COMMUNITY BASED SAVINGS MICRO FINANCE AND HOUSEHOLD INCOME
POVERTY ERADICATION IN UGANDA:
A CASE STUDY OF BUSIMBI SUB COUNTY, MUBENDE DISTRICT.

BY

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DECLARATION

I declare that this research report is as a result of my independent findings and that it has not been submitted to any other institution for any award. Where other people’s work has been used, due acknowledgement has been made.

Christine Faith Katabarwa

Signature....................................................... Date ...............................  

Candidate
APPROVAL

This thesis has been submitted to the higher degrees committee for the award of a Masters degree in Social Sector Planning and Management of Makerere University with my approval as a supervisor.

Dr. Nuwagaba Augustus

Signature.................................................. Date..............................

Supervisor
DEDICATION

This work is dedicated to my Husband Dr. Godfrey M. Suubi and children Godwin Mujuni, Gloria Asiimwe and Gideon Emmanuel Atugonza whose resources I used to complete this course.
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I am very grateful to my supervisor Dr. Nuwagaba Augustus for his invaluable guidance and support that have enabled me complete this piece of work.

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To all of you, thanks so much, may God reward you.
ACRONYMS

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CHAPTER ONE

INTRODUCTION

1.1 Background to the study

More than three quarters (¾) of the world population constitutes a much less fortunate group herein described as the poor. Their lives are characterized by malnutrition, illiteracy, disease, squalid surroundings, high infant mortality and low life expectancy as to be beneath any reasonable definition of human decency (Robert S. McNamara in Chambers, 1978). Robert Chambers (1983), describe the outsider’s view of the poor “The poor are rarely met: when they are met, they do not speak; when they speak, they are often cautious and differential; and what they say is often either not listened to, or brushed aside, or interpreted in bad light.”

The poor are characterized by physical weakness through lack of food, malnutrition leading to low immune response to infections, inability to pay the cost of schooling; to buy a radio or a bicycle, to travel to look for work, or to live near the village center or a main road; are vulnerable due to lack of assets to pay large expenses or to meet contingencies, and are powerless because wealth goes with status quo: the poor have no voice (Ibid). Currently the issue of poverty is raising a lot of concern world wide and especially in developing countries. According to World Bank Report (1990), poverty is the inability to attain a minimum standard of living. It considers income and expenditure per capita to be yard sticks of measuring welfare hence determining those who fall under or above the minimum level and classify them as poor and non poor respectively.

According to Sen (1997), poverty is a matter of deprivation; and to understand poverty, it is necessary to look both at ownership patterns and exchange entitlements, and the forces that lie behind them. Asset ownership has been identified as one of the key determinants of increasing households’ abilities to raise their incomes and reduce risk of falling into poverty. According to Manfred Zeller (2001), narrowing the gap between the poor and non poor requires increasing accessibility and availability of financials services to low income people and
increasing their ability to find employment, to participate in markets and to own productive assets such as land.

In Uganda, people’s living conditions have deteriorated greatly. There have been heavy cuts on government expenditure in sectors of health and education as a response to structural adjustment reforms. As a result, the poor can no longer afford the social services that were formerly provided by the government and yet they cannot access financial services provided by the formal financial institutions to meet their needs (World Bank report, 2002). According to a study conducted by Micro Save Africa (2001), there is an explicit connection between financial services availability and accessibility and poverty eradication. Lack of accessibility to financial services is one of the outstanding constraints to poor households, because poor people cannot benefit from commercial banks, as they are not readily available in their neighborhoods; and where they exist, they operate on market principles, which the poor people cannot afford (Lidgerwood, 1998). Formal financial institutions require high initial saving deposits, high minimum balances, have relatively high transaction costs and charges, inconvenient opening and closing hours; they require tangible security such as land titles or buildings (Ibid).

