5)	9.0% (15)	35.9% (60)	2.83	1.845
Individual loans are greatly offered to clients	3.0% (5)	2.4% (4)	15.6% (26)	19.2% (32)	59.9% (100)	4.31	1.016
Both male and female are treated equally when offering loans	0	0.6% (1)	8.4% (14)	17.4% (29)	73.7% (123)	4.64	0.661
Individual loans are easily accessed than other types of loans	16.8% (28)	7.2% (12)	24.0% (40)	8.4% (14)	43.1% (72)	3.54	1.512
Individual loans are preferred by clients than group loans	11.4% (19)	6.0% (10)	12.0% (20)	16.2% (27)	54.5% (91)	3.96	1.392
Individual loans are offered to Business enterprises	6.6% (11)	9.0% (15)	7.8% (13)	20.4% (34)	56.3% (94)	4.11	1.261
Mortgage asked for individual loans are quite different from other types of loans	3.6% (6)	1.2% (2)	20.4% (34)	16.8% (28)	58.1% (97)	4.25	1.050
Individual loans are given enough grace time of period for loan repayment	12.6% (21)	4.8% (8)	16.8% (28)	19.2% (32)	46.7% (78)	3.83	1.393
Poverty levels have reduced as a result of individual loans	4.8% (8)	6.6% (11)	15.6% (26)	27.5% (46)	45.5% (76)	4.02	1.146
Both social and economic wellbeing is marginal as a result of individual loans	3.0% (5)	3.6% (6)	13.8% (23)	29.3% (49)	50.3% (84)	4.20	1.009
Individual loans encompasses school fees support	3.6% (6)	1.2% (2)	12.0% (20)	24.0% (40)	59.3% (99)	4.34	0.986
Individual loans is an essential tool for improving marketing systems	3.6% (6)	4.2% (7)	12.6% (21)	21.6% (36)	58.1% (97)	4.26	1.065
Individual loans are clearly understood by policy makers	7.8% (13)	1.8% (3)	14.4% (24)	17.4% (29)	58.7% (98)	4.17	1.217
Operative measures for individual loans are flexible	7.2% (12)	9.6% (16)	15.6% (26)	26.9% (45)	40.7% (68)	3.84	1.256
Individual loans are easily accessible	10.8% (18)	6.0% (10)	18.0% (30)	21.0% (35)	44.3% (74)	3.82	1.346
Clients are satisfied with individual loans	10.8% (18)	9.0% (15)	10.8% (18)	24.0% (40)	45.5% (76)	3.84	1.371
Summary of Average Mean & SDV for Individual Lending						**3.998**	**0.587**

Source: Primary data

The response on the question “Have ever obtained an individual loan from this institution” shows that 44.9% (75) of the respondents agreed with the statement3.0% (5) were not sure and 52.1% (87) of the respondents disagreed with the statement while mean was 2.83 and standard deviation was 1.845 which means that greater part of respondents disagreed with the statement since mean was above 3.0.

When respondents were asked if individual loans are greatly offered to clients, 79.1% (132) of the respondents agreed with the statement, 15.6% (26) were not sure and 5.4% (9) of the respondents disagreed with the statement while mean was 4.31 and standard deviation was 1.016 which means that greater part of respondents agreed with the statement since mean was above 3.0.

The response on the question “Both male and female are treated equally when offering loans” shows that 91.1% (152) of the respondents agreed with the statement, 8.4% (14) were not sure and 0.6% (1) of the respondents disagreed with the statement while mean was 4.64 and standard deviation was 0.661 which means that greater part of respondents agreed with the statement since mean was above 3.0. Likewise, during the FGD the respondents were asked to comment on how males and females are considered in accessing individual loans, and majority of the respondents both from HOFOKAM and Pride noted that;

“Both males and females are offered loans according to their needs as equal customers.”

The response on the question “individual loans are easily accessed than other types of loans” shows that 51.5% (86) of the respondents agreed with the statement, 24.0% (40) were not sure and 24% (40) of the respondents disagreed with the statement while mean was 3.54 and standard deviation was 1.512 which means that greater part of respondents agreed with the statement since mean was above 3.0.

When respondents were asked if individual loans are preferred by clients than group loans, 70.7% (118) of the respondents agreed with the statement, 12.0% (20) were not sure and 17.4% (29) of the respondents disagreed with the statement while mean was 3.96 and standard deviation was 1.392 which means that greater part of respondents agreed with the statement since mean was above 3.0. On the same note during the FGD respondents were ask to comment as to why individual loans were preferred by clients than group loans and majority of the respondents both from HOFOKAM and Pride MFIs noted that;

“When in the group some members fail to fulfil their obligations the whole group is affected by deducting their savings, that individual loans are given long duration for repayment that is; monthly or three month depending on their arrangement with an individual, whereas in the group lending it is weekly, that above all, there is secrecy in individual lending unlike in group lending where by members of the group are publicised which members do not like!”

When respondents were asked if individual loans are offered to all Business enterprises, 76.7% (128) of the respondents agreed with the statement, 7.8% (13) were not sure and 15.6% (26) of the respondents disagreed with the statement while mean was 4.11 and standard deviation was

1.261 which means that greater part of respondents agreed with the statement since mean was above 3.0. During the FGD respondents were as well asked to explain the type of business enterprises financed under individual loans, however, majority of the respondents both from HOFOKAM and Pride MFIs observed that;

"*All legal business enterprises are funded under individual lending such as loans for produce, School fees loans and farming of all kind."*

When respondents were asked if mortgage asked for individual loans are quite different from other types of loans, 74.9% (125) of the respondents agreed with the statement, 20.4% (34) were not sure and 4.8% (8) of the respondents disagreed with the statement while mean was 4.25 and standard deviation was 1.050 which means that greater part of respondents agreed with the statement since mean was above 3.0. In the same way in order to confirm the above information, the respondents were asked to comment on the type of mortgages asked for individual loans as compared to other types of loans, however, majority of the respondents from both HOFOKAM and Pride MFIs noted that;

"Mortgages asked for individual loans are quite different in that if it's a land someone asked for land title or purchase agreement, log book for motor vehicle, which may not necessary be the case with group lending."