As a result, a large number of Micro Finance initiatives have been established as a world wide poverty eradication strategy to enable the poor individuals and households; relatively easier access to credit and an avenue to saving services to reduce household poverty, improve human capabilities and to reduce extreme vulnerability among the poor (Guy, 2003). Such people are in most instances unable to access or afford the services of big banks hence the timeliness of the informal Micro finance services. Micro finance is an economic development approach intended to benefit low income earners, poor farmers and the marginalized groups like the women by providing them financial services, such as; savings, credit and of recent insurance schemes (Karim and Osada, 1998). According to a study conducted by Manfred Zeller (2001), when it comes to credit accessibility, women are the most vulnerable people in the community. They cannot access financial assistance from formal financial institutions either as individuals or as groups because they do not
own tangible assets such as land, technology or any substantial amount of savings required by the commercial micro finance institutions.

One of the most outstanding examples for the pro poor micro finance support is the Grameen Bank of Bangladesh. With its collateral free credit services, this bank successfully reached the poor through innovative small groups. Consequently, a recommendable decline in the proportions of the poor has been realized since early 1980s making the Grameen approach a considered model of hope for poverty eradication the world over (Micro Credit Summit, 1997). The researcher picked this experience of the Grameen because of its Group Model philosophy propelled by Prof. Mohammed Yunus who started the Grameen Bank in Bangladesh. In his argument, collective responsibility and security overcome shortcomings and weaknesses at the individual level by the formation of a group. The collective individuals’ coming together is used for educating, and fostering collective bargaining power and peer pressure to access financial services for poverty eradication.

In Uganda, it is estimated that about 43% of Uganda’s population have no access to financial services, with unmet need being greatest in the rural areas (MOFED, 2002). Accordingly, a number of Community Based Micro Finance mechanisms ranging from ROSCAs, SACOs, ASCAs, VSLAs to Gift circles; have been introduced to address the problem of financial services accessibility in Uganda. Community Based Savings Micro Finance (CBMF) initiatives provide savings and/or credit facilities to micro and small-scale business people who have experienced difficulties obtaining such services from the formal Micro finance institutions and Commercial Banks. In CBSMF members are self selected and they do not access any direct external financial assistance to their associations; instead they pool their money to create a fund from which members can borrow (Ashe, 2002). The purpose of the fund is to support members financially to start or improve their small businesses, acquire productive assets, or buy life enhancing consumer durables such as blankets, bicycles, household utensils and children’s school uniforms. Decisions regarding how to use the funds rest entirely with association members (Ibid).
In Mubende district, in 1998 there was a very big financial set back caused by the abrupt closure of Uganda Cooperative Bank - Mityana branch, the only commercial bank that was serving a very big number of the under privileged women and peasant farmers at relatively affordable conditions. This led to the growth and development of informal micro finance services in the district. Busimbi Sub County in Mityana County - Mubende district has a population of about 10,260. The agricultural sector is the leading employer with over 70% of the population depending on subsistence farming as the main source of livelihood for the rural poor but with deteriorating levels of productivity. The low levels of productivity has resulted into low levels of income hence high levels of poverty, which implies low saving and low investment. The local people are mostly peasant farmers producing sweet potatoes, matooke, maize, pineapples and beans. There are also small-scale factories for Artisans engaged in metal fabrication, charcoal burning, timber production, woodwork, handcrafts and clay works with inadequate access to credit facilities to engage in profitable/commercial enterprises. This has increased the incidence of poverty in the Sub County and Mubende district as a whole (Kanyesigye & Kayuki, 2002).

According to the new poverty eradication campaign, improving rural house holds’ access to micro finance services is one of the priority areas in the plan for modernization of agriculture (The Republic of Uganda, 2002). As a result, today there are over 11,000 micro finance programs in Uganda providing credit to the poor in the rural and urban areas (AMFUI, 2005).

Government programs like, LGP, PAF, PMA have made substantial improvements in developing infrastructure but implementation of other pro poor programs have been marred by political influence, delayed disbursement and embezzlement of funds in some areas (Kanyesigye & Kayuki, 2002). Accordingly, some of the community members especially the women and the youth have formed self-help groups to mobilize their own savings and lend amongst them selves to start income generating activities and or improve their businesses, or cater for household basic needs. While the revenue generated is used to pack the loan and the interest paid helps the group fund to grow (Ibid). In spite of the valuable services extended by the
community based savings and micro finance groups to their members, they are faced with a number of challenges that affect their operations. Community Based Micro Finance institutions lack a standardized or professional method of mobilizing savings. They also lack proper financial and administrative systems and credit delivery mechanisms to manage potential fraud at group/individual level. The overall purpose of this study therefore was to establish the contribution made by Informal Micro Finance Initiatives towards eradicating house hold income poverty in Busimbi Sub County.

1.2 Problem Statement
The Economic Policy and Research Centre Bulletin (1996), revealed that the poor households in Uganda have little or no shelter, inadequate food supply, their health is poor, they are unemployed and a few of their children go to school due lack of school fees. According to the World Bank (1996), there is need to diversify household income sources especially from non farm activities and expand employment opportunities especially for the youth to ensure increased incomes which will later translate into welfare improvements for the poor households. However, the poor cannot access financial services from the formal financial institutions because the transaction costs of small scale deposit taking and lending makes it uneconomic to the formal financial institutions to respond to the financial needs of poor people (Sandra et al, 2004).

To meet the unsatisfied financial demands, the poor people have designed informal micro finance services such as community based micro finance to eradicate poverty (Mutesasira et al, 1999). Similarly, the people of Busimbi Sub County have resorted to participating in Community Based Micro Finance to meet their financial needs (Kanyesigye & Kayuki, 2002). Although more is known about the formal financial institutions in regard to their principles and practices in lending, factors to their success, their impact on development and challenges they face; apparently, little documentation has been made about the informal micro finance initiatives and their contribution to eradicating house hold income poverty. This study therefore, intended to establish the contribution of Community Based Savings Micro Finance to eradication of house hold income poverty in Busimbi Sub County Mubende district.
1.3 Objectives of the Study

1.3.1 General Objective
To assess the contribution of Community Based Savings Micro Finance to household income poverty eradication among the people in Busimbi Sub County – Mubende district.

1.3.2 Specific Objectives
1. Establish the types of Community Based Savings Micro Finance initiatives commonly supporting the people of Busimbi Sub County
2. Establish the category of people benefiting from Community Based Savings Micro Finance in Busimbi Sub County
3. Examine the impact of Community Based Savings Micro Finance towards poverty eradication among the households of Busimbi Sub County.
4. Establish the challenges being faced by Community Based Savings Micro Finance beneficiaries in their struggle to eradicate household income poverty.

1.3.3 Research Questions
1. What are the types of the CBSMFs supporting the people of Busimbi Sub County?
2. What category of people are benefiting from Community Based Savings Micro Finance institutions in Busimbi Sub County?
3. What is the impact of Community Based Savings Micro Finance on household income poverty eradication in the households in Busimbi Sub County?
4. What are the challenges faced by Community Based Savings Micro Finance beneficiaries in their quest for household income poverty eradication?

1.4 Scope of the Study
The study was based on the informal microfinance institutions at community level with particular emphasis on households that have engaged in Community Based Savings Micro Finance. In the household beneficiaries - direct participants in CBSMF, their spouses and children were included in the study. Community leaders and opinion leaders were also included.
Geographically, the study was conducted in Busimbi Sub County, Mubende district among the beneficiaries of Community Based Savings Micro Finance Institutions.

1.5 Significance of the Study
The study will shade light on the contribution of the informal micro finance sector or Community Based Savings Micro Finance towards household poverty eradication. The study will also contribute to the body of knowledge about the role of the informal micro finance sector to economic development. The findings will help Policy makers to understand the contribution of community based savings micro finance to household income poverty eradication. In addition, the findings will equip the policy makers with concrete data that will enable them to advocate and influence policies governing credit accessibility among the poor households and community participation in community based development initiatives.

The study will also enable policy makers and mostly government to borrow a leaf from the contributions of informal micro finance institutions and see how to embrace them and integrate their approaches into the bigger projects of Poverty Eradication Action Plan (PEAP) and Plan for Modernization of Agriculture (PMA). This is because micro finance is a key factor that can address issues that have long stood in the way of poverty eradication; and there can never be modern agriculture mostly in rural areas when it is not backed by increased income sources.