The response on the question "Individual loans are given enough grace time of period for loan repayment" shows that 65.9% (110) of the respondents agreed with the statement, 16.8% (28)

were not sure and 17.4% (29) of the respondents disagreed with the statement while mean was 3.83 and standard deviation was 1.393 which means that greater part of respondents agreed with the statement since mean was above 3.0. In the same way respondents were asked to comment on what determines the grace period under individual loans, however, majority of the respondent both from HOFOKAM and Pride MFIs noted that;

"Factors such as seasonality and cash flow of an individual were the paramount issues in determining the grace period."

The response on the question "Poverty levels have reduced as a result of individual loans" shows that 73% (122) of the respondents agreed with the statement, 15.6% (26) were not sure and 11.4% (19) of the respondents disagreed with the statement while mean was 4.02 and standard deviation was 1.146 which means that greater part of respondents agreed with the statement since mean was above 3.0. During the FGD respondents were asked to explain on how individual loans have reduced poverty levels, however, majority of the respondents both from HOFOKAM and Pride noted that;

"Through individual loans they have been able to and capital to their business in return got profits to pay school fees for their children, improve on their housing conditions and cater for their domestic issues."

The response on the question "Both social and economic wellbeing is marginal as a result of individual loans" shows that 79.6% (133) of the respondents agreed with the statement, 13.8%

(23) were not sure and 6.6% (11) of the respondents disagreed with the statement while mean was 4.20 and standard deviation was 1.009 which means that greater part of respondents agreed with the statement since mean was above 3.0.

The response on the question “individual loans encompasses school fees support” shows that 83.3% (139) of the respondents agreed with the statement, 12.0% (20) were not sure and 4.8% (8) of the respondents disagreed with the statement while mean was 4.34 and standard deviation was 0.986 which means that greater part of respondents agreed with the statement since mean was above 3.0.

The response on the question “individual loans is an essential tool for improving marketing systems” shows that 79.7% (133) of the respondents agreed with the statement, 12.6% (21) were not sure and 7.8% (13) of the respondents disagreed with the statement while mean was 4.26 and standard deviation was 1.065 which means that greater part of respondents agreed with the statement since mean was above 3.0. During the FGD respondents were asked to explain on how individual loans are an essential tool for improving marketing systems, however, majority of the clients both from HOFOKAM and Pride MFIs noted that;

“Individual loans promptly love their problems like school fees, that in that way they are able to keep their product or wait for better prices and that they use the money to boost their businesses.”

When respondents were asked if individual loans are clearly understood by policy makers, 76.1% (127) of the respondents agreed with the statement, 14.4% (24) were not sure and 9.6% (16) of the respondents disagreed with the statement while mean was 4.17 and standard deviation was 1.217 which means that greater part of respondents agreed with the statement since mean was above 3.0. During the FGD respondents were asked to comment on how policy makers understood individual loans, however, majority of the clients both from HOFOKAM and Pride MFIs noted that;

"Those policy makers do understand individual loans simply because they have been following government programs in sensitising the people and that at the same time LCs play a big role in recommending clients to obtain loans both from HOFOKAM and Pride MFIs."

When respondents were asked if operative measures for individual loans are flexible, 67.6% (113) of the respondents agreed with the statement, 15.6% (26) were not sure and 16.8% (28) of the respondents disagreed with the statement while mean was 3.84 and standard deviation was 1.256 which means that greater part of respondents agreed with the statement since mean was above 3.0. During the FGD respondents were at the same time interviewed on how the operative measures were flexible for individual loans, however, both respondents for HOFOKAM and Pride MFIs agreed that;

"Operative measures for individual loans were flexible simply because individual are scheduled to pay in instalments, and that sometimes when an individual gets some problems, a loan can be rescheduled to enable him/her pay fully,"

When respondents were asked if individual loans are easily accessible, 65.3% (109) of the respondents agreed with the statement, 18.0% (30) were not sure and 16.8% (28) of the respondents disagreed with the statement while mean was 3.82 and standard deviation was 1.346 which means that greater part of respondents agreed with the statement since mean was above 3.0. During the FGD respondents were asked to explain the duration taken by an individual to obtain a loan, however majority of respondents from HOFOKAM and Pride said that;

"The time taken for an individual obtain a loan depends on how fast he/she takes to submit the required documents, that if all the documents are submitted on time, it take only one week to get a loan."

When respondents were asked if clients are satisfied with individual loans, 69.5% (116) of the respondents agreed with the statement, 10.8% (18) were not sure and 19.8% (33) of the respondents disagreed with the statement while mean was 3.84 and standard deviation was 1.371 which means that greater part of respondents agreed with the statement since mean was above 3.0.

4.3.3 Descriptive Statistics for Agricultural Credit

Descriptive statistics were used to analyse agricultural credit. Data on agricultural credit was collected based on the respondents' understanding of the microfinance operations. The data was presented in table form below 10 below.

Table 10: Showing Descriptive Statistics for Agricultural Credit

Agricultural Credit	SDA	DA	NS	A	SA	Mean	S.D
I have ever obtained an agricultural credit from this institution	53.9% (90)	10.2% (17)	6.6% (11)	7.2% (12)	22.2% (37)	2.34	1.670
Agricultural loans are a major form of financing to clients	21.0% (35)	9.0% (15)	25.7% (43)	13.2% (22)	31.1% (52)	3.25	1.503
Agricultural loans are offered to all business enterprises	10.8% (18)	10.8% (18)	23.4% (39)	12.0% (20)	43.1% (72)	3.66	1.400
There is timely disbursement of agricultural loans	19.8% (33)	6.0% (10)	26.3% (44)	16.2% (27)	31.7% (53)	3.34	1.476
The total amount disbursed is reliant on request made by clients	24.6% (41)	9.0% (15)	20.4% (34)	18.0% (30)	28.1% (47)	3.16	1.538
Agricultural loans are easily accessible than other types of loans	15.0% (25)	9.0% (15)	29.3% (49)	18.0% (30)	28.7% (48)	3.37	1.377
Agricultural loans are well monitored	12.6% (21)	3.0% (5)	22.8% (38)	21.6% (36)	40.1% (67)	3.74	1.350
Clients are satisfied with agricultural loans	12.6% (21)	8.4% (14)	25.7% (43)	20.4% (34)	32.9% (55)	3.53	1.357
Farmers are given enough grace time for loan payment	10.2% (17)	3.0% (5)	22.8% (38)	17.4% (29)	46.1% (77)	3.87	1.314
There has been improved quality production as a result of agricultural loans	6.6% (11)	0.6% (1)	17.4% (29)	25.7% (43)	49.7% (83)	4.11	1.132
Both social and economic well-being is marginal as a result of agricultural loans	4.8% (8)	3.6% (6)	21.0% (35)	27.5% (46)	43.1% (72)	4.01	1.106
Agricultural credit improves the use of modernized agricultural practices	4.2% (7)	3.6% (6)	18.0% (30)	25.1% (42)	48.5% (81)	4.11	1.090
Agricultural credit has been essential in solving unemployment problem	5.4% (9)	7.8% (13)	9.6% (16)	26.9% (45)	50.3% (84)	4.09	1.181
Agricultural loans should be clearly understood by policy makers	3.6% (6)	6.6% (11)	13.8% (23)	19.2% (32)	56.9% (95)	4.19	1.124
Agricultural loans serve both urban and rural farmers	7.2% (12)	5.4% (9)	14.4% (24)	17.4% (29)	55.7% (93)	4.09	1.251
Operatives measures for agricultural credit are flexible to clients	14.4% (24)	7.8% (13)	15.6% (26)	28.1% (47)	34.1% (57)	3.60	1.397
Summary of Average Mean & SDV for Agricultural Credit						**3.652**	**0.769**

Source: Primary data

The response on the question “I have ever obtained an agricultural credit from this institution” shows that 29.4% (49) of the respondents agreed with the statement 6.6% (11) were not sure and 64.1% (107) of the respondents disagreed with the statement while mean was 2.34 and standard deviation was 1.670 which means that greater part of respondents agreed with the statement since mean was above 3.0.

When respondents were asked if agricultural loans are a major form of financing to clients, 44.3% (54) of the respondents agreed with the statement, 25.7% (43) were not sure and 30% (50) of the respondents disagreed with the statement while mean was 3.25 and standard deviation was 1.503 which means that greater part of respondents agreed with the statement since mean was above 3.0.

The response on the question “Agricultural loans are offered to all business enterprises” shows that 55.1% (92) of the respondents agreed with the statement, 23.4% (39) were not sure and 21.6% (36) of the respondents disagreed with the statement while mean was 3.66 and standard deviation was 1.400 which means that greater part of respondents agreed with the statement since mean was above 3.0. During the FGD respondents were asked to explain on which type of agricultural business enterprises are offered with credit from this institution and majority of the respondents from HOFOKAM and Pride noted that;

“Agricultural loans are offered to both livestock (like poultry, piggery) and crop farming like maize growers, Banana farmers and Beans.”

The response on the question “There is timely disbursement of agricultural loans” shows that 47.9% (80) of the respondents agreed with the statement, 26.3% (44) were not sure and 25.8% (43) of the respondents disagreed with the statement while mean was 3.34 and standard deviation was 1.476 which means that greater part of respondents agreed with the statement since mean was above 3.0.

When respondents were asked if the total amount disbursed is reliant on request made by clients, 46.1% (77) of the respondents agreed with the statement, 20.4% (34) were not sure and 33.6% (56) of the respondents disagreed with the statement while mean was 3.16 and standard deviation was 1.538 which means that greater part of respondents agreed with the statement since mean was above 3.0.

When respondents were asked if agricultural loans are easily accessible than other types of loans, 46.7% (78) of the respondents agreed with the statement, 29.3% (49) were not sure and 24% (40) of the respondents disagreed with the statement while mean was 3.37 and standard deviation was 1.377 which means that greater part of respondents agreed with the statement since mean was above 3.0. During the FGD I asked respondent to comment on how fast they easily obtain agricultural loans from these institutions and majority of the respondents both from HOFOKAM and Pride MFIs noted that;

"With agricultural loan there is a procedure to be followed and that once the farmer submits all the required documents in time, then a loan can only take one week."

When respondents were asked if agricultural loans are well monitored, 61.7% (103) of the respondents agreed with the statement, 22.8% (38) were not sure and 15.6% (26) of the respondents disagreed with the statement while mean was 3.74 and standard deviation was 1.350 which means that greater part of respondents agreed with the statement since mean was above 3.0.

The response on the question “Clients are satisfied with agricultural loans” shows that 53.3% (89) of the respondents agreed with the statement, 25.7% (43) were not sure and 53.3% (89) of the respondents disagreed with the statement while mean was 3.53 and standard deviation was 1.357 which means that greater part of respondents agreed with the statement since mean was above 3.0. During the FGD respondents were asked to comment on any complaints they had with agricultural loans in as far as these institutions were concern and majority of the respondents both from HOFOKAM and Pride MFIs noted that;

“*They were satisfied with agricultural lending methodologies but observed that there was need for further sensitisation especially on radio programs that because some respondents were not aware of this facility.”*

The response on the question “Farmers are given enough grace time for loan payment” shows that 63.5% (106) of the respondents agreed with the statement, 22.8% (38) were not sure and 13.2% (22) of the respondents disagreed with the statement while mean was 3.87 and standard deviation was 1.314 which means that greater part of respondents agreed with the statement since mean was above 3.0. In the same way respondents were asked during the FGD to comment on the time given to them by these institutions to pay back the agricultural loan if it was enough and majority of the respondents both from HOFOKAM and Pride MFIs noted that;

“They were in agreement with the grace period that its them the farmers who request for the duration when they intend to pay back in accordance with their affordability and cash flow of the business.”

The response on the question “There has been improved quality production as a result of agricultural loans” shows that 75.4% (126) of the respondents agreed with the statement, 17.4% (29) were not sure and 7.2% (12) of the respondents disagreed with the statement while mean was 4.11 and standard deviation was 1.132 which means that greater part of respondents agreed with the statement since mean was above 3.0. To reinforce the above I asked the respondent during the FGD to explain on how has agricultural loans obtained through this institution improved on their quality production and majority of the respondents both from HOFOKAM and Pride MFIs said that;

"Through agricultural loans farmers are able to buy better seeds and secure good stock of breeding livestock in order to produce quality products."