1.6 Definition of Key Concepts
For purposes of this study, the key concepts were defined as follows:

**Saving**
It is the setting a side of available resources or income for future use. Savings can be in cash or in kind but for purposes of this study, savings is limited to cash.
Micro finance

These are financial services\(^1\) that have been deliberately made accessible to the poor and low income people ([www.microfinancegateway.org](http://www.microfinancegateway.org))

Household

It is the family unit, with mother, father, children and other relatives who may be within the house eating the same meal under the same roof or who just come for benefits.

Household Income Poverty

Household Income poverty is a state when a household does not have access to money or other assets; they lack enough food or medicine and have poor clothes and houses.

Poverty Eradication

Poverty eradication means an improvement in the economic conditions of the poor households by introducing them to a reliable source of income hence increasing their ability to demand and own productive assets, freely associate with others, secure a better livelihood and increase their standard of living in the short and long term ([ibid](#))

Informal financial institutions

These are user owned and managed savings and credit organizations ranging in size from a hand full to several thousand members.

\(^1\) Financial services can be in form of credit, savings or insurance.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
This chapter gives an overview of poverty, types of Community Based Savings Micro Finance, CBSMF’s contributions to poverty eradication and the challenges faced by CBSMF beneficiaries in their effort to eradicate poverty at the household level.

2.2 Poverty over View
The issue of poverty raises a lot of concern worldwide. According to Sen (1997), poverty is a matter of deprivation. He argues that in order to understand poverty, it is necessary to look at both ownership patterns and exchange entitlements, and at the forces that lie behind them. He identifies asset ownership as one of the key determinants of increasing households’ abilities to raise their incomes and reduce the risk of falling into poverty. In addition, he argues that to determine the poor and non-poor requires a careful consideration of the nature and mode of production used by either as they determine the structure of economic classes as well as their interrelation.

Stewart et al (1998) describe poverty as absolute deprivation of the means of survival; per capita income is low and the incidence of poverty is high. According to him the poor are those who, even in normal circumstances are unable to feed and clothe themselves properly and risk death as a consequence.

The World Bank Report (1990) defines poverty as the inability to attain a minimum level of standard of living. World Bank considers income and expenditure per capita to be adequate yardsticks of measuring the standard of living and hence, classify those who fall under or above the minimum level of standard of living as poor and non-poor respectively. The government of Uganda on the other hand, defines poverty as a situation of perpetual need for daily necessities of life such as food, clothing and shelter (Population Census report, 2003). Other poverty definitions however, refer to another dimension of lack of socio-economic, cultural or other
values that an individual, household or community holds important for their existence, survival or well being.

Forty-eight (48) nations - quarter of the world’s countries and these are mostly found in sub-Saharan Africa, Middle East, Asia and Latin America live on less than two dollars a day (www.iie.com/publications, 2006). In 1980s, the world’s poverty was at 44%, and has recently fallen to 13% due to globalization, and this is the fastest in the decline in history (Institute of international economics, 2002).

It is estimated that 35% of Uganda’s population (approximately 7.7 million people) live below the “poverty line”. This is in reference to the amount of money an individual needs to meet certain basic needs like food, shelter, clothing and medical care (PEAP, May 2005). The Poverty Eradication Action Plan (PEAP) and the government’s strategic vision 2025 is the commitment to reduce the incidence of absolute poverty to 10% by 2017 (ibid). Figure 1.1: Shows the Poverty Trends in Uganda

Figure 1: Poverty trends in Uganda


The Uganda National House Hold survey report, (UBOS, 2003), indicated that poverty levels had increased from 36% in 2000 to 38% in 2003. Nuwagaba, et al,
(2002) indicates that 45% of the rural population does not have access to safe water; environment sanitation conditions are still poor especially in the rural and peri-urban areas. Only 16% of the households live in permanent houses, and 56% of the households are poor and live in informal settlements. He further points out that most of the households have little land; an average of less than 2 acres per household and due to poor household incomes, 97% of the households still use firewood as fuel.

Obwona, (cited in World Bank, 2002) emphasized that the people’s living conditions in Uganda have deteriorated greatly. The report further indicates that the poor can no longer afford the social services that were formerly provided by the government and yet they cannot access financial services provided by the formal financial institutions to meet those needs, diversify household income sources especially from non-farm activities and expand employment opportunities to ensure increased incomes which will later translate into welfare improvements for the poor households.

Participation in microfinance therefore remains very crucial not only as a means of increasing household economic welfare but also in promoting enterprise stability or growth on a sustainable basis (www.mip.org/component/aims.http). Where as Micro Finance is expected to increase incomes, and employment opportunities of the primary enterprises operated by the borrowers, current statistics show that only 5% of the Ugandan rural population has access to formal financing (PEAP, May 2005). Hence the need for CBSMF institutions to bridge that gap.

2.3 Community Based Savings Micro finance

Community Based Savings Micro finance (CBSMF) is an informal financial sector that has been created deliberately by self-mobilized and self-administered individuals or community groups who mobilize their savings at agreed intervals, and make them available and accessible to their members in form of credit (Ashe, 2002). The purpose of the fund is to support members financially to start or improve their small businesses, acquire productive assets, or buy life enhancing consumer durables such
as blankets, bicycles, house hold utensils and children’s school uniforms. Interest charged on those loans contributes to building the group’s fund (Ibid).

As already mentioned, there is a wide range of Community Based Savings Micro Finance methodologies practiced by the rural communities ranging from Rotational Savings and Credit Associations (ROSCAs), Savings and Credit Cooperatives (SACOs) to gift circles (Nigiina) where groups mobilize savings, buy assets and pass them on to one of the members in rotation, Accumulated Savings and Credit Associations (ASCAs) where group members mobilize savings and pass them on to one member on a rotational basis and no interest is charged on that money, informal insurance schemes such as (Munno Mukabi), Village Savings and Loan Associations (VSLAs) Where members mobilize savings and members who access them have to pay back principle and interest in an agreed period of time and moneylenders (Micro Finance Africa, 2000).

These self help initiatives vary in their degree of complexity and address a wide range of needs that cannot be met by formal financial institutions. They enable the poor households address a wide range of the critical needs other than waiting for outsiders who have more power and resources and most of whom are neither rural nor poor (Chambers, 1983). This study therefore set out to establish their contribution in the eradication of household poverty specifically in Busimbi Sub County - Mubende district.

2.4 Community Based Savings Micro finance and Poverty Eradication

It has been established that in order to overcome poverty the poor households must help themselves (Chambers, 1983). Community Based Savings Micro finance institutions therefore are set up to create and increase financial services accessibility to poor households to either eradicate poverty or slow it down (Ashe, 2000). Trapped as they are, the poor households have come together, created these Community Based Savings Micro Finance institutions which are highly adaptable, easily accessible and very flexible with a form of insurance, to help them access financial services to cater for children’s education, health care and rebuild social net works (ibid).
Community Based Savings Micro Finance is known for providing useful sums of money to the poor households to start income generating activities and or improve their businesses. The revenue generated is used to pay back the loan, cater for household basic needs and general improvement of people’s living conditions. Loans also help members to manage their life cycle events such as education, marriage, birth and home making; widowhood, old age and death (Mutesasira cited in Micro save Africa, 2000).

According to UNDP, (2005), around 83% of the population in Bangladesh lived on less than $2 per day and 36% on less than $1 per day. The value of Human Development index for Bangladesh has been increasing at average rate of 8.8% per annum from the 1990s due to an increased availability of community based savings micro finance services for the poor house holds (Micro save Africa, 1991).

In Sri Lanka, credit cooperatives provide loans to the farmers at affordable interest rates to improve their commercial plantations. This has solved the problems of rural credit and improved the livelihoods of a number of households (Ibid).