The response on the question "Both social and economic well-being is marginal as a result of agricultural loans" shows that 70.6% (118) of the respondents agreed with the statement, 21.0% (35) were not sure and 8.4% (14) of the respondents disagreed with the statement while mean was 4.01 and standard deviation was 1.106 which means that greater part of respondents agreed with the statement since mean was above 3.0. In the FGD I asked the respondents to comment on how agricultural loans had improved on their social and economic well-being and majority of the respondents both from HOFOKAM and Pride MFIs said that;

"through agricultural loans the gap between women and men has been narrowed (gender equality) that because now days majority of women can as well access agricultural credit and solve some domestic issues. While other respondents said agricultural loans has helped them to boost their farming which is a major source of income for their households."

The response on the question "Agricultural credit improves the use of modernized agricultural practices" shows that 73.6% (123) of the respondents agreed with the statement, 18.0% (30) were not sure and 7.8% (13) of the respondents disagreed with the statement while mean was 4.11 and standard deviation was 1.090 which means that greater part of respondents agreed with the statement since mean was above 3.0. I asked as well the respondents during the FGD to comment on how agricultural credit obtained from these institutions improved on the use of modernized agricultural practices and majority of the respondents both from HOFOKAM and Pride MFIs said that;

"This has been possible through acquiring agricultural loans which help them to hire tractors for ploughing, buying of fertilizers and that they are able to hire labor to support them during harvesting."

When respondents were asked if agricultural credit has been essential in solving unemployment problem, 77.2% (129) of the respondents agreed with the statement, 9.6% (16) were not sure and 13.2% (22) of the respondents disagreed with the statement while mean was 4.09 and standard deviation was 1.181 which means that greater part of respondents agreed with the statement since mean was above 3.0. During the FGD respondents were as well asked to comment on how agricultural credit obtained from this institution has been essential in solving unemployment problem and majority of the respondents both from HOFOKAM and Pride MFIs said that;

"Agricultural credit had helped them to generate their own businesses especially through farming and that without this facility they would be idle since capital would be a major challenge."

When respondents were asked if agricultural loans should be clearly understood by policy makers, 76.1% (127) of the respondents agreed with the statement, 13.8% (23) were not sure and 10.2% (17) of the respondents disagreed with the statement while mean was 4.19 and standard deviation was 1.124 which means that greater part of respondents agreed with the statement since mean was above 3.0. I asked the respondents during the FGD to comment on how agricultural loans should be clearly understood by policy makers and majority of the respondents both from HOFOKAM and Pride MFIs noted that;

"Since agriculture was a major form of their business it was therefore important for policy makers like members of parliament to come with policies that subsidizes the interest rates and that it was very important for Local council chiefs to be more sensitised about agricultural loans since they were the main players in recommending the people."

When respondents were asked if agricultural loans serve both urban and rural farmers, 73.1% (122) of the respondents agreed with the statement, 14.4% (24) were not sure and 16.6% (21) of the respondents disagreed with the statement while mean was 4.09 and standard deviation was 1.251 which means that greater part of respondents agreed with the statement since mean was above 3.0. This statement was reinforced by the focus group discussion especially when I asked respondents to comment on the procedures of serving both urban and rural farmers with agricultural loans and majority both from HOFOKAM and Pride MFIs said that;

"Agricultural loans are funded irrespective whether you come from town or rural, that because people are served as they come in."

When respondents were asked if operatives measures for agricultural credit are flexible to clients, 62.2% (104) of the respondents agreed with the statement, 15.6% (26) were not sure and 22.2% (37) of the respondents disagreed with the statement while mean was 3.60 and standard deviation was 1.397 which means that greater part of respondents agreed with the statement since mean was above 3.0. During the FGD respondents were asked to comment on how flexible the operative measures for agricultural credit from this institution are and majority both from HOFOKAM and Pride MFIs noted that;

"The best practice with agricultural loans is that farmers are given enough grace period ranging from three to six month and that the period depends on the seasonality and cash flow where a farmer is going to invest the money."

4.4 Correlation Analysis

The relationships between study variables are established by running a correlation analysis and since the study had relationship objectives, the relationship between the study variables of micro-financing comprising of group lending, individual lending, and agricultural credit on poverty alleviation. The results of the correlation analysis are indicated in table 11 below.

Table 11: Relationship between Study Variables

	1	2	3	4	5
Micro-financing (1)	1.000				
Group Lending (2)	.309**	1.000			
Individual Lending (3)	.439**	.415**	1.000		
Agricultural Credit (4)	.571**	.399**	.475**	1.000	
Poverty Alleviation (5)	**.501****	**.358****	**.441****	**.323****	1.000

**. Correlation is significant at the 0.01 level (1-tailed).

Source: Primary data

4.4.1 Relationship between Group Lending and Poverty Alleviation

Pearson's correlation results from table 11 above, showed the relationship between group lending and poverty alleviation. The Pearson coefficient (r = 0. 358**, p = 0.00<0.01) shows that the result is positive. It means that when Group-Lending is given more priority in HOFOKAM and Pride Microfinance Ltd in Hoima Municipality, Poverty Alleviation was improved in the same direction; implying administrators of HOFOKAM and Pride Microfinance Ltd in Hoima Municipality staff benefited consequently improved Poverty Alleviation.

Hypothesis One:

Null hypothesis:

Ho: Group lending has no significant positive relationship with poverty alleviation.

Alternate hypothesis:

H1: There is a significant positive relationship between group lending and poverty alleviation.

α level: $\alpha = 0.01$.

The hypothesis was tested using Pearson's coefficient of rank correlation and the results are shown in table 11. It shows that there is a significant positive relationship between group lending and poverty alleviation in Hoima municipality ($r = 0.~358^{**}$, $p = 0.00<0.01$). Since the correlation was found to be significant, the null hypothesis (Ho) was rejected and the alternate hypothesis (H1) which recognizes the existence of significant relationship between group lending and poverty alleviation was accepted as summarized in table 11.

4.4.2 Relationship between Individual Lending and Poverty Alleviation

Pearson's correlation results from table 11 above, showed the relationship between individual lending and poverty alleviation. The Pearson coefficient ($r = 0.~.441^{**}$, $p = 0.00<0.01$) shows that the result is positive. This an indication that when Individual Lending is properly considered, Poverty Alleviation was achieved, implying that administrators at HOFOKAM and Pride Microfinance Ltd in Hoima Municipality would consider Individual Lending very critically.