The Self-Employed Women’s Association (SEWA) in India is another CBSMF, which has helped people overcome the credit obstacle, and eventually poverty and hunger in their families. SEWA members are garment workers, handloom weavers, embroiders, and domestic maids who started by mobilizing 1000 rupees an equivalent of 1 dollar per month and lending each other. After four years, the women opened up SEWA bank. By 1989, the bank had 25,000 saving accounts and one million dollars in working capital with a repayment rate of 96%. The government of India supported strongly the SEWA initiative by instituting policies that favor community participation (Micro save Africa, 1991).

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

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

In Uganda, Ochwo’s Community Based Savings Micro Finance initiative of an informal savings and credit system in Tororo district has contributed greatly to improving the people’s standard of living. Charles saw a need for bicycles and spare parts and started a shop with that merchandize in Tororo town, to which he added a hire purchase service for boda boda² boys who lacked lump sums of money to buy the bicycles, he encouraged small daily repayments for 2 to 3 months, and a 20,000/= premium (interest) was added up to the principle loan of 60,000/= (equivalent to US 30 $). After they paid off the loan, most boda boda boys continued to make daily small saving deposits with him. He maintained a ledger book and invested the excess money. Sometimes he would give savers loans at interest rates ranging from 10% - 25% depending on the terms negotiated. The maximum loan size was 100,000/=. To encourage more savers there was a savings promotion for which the best three savers of the month got such prizes as radio cassette, bicycles, bicycle tires etc., the average savings account was 20,000 - 30,000/=. Most of his clients were the very poor who included bike boys, wheelbarrow pushers and market women among others who needed to keep money in safe custody but could not access the commercial banks due to their financial regulations (Micro save Africa, 1991).

In Kyamuhunga Sub County Bushenyi district in western Uganda, Women accessed credit facilities and improved their farms, started small enterprises and other income

² boda boda are small motor bicycles and bicycles used for transport hire.
generating projects. As a result, these women were able to buy most household necessities, which they used not to have (Kyogabirwe, 2005).

The rural Small and medium sized entrepreneurs in the West Nile - Nebbi district are resorting to keeping their money in metallic boxes of the village savings scheme other than with big financial institutions. Padyere County in Nebbi is one area with at least four active Village Savings and Loan association groups with more than 100 members where by each group keeps their money in metallic boxes in the treasurers’ homes within the villages. According to them, this is aimed at providing easy accessibility of financial support like loans to small and medium sized institutions. Despite the existence of Stanbic Bank, Commercial Microfinance (CMM) and Centenary Bank in Nebbi district, the locals prefer to use this village saving scheme where money is kept in locally made metallic boxes for safety.

These metallic boxes have three padlocks; keys are kept by three different members trusted by the group whereby each member keeps a set of keys for each padlock and these boxes are opened during the meeting only. This is done to limit the chances of one person getting tempted to steal the money since one person cannot open the boxes without the other two key keepers. One of the reasons advanced by members for choosing this saving mechanism other than the bank is due to the complexities in the operations of the formal financial institutions as opposed to these saving groups. Members also argue that it is difficult to access bank loans because of collateral, too high interest rate for a poor person, coupled with Long distance from the community to the financial institutions. “I prefer to keep my money in the group because Incase of emergency it is easy for me to access my money from the group rather than going to the bank” says Hellen Piwun, Piwa Joo group member.

Amiyira Rwoth - treasurer of Can Yabo Yoo Village Savings and Loan association group said that 80% of women are actively involved in the village savings and loan association schemes which has improved their standard of living to an extent that members are becoming more self reliant by the day. “Women are now able to interact freely with other members, they manage their finances and run their homes by meeting most of the basic needs including paying school fees, paying for medical
care and getting involved in the small-scale businesses which they were not doing before.” She added that it has also inculcated the culture of savings among the people at the same time improved on their socio-economic choices within the community. She said the scheme has widened the search for bigger business opportunities, for instance those involved in Bee keeping are searching for bigger markets for their Honey and that a number of people have learnt simple accounting in managing their money (Candia and Laker, 2009).

Given the above examples, this study sets out to examine the contribution of Community Based Savings Micro Finance in the eradication of poverty in the households in Busimbi Sub County - Mubende district.

2.5 Challenges Faced by CBSMF in their Effort to Eradicate Poverty in the Households

In Nicaragua, despite the simple access to financial services, the women who are the poorest of the poor are not always guaranteed of reducing poverty in the household because of their lack of decision-making abilities within the family. Men still control household resources and economic wealth. Some women are denied access to the financial services and they have no say on the family earnings even when they have contributed to it (Deugd, 2002 cited in Skartlatos, 2004). This raises a question “does access to financial services and increase in household income necessarily translate into poverty eradication among the households in Busimbi Sub County – Mubende district.

Despite their vitality in helping the poor households to meet their social, economic and cultural needs, Community Based Savings Micro Finance mechanisms lack proper credit delivery mechanisms, financial and administrative systems to manage potential fraud at group level, which threatens sustainability of the CBSMFs (Micro Save Africa, 1991). A number of the informal financial systems are fraught with high risks of default and mismanagement of funds due to the absence of written records, rules and regulations and loan agreements. Consequently, short terms loans are given to the members; with limited repayment period ranging from one to three months. This puts a lot of pressure on the beneficiaries to generate adequate
income to save and payback the loan within a short time (*Wright & Mutesasira cited in* Micro Save Africa, 2001).

Most likely, Community Based Savings Micro finance could be helping 90% the poor households to eradicate poverty. Apparently their contribution to poverty eradication seems not be evidently noticed and registered as a result little documentation has been done on their contribution to household poverty eradication. This limits adoption of the good practices, implementation of corrective measurers to enrich the methodologies, as well as focusing specifically on improving the quality of services delivered to the beneficiaries.

The literature reviewed gives an overview of poverty, both at international and national levels, the types CBSMF, how they try to address the problem of poverty and challenge the CBSMFs face as they address poverty issues. Unlike the formal micro finance sector, little was known about the informal micro finance services available, the category of beneficiaries, and how the benefits translated into household poverty eradication. Such issues were of great interest during this study.

### 2.6 Conceptual Framework

The conceptual frame work depicts the model of the Community Based Savings Micro Finance:

**Figure 2: Conceptual Framework**

- **Vulnerable household members who lack**
  - Capital
  - Collateral
  - Savings

- **Inability to access formal financial services**

- **Group formation**

- **Savings mobilization**
  - Access to credit/finance
  - Knowledge sharing
  - Improved access to markets
  - Social capital

- **Meet basic needs**
  - Acquisition of productive assets
  - Engage in income generating activities
  - Saving
  - Education
  - Improvement of Household welfare
  - Decision making
  - Social interaction

- **Household poverty reduces**

*Source: Primary Data, 2007*
The conceptual frame work demonstrates that with limited accessibility to formal financial facilities; the poor households mobilize themselves into convenient self selected groups aimed at pooling their own financial resources to create a credit facility for the members to access as loans to use in form of capital for investment, emergency or to buy items to meet their household basic needs, for development. The members advise each other on how to break the vicious circle of poverty, which economic ventures to invest their money to avoid loss of capital and to maximize returns. Sometimes they attend workshops which educate them on income generation and how to improve market accessibility, decision making and general welfare knowledge.

The concept further illustrates that, with increased knowledge and understanding and or peer pressure, members remit savings to the group fund, for re-investment in income generating activities. The poor increase their household incomes and their ability to meet household basic needs increases. Asset acquisition and general household welfare increases, they educate their children and sometimes attain formal education themselves, improve household health and productivity, raise self esteem and consequently reduce household income poverty.
CHAPTER THREE

METHODOLOGY

3.1 Introduction
This section presents the methodology that was used by the researcher to carry out the study. It describes the research design, the area of study, sample selection and size, data collection methods, data processing and analysis methods, research procedures and limitations of the study.