Hypothesis Two:

Null hypothesis:

Ho: Individual lending has no significant positive relationship with poverty alleviation.

Alternate hypothesis:

H1: There is a significant positive relationship between individual lending and poverty alleviation.

α level: $\alpha = 0.01$.

The hypothesis was tested using Pearson's coefficient of rank correlation and the results are shown in table 11. It shows that there is a significant positive relationship between individual lending and poverty alleviation in Hoima municipality (r = 0. 441**, p = 0.00<0.01). Since the correlation was found to be significant, the null hypothesis (Ho) was rejected and the alternate hypothesis (H1) which recognizes the existence of significant relationship between individual lending and poverty alleviation was accepted as summarized in table 11.

4.4.3 Relationship between Agricultural Credit and Poverty Alleviation

Pearson's correlation results from table 13 above, showed the relationship between agricultural credit and poverty alleviation. The Pearson coefficient (r = 0. 323**, p = 0.00<0.01) shows that the result is positive. The result means that when agricultural credit is taken as a priority, Poverty Alleviation was reduced; implying that HOFOKAM and Pride Microfinance Ltd in Hoima Municipality would benefit from agricultural credit if fully looked after.

Hypothesis Three:

Null hypothesis:

Ho: Agricultural credit has no significant positive relationship with poverty alleviation.

Alternate hypothesis:

H1: There is a significant positive relationship between agricultural credit and poverty alleviation.

α level: α = 0.01.

The hypothesis was tested using Pearson's coefficient of rank correlation and the results are shown in table above. It shows that there is a significant positive relationship between agricultural credit and poverty alleviation in Hoima municipality ($r = 0.323^{**}$, $p = 0.00<0.01$). Since the correlation was found to be significant, the null hypothesis (Ho) was rejected and the alternate hypothesis (H1) which recognizes the existence of significant relationship between agricultural credit and poverty alleviation was accepted as summarized in table above.

4.5 Regression Analysis

Multiple regression analysis was used to find out the influence of the independent variable on the dependent variable. The dependent variable considered was poverty alleviation. Table below presents the regression model of the variables under study.

Table 12 **Regression of Group Lending, Individual Lending, Agricultural Credit with Poverty Alleviation**

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.350	-.350		-.350	.000
	Group lending	.358[a]	.128	.123	.61909	.000
	Individual lending	.441[a]	.195	.190	.59507	.000
	Agricultural Credit	.323[a]	.105	.105	.627	.000

a. Dependent Variable: Poverty Alleviation

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.625	.390	.385	.644

a. Predictors: (Constant), Agricultural Credit, Group lending, Individual lending

The regression result showed that about 38% of the variations in poverty alleviation by micro-financing are explained by group lending, individual lending, and agricultural credit. This means that about 62% of the variations in poverty alleviation by MFIs remain unexplained by this current study.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the study, discussion of the findings, conclusion and recommendation. The chapter also shows the limitations of the study and areas suggested for further research. The discussion and conclusions are drawn from the research findings obtained from primary and secondary data.

5.1 Summary of the Findings

5.1.2 Group-Lending and Poverty Alleviation

The study findings confirmed that there is a relative positive significant relationship between Group-Lending and Poverty Alleviation. The Group-Lending features such as social- capital-based group loans and individual savings influence poverty alleviation. The majority of respondents agreed that group lending encourage individual's savings. Group-Lending was found to have a relative positive significant relationship with Poverty Alleviation given by Pearson correlation r = 0.358** and significance of 0.000. The study also confirmed that Group-Lending influences Poverty Alleviation by 12.3%. Furthermore the study accepted the stated hypothesis that “Group-lending positively affects poverty alleviation”.

5.1.2 Individual Lending and Poverty Alleviation

The study findings confirmed that there is a moderate positive significant relationship between individual lending and poverty alleviation. The individual lending feature such as small business loans influences poverty alleviation. The majority of respondents agreed that both male & female are treated equally when offering loans and also individual loans encompasses school fees support. Individual lending was found to have a moderate positive significant relationship with Poverty Alleviation given by Pearson correlation r = 0.441** and significance of 0.000. The study also confirmed that individual lending influences poverty alleviation by only 19%. Furthermore the study accepted the stated hypothesis that “Individual loans positively affect poverty alleviation”.

5.1.4 Agricultural Credit and Poverty Alleviation

The study findings confirmed that there is a relative positive significant relationship between agricultural credit and poverty alleviation. The agricultural credit features such as Crop farming loans and Livestock farming loans influence Poverty Alleviation. The majority of respondents agreed that agricultural loans should be clearly understood by policy makers and also agricultural credit improves the use of modernized agricultural practices. Agricultural Credit was found to have a relative positive significant relationship with Poverty Alleviation given by Pearson correlation r = 0.323** and significance of 0.000. The study also confirmed that Agricultural Credit development influences Poverty Alleviation by 9.9%. Furthermore the study accepted the stated hypothesis which was stated that “Agricultural credit positively affects poverty alleviation”.

5.2 Discussion of Research Findings

The discussion of the research findings was guided by the objectives of the study in comparison with the reviewed literature.

5.2.1 Group-Lending and Poverty Alleviation

The study findings are in agreement with Khandker (1994) who affirms that Grameen bank experience, profitable and sustainable financial intermediation is possible with the poor, who are otherwise excluded from the formal credit system because of lack of collateral, and poverty reduction is possible through targeted credit respondents said group lending is based on individual collateral security this could be the reason most respondents agreed that clients are satisfied with group lending and also commercial standards are applied to determine interest rates and fees with group lending. Besides, Mubiru, (2006) also asserted that loans totaling to over sh9.433b which the government gave out as Entandikwa (start-up capital) were still unpaid this was not surfaced since most of them agreed that clients go through training with group lending and also Interest rate charged on group lending is average.

Rhyne and Otero (1994) observed that for the poor who lack physical collateral, they form self-help groups such as the solidarity groups through which members can develop a substitute for the lack of collateral. The substitute, inform of peer guarantee introduces shared liability and pressure from social groups as a replacement for security and appraisals required by the financial intermediaries (see for e.g. Karlan, 2001; 2007). Ghatak (1999) observed that when potential clients select fellow borrowers with whom they were jointly liable for loans, will exploit information known to borrowers but not to banks to be used to screen out bad credit risks. Grootaert and Bastealer, (2002) argued that social capital through structural and cognitive mechanisms facilitate information sharing, collective action, and decision making through established roles and networks supplemented by shared norms and trust within the social structures (van Bastelaer, 2000). According to Coleman (1990), social sanction created by trust, force people to behave cooperatively in the society. When providing financial services such as loans, banks always require assurance for future repayment by asking for collateral from borrowers. The poor especially, in developing countries, lack physical collateral to secure the loans. Thus they use their social capital inform of interpersonal and generalized trust and social sanction to substitute and guarantee the loan and its future repayment (Atemnkeng, 2009).

5.2.2 Individual Lending and Poverty Alleviation.

The study revealed that poverty levels have reduced as a result of individual loans which is in line with Osemene & Abudulraheem (2011) who studied the effectiveness of microfinance bank in alleviating poverty in Kwara State Nigeria and noticed that microfinance supply loans, savings and other financial services to the poor and low income population on sustainable basis and help in the alleviation of poverty this was further supported by study findings which agreed that individual loans are offered to business enterprises to reduce poverty. The study findings shown that individual loans are given enough grace time of period for loan repayment Osemene (2011) stresses that microfinance banks have been effectiveness in alleviation of poverty in Kwara state Nigeria furthermore the study showed that individual loans encompasses school fees support.

Furthermore, World Bank (2010) argued that lending entails high risk of loan default due to adverse selection of borrowers and disability of lenders to enforce the loan contracts. Contrary to the practice of formal finance, Grameen Bank lends (in small amounts) to the poor based on group responsibility where individual access to credit depends on group repayment behaviour. Group lending uses peer pressure to monitor and enforce contracts and helps screen good borrowers from bad ones. Unlike other development banks, Grameen Bank mobilizes savings as an integral part of lending. Each member is required to save Taka 1 each week and buy a Grameen Bank share worth Taka 100.

5.2.3 Agricultural Credit and Poverty Alleviation

Adams, (2010) studied on the impact of microfinance from the perspectives of maize farmers in Nkoranza in the BrongAhafo Region of Ghana. The findings of the study based on a survey of 100 participants in the microfinance program suggest that the impact of microfinance on both social and economic wellbeing is marginal. The study revealed that agricultural credit improves the use of modernized agricultural practices which is asserted by Iqbal, et al., (2003) in the study carried out to check the impact of credit on the productivity of wheat crop in District Lahore, Punjab, Pakistan which have increased production this was further agreed by respondents who agreed that agricultural loans are offered to all business enterprises which is also supported by Adam's (2010). The study findings further revealed that farmers are given enough grace time for loan payment which has improved farmers, Nasir, 2007 asserts that loans further aggravate rural poverty as the effective rate of interest on informal credits is exorbitantly high the study further showed that agricultural loans are a major form of financing to clients. Besides, Anjoum (1973) stated that the Agricultural bank of Pakistan had not met the credit requirements of agriculture sector in Peshawar Tehsil. He found that 72% borrowers obtained credit as package of mix inputs. However the recovery position was found satisfactory. The author suggested an effective supervised credit system in order to meet the requirements of agriculture in the project area.

Khan (1981) found several measures to improve the flow of formal credit to agricultural sector, the situation was still unfavorable. The study reported that various problems are associated with formal credit system and recommended large number of measures for system improvement but still the situation is out of the control. The reason is the political interruption in banking system which affects all the activities of the banker. For instance, in Pakistan, there are two major sources of agricultural credit, institutional and non-institutional source.

5.3 Conclusions

Conclusions of the study were based on the study findings as stated below.

5.3.1 Group-Lending and Poverty Alleviation

The study concluded that social – capital - based group loans are good for poverty alleviation this was reflected in the respondents when asked if they have ever obtained a loan through group lending where majority of respondents agreed. The study also concluded that individual savings have helped individuals in saving; the more one saves the big the loan this was reflected on question loan size depends on the amount which the borrower has saved with group lending. The study further concluded that group lending encourages individual's savings and also Issues are effectively and amicably solved within group lending.

5.3.2 Individual Lending and Poverty Alleviation

This study concludes that Individual loans are greatly offered to clients this was due to the fact that most of respondents agreed that both male and female are treated equally when offering loans. The study also concluded that HOFOKAM and Pride Microfinance Ltd in Hoima Municipality given enough grace time of period for loan repayment of individual loans this has could be reflected in the fact that poverty levels have reduced as a result of individual loans. The study further concluded that small business loans have been helpful in poverty alleviation this could be because operative measures for individual loans are flexible which was agreed by majority of respondents.

5.3.3 Agricultural Credit and Poverty Alleviation

This study concludes that agricultural credit significantly influences poverty alleviation this was due to the fact that most of respondents agreed with this fact. This study concludes that crop farming loans have improved poverty alleviation, this was seen in the responses on agricultural loans are easily accessible than other types of loans where the majority agreed this was further reflected in responses on clients are satisfied with agricultural loans. The study further concluded that agricultural credit improves the use of modernized agricultural practices this could be because farmers are given enough grace time for loan payment. The study also agreed that agricultural credit has been essential in solving unemployment problem and also agricultural loans serve both urban and rural farmers.

5.4 Recommendations

On the basis of the analysis of the study the researcher made the following recommendations.

5.4.1 Group-Lending and Poverty Alleviation

- The researcher recommends that HOFOKAM and Pride Microfinance Ltd in Hoima Municipality should encourage group lending since most of the respondents agreed that group lending encourage individual's savings.
- The researcher also recommends that administrators of HOFOKAM and Pride Microfinance Ltd in Hoima Municipality should reduce repayment rates to encourage borrowing, some respondents said that there are high repayment rates in group lending; this can be done through revision of policy on interest rates.
- The researcher further recommended that administrators of HOFOKAM and Pride Microfinance Ltd in Hoima Municipality should encourage training since respondents agreed that clients go through training with group lending which in end makes clients satisfied with group lending.

5.4.2 Individual Lending and Poverty Alleviation

- The researcher recommends that HOFOKAM and Pride Microfinance Ltd in Hoima Municipality should encourage individual lending this is due to the fact that some respondents asserted that they have failure to obtain an individual loan from this institution which reduces poverty.

- HOFOKAM and Pride Microfinance Ltd in Hoima municipality continue to offer individual loans to business enterprises those are appropriate since individual loans are given enough grace time of period for loan repayment.
- The study also recommends that HOFOKAM and Pride Microfinance Ltd in Hoima Municipality should continue to make individual loans easily accessible this is because individual loans encompasses school fees support.

5.4.3 Agricultural Credit and Poverty Alleviation

- The researcher recommends that HOFOKAM and Pride Microfinance Ltd in Hoima Municipality should increase agricultural credit majority of respondents emphasized that there has been improved quality production as a result of agricultural loans.
- The researcher furthermore recommends Agricultural Credit should be given a priority since most of respondents agreed that agricultural credit improves the use of modernized agricultural practices, this could be due to the fact that farmers are given enough grace time for loan payment.

5.5 Limitations and Contributions of the Study

The study focused on micro financing in HOFOKAM and Pride Microfinance Ltd in Hoima Municipality. The challenges faced in this region may be unique to all other regions that are carrying out micro financing. Therefore it may not be clear-cut to generalize the findings. Furthermore, the study did not address the moderator and intervening variables which may also have influence on micro financing in HOFOKAM and Pride Microfinance Ltd in Hoima Municipality.

5.6 Areas for Further Research

The study focused on how micro financing affects poverty alleviation in the HOFOKAM and Pride Microfinance Ltd in Hoima Municipality which is western region of Uganda Therefore recommends a similar study focusing in another region in Uganda.

Most of the respondents in this study were current clients therefore a study on former and nonmembers would enrich the findings.

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APPENDICES

APPENDIX A: BUDGET ESTIMATE

The study casted total up to Ushs1, 260, 000/=

ITEM	COST PER UNIT	TOTAL COST (UGX)
Library	50,000	50,000
Transport	200,000	600,000
Communication	50,000	50,000
Photocopy	100,000	100,000
Printing	150.000	150,000
Binding	50,000	50,000
Internet	50,000	50,000
Miscellaneous	200.000	200,000
Total		**1,260,000**

APPENDIX B: WORK PLAN

ACTIVITY	TIME IN MONTHS				
	OCT	**NOV**	**DEC**	**DEC**	**DEC**
Proposal writing					
Questionnaire design					
Data collection					
Coding and analysis					
Submission					

APPENDIX C: SAMPLE SIZE(S) REQUIRED FOR THE GIVEN POPULATION SIZES (N)

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	266	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	10000	384

SOURCE: Krejeie and Morgan (1970), Determining sample size for research activities, Educational and psychological measurement, 30,608, sage publications.

APPENDIX D: QUESTIONNAIRES

Dear respondent,

I am Byaruhanga Martin; a student of Uganda Management Institute, carrying out a study about the effect of micro financings on poverty alleviation in Uganda taking a case of HOFOKAM and Pride Microfinance Limited Hoima branches. I kindly request you to spare some time and fill this questionnaire. The information given will be used for academic purposes only and will be treated with utmost confidentiality. Your cooperation will be highly appreciated.

SECTION A: BACKGROUND OF THE RESPONDENT

Please tick the most suitable answer.

1. Bio-data

(A) Gender: (i) Ma le ☐ (ii) Female ☐

(B) Age: (i) 20 to 29 ☐ (ii) 30 to 39 ☐ (iii) 40 to 49 ☐ (iv) 50 and above ☐

(C) Marital Status: (i) Single☐ (ii) Married ☐ (iii) Divorced ☐ (iv) Widow ☐

Education level held: (i) Certificate ☐ (ii) Diploma ☐(iii) Degree ☐(iv) Others (Specify)

(D) For how long have you been working/ interacted with this institution?

(i) Less than 1 year (ii) 2-3year (iii) 4-6years (iv) More than 6 years

SECTION B: The effect of group lending on poverty alleviation in Hoima.

Evaluate the following statements by circling/ticking the appropriate alternative of your choice.

Strongly agree	**Agree**	**Not sure**	**Disagree**	**Strongly disagree**
5	4	3	2	1

		5	4	3	2	1
1	Staff are always on time at offices					
2	Employees encourage clients to get involved in group lending					
3	Clients of are satisfied with group lending					
4	Group lending is based on individual collateral security					
5	Clients go through procedural processes with group lending					
6	All types of loans are offered within group lending					
7	The interest rate charged on group lending is average					
8	Group lending has improved people's housing conditions					
9	With group lending social infrastructure has improved					
10	Marketing systems are enhanced through group lending					
11	Any issue is amicably and effectively dealt with in group lending					
12	With group lending commercial standards are applied to determine interest rates and fees					
13	There is high repayment rates in group lending					
14	With group lending loan sizes depend on the amount which borrower has saved					
15	Group lending encourages individual's saving					

SECTION C: The effect of individual loans on poverty alleviation in Hoima.

Evaluate the following statements by circling/ticking the appropriate alternative of your choice.

Strongly agree	**Agree**	**Not sure**	**Disagree**	**Strongly disagree**
5	4	3	2	1

		5	4	3	2	1
1	Individual loans are greatly offered to clients					
2	Both males and females are treated equally when offering loans					
3	Individual loans are easily accessed than other types of loans					
4	Individual loans are preferred by clients than group loans					
5	Individual loans are offered to all Business Enterprises					
6	Mortgage asked for individual loans are quite different from other types of loan					
7	Individual loans are given enough grace time of period for loan payment					
8	That poverty levels have reduce as a result of individual loans					
9	Both social and economic wellbeing is marginal as a result of individual loans					
10	Individual loans encompasses school fees support					
11	Individual loan is an essential tool for improving marketing systems					
12	Individual loan are clearly understood by policy makers					
13	Operative measures for individual loans are flexible					
14	Individual loans are easily accessible					
15	Clients are satisfied with individual loans					

SECTION D: The effect of agricultural credit on poverty alleviation in Hoima.

Evaluate the following statements by circling/ticking the appropriate alternative of your choice.

Strongly agree	Agree	Not sure	Disagree	Strongly disagree
5	4	3	2	1

		5	4	3	2	1
1	Agricultural loans are a major form of financing to clients					
2	Agricultural loans are offered to all categories of Enterprises					
3	There is timely disbursements of agricultural loans					
4	The total amount disbursed is reliant on request made by the clients.					
5	Agricultural loans are easily accessible than other types of loans					
6	Agricultural loans are well monitored					
7	Clients are satisfied with agricultural loans					
8	Farmers are given enough grace time of period for loan payment					
9	There has been improved quality production as a result of agricultural loans					
10	Both social and economic wellbeing is marginal as a result of agricultural loans					
11	Agricultural credit improves the use of modernized agricultural practices					
12	Agricultural credit has been essential in solving unemployment problem					
13	Agricultural loans should be clearly understood by policy makers					
14	Agricultural loans serve both urban and rural farmers					
15	Operative measures for agricultural credit are flexible to clients					

SECTION E: DEPENDENT VARIABLE (POVERTY ALEEVIATION)

Evaluate the following statements by circling/ticking the appropriate alternative of your choice.

Strongly agree	**Agree**	**Not sure**	**Disagree**	**Strongly disagree**
5	4	3	2	1

		5	4	3	2	1
1	Education has been enhanced through Micro financing					
2	Micro financing has improved housing conditions					
3	There has been income redistribution because of micro financing					
4	Social and legal barriers are easily removed through Micro financing					
5	Micro financing enhances the culture of saving					
6	Micro financing has significantly improved systems of marketing					
7	Employment opportunities have been enhanced through micro financing					

Thank you very much for your cooperation

APPENDEX E: FOCUS GROUP DISCUSSION CHECK LIST

Dear respondent,

I am Byaruhanga Martin; a student of Uganda Management Institute, carrying out a study about the effect of microfinance institutions on poverty alleviation in Uganda taking a case of HOFOKAM and Pride Microfinance Limited Hoima branches. I kindly request you to spare some time and fill this questionnaire. The information given will be used for academic purposes only and will be treated with utmost confidentiality. Your cooperation will be highly appreciated.

1. **The effects of group lending on poverty alleviation**

(Guiding questions to Managers and supervisors of both HOFOKAM and Pride MFIs in Hoima branches)

a. Comment on how employees encourage clients to get involved in group lending
b. How are clients satisfied with group lending?
c. Explain how Group lending is not based on individual collateral security? Why?
d. What procedural processes clients go through with group lending?
e. Which types of loans are offered within group lending methodology?
f. What is the basis of charging interest rates under group lending?
g. How have Group lending improved people's housing conditions?
h. What type of social infrastructure has been improved through group lending?
i. Comment on how group lending has enhanced marketing systems
j. Explain the way emerging issues are amicably and effectively dealt within group lending
k. Explain the commercial standards applied to determine interest rates and fee
l. How effective is repayment under group lending?
m. What determines the loan size under group lending?

Thanks very much for your cooperation

2. **The effects of individual loans on poverty alleviation**

<u>(Guiding questions for loan officers of both HOFOKAM and Pride MFIs institutions in Hoima branches)</u>

a. How does Group lending encourage individual's saving?
b. How do you consider both males and females in accessing individual loans
c. Why are individual loans preferred by clients than group loans
d. Explain the types of Business Enterprises financed under Individual loans
e. Comment on the type of Mortgages asked for individual loans as compared to other types of loans
f. What determines the grace period under Individual loans?
g. Explain how individual loans have reduced poverty levels?
h. Explain how individual loans are an essential tool for improving marketing systems
i. How have policy makers understood individual loan?
j. How are the operative measures for individual loans flexible?
k. How long does it take to access individual loans?
l. Why do you think clients are satisfied/ dissatisfied with individual loans?

Thanks very much for your cooperation

3. **The Effects of Agricultural credit on poverty alleviation**

<u>(Questions to clients of both HOFOKAM and Pride MFIs of Hoima branches)</u>

a. Have you ever obtained an agricultural credit from this institution?
b. Comment on how agricultural loans are a major form of financing to clients

c. Which type of agricultural business enterprises are offered with credit from this institution
d. Comment on how fast are agricultural loans processed
e. Does this institution give clients the entire amount requested?
f. How fast do you easily obtain agricultural loans from this institution?
g. Do you have any complaint with agricultural loans in as far as this institution is concern?
h. Does the time given to you by this institution to pay back the agricultural loan enough?
i. How has agricultural loans obtained through this institution improved on your quality production
j. Comment on how agricultural loans improved on your social and economic well-being
k. Comment on hw agricultural credit obtained from this institution improved on the use of modernized agricultural practices
l. Comment on how agricultural credit obtained from this institution has been essential in solving unemployment problem
m. Comment on how agricultural loans should be clearly understood by policy makers
n. Comment on the procedures of serving both urban and rural farmers with agricultural loans
o. Comment on how flexible are the operative measures for agricultural credit from this institution

Thanks very much for your cooperation

4. **Dependent variable (poverty alleviation)**

(Questions for management, staff and client for both HOFOKAM and Pride MFIs in Hoima branches)

a. Comment on how education has been enhanced through Micro financing
b. Comment on how micro financing has improved housing conditions
c. Comment on how there is income redistribution because of micro financing
d. Comment on how social and legal barriers are easily removed through Micro financing
e. Comment on how micro financing enhances the culture of saving
f. Comment on how micro financing has significantly improved systems of marketing
g. Comment on how employment opportunities have been enhanced through micro financing

Thanks very much for your cooperation

APPENDIX F: DUCUMENTARY REVIEW CHECK LIST

Dear respondent,

I am Byaruhanga Martin; a student of Uganda management Institute, carrying out a study about the effect of microfinance institutions on poverty alleviation in Uganda taking a case of HOFOKAM and Pride Microfinance Limited Hoima branches.

You are kindly requested to provide the under listed literature in your possession pertaining to the study.

1. Portfolio performance reports from the period 2006-2012
2. Repayment reports for the period 2006-2012
3. Institutional Business plan 2006-2012
4. Institutional Operations loans policy manual
5. MDI Act 2001
6. Portfolio loan outstanding reports from the period 2006-2012
7. Any other document relevant for the study

Thank you for your cooperation