3.2 Research Design
This research was descriptive as it sought to analyze the contribution of Community Based Savings Micro Finance to household poverty eradication. The researcher used both qualitative and quantitative research methods so as to enrich the content of the findings. The qualitative approach was used to collect data from Focus Group Discussions among the leaders of Community Based Savings groups/individuals, and from key informant interviews with community leaders and opinion leaders. Quantitative methods were used to collect information from beneficiaries, their spouses and children in different households. Secondary data from the CBSMFs’ documents and records supplemented the findings.

3.3 Area of Study
The study was conducted in Busimbi Sub County, Mubende district. The area was chosen basing on the fact that it has the biggest number of groups and individuals participating in Community Based Savings Micro Finance.

3.4 Study Population
The study population included CBSMF leaders; group members and individual beneficiaries of the CBSMF, their spouses and children, community leaders and opinion leaders, of selected parishes and villages in Busimbi Sub County. The unit of Analysis was the household, all the data collected from the CBSMF leaders, community leaders and opinion leaders was to supplement the household data.

Both qualitative and quantitative techniques were used to get information from the study population. In depth interviews were held with key informants i.e. local
leaders and opinion leaders. A standard set of questions known as an interview schedule was set and pre-tested to collect data and was also used to standardize the answers and to facilitate comparison of data among the respondents. This schedule was also helpful in gathering information about the procedure followed by CBSMF in extending credit to their clients, and how the credit helps to fight poverty in households.

Focus group discussions were held with members participating in Community Based Savings Micro Finance, their spouses and children to understand their views about the microfinance mechanism, the benefits, challenges and limitations of the mechanism and to collect their views on the kind of support needed to address the challenges and the limitations. In addition, the researcher designed an interview guide to facilitate the process of generating the information from the respondents.

A household survey was also conducted with CBSMF beneficiaries to generate information about the contribution of Community Based Savings Micro Finance to Household poverty eradication.

3.5 Sample Size and Selection
A total of 140 respondents were studied and they included beneficiaries of the Community Based Savings Micro finance, their spouses and children, Community Based Savings Micro finance leaders, community leaders and opinion leaders.

Respondents were selected from the groups that are participating in Community-Based Savings Micro Finance in five randomly selected villages of Businzigo, Kikumbi, Katakala, Bukanaga and Naama where community based saving microfinance is predominantly practiced. The respondents comprised of men and women in balanced numbers to have equal gender representation. Sixty (60) beneficiaries; (30) women and (30) men were interviewed using a questionnaire, Twenty (20) beneficiaries; 10 (women) and 10 (men) participated in the focus group discussions and Twenty (20) spouses of the beneficiaries; 10 (women) and 10 (men) participated in the focus group discussions. Twenty (20) children of the beneficiaries aged between 7 - 8 years were also interviewed for purposes of triangulation. Ten
(10) community based savings Micro Finance leaders were interviewed as key informants as well as Five (5) opinion leaders and five (5) community leaders.

### Table 1: Classification of Respondents

<table>
<thead>
<tr>
<th>Respondent Category</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key Informants</td>
<td></td>
</tr>
<tr>
<td>Community based savings micro finance leaders</td>
<td>10</td>
</tr>
<tr>
<td>Opinion leaders</td>
<td>5</td>
</tr>
<tr>
<td>Community/Local leaders</td>
<td>5</td>
</tr>
<tr>
<td>Household surveys</td>
<td></td>
</tr>
<tr>
<td>Beneficiaries (both men and women)</td>
<td>60 (30 men, 30 women)</td>
</tr>
<tr>
<td>Focus Group Discussions (FGDs)</td>
<td></td>
</tr>
<tr>
<td>Beneficiaries (both men and women)</td>
<td>20 (10 men, 10 women)</td>
</tr>
<tr>
<td>Spouses (both men and women)</td>
<td>20 (10 men, 10 women)</td>
</tr>
<tr>
<td>Children of the beneficiary households</td>
<td>20 (chosen household participating in the survey)</td>
</tr>
<tr>
<td>Total</td>
<td>140 Respondents</td>
</tr>
</tbody>
</table>

*Source: Primary Data, 2007*

### 3.6 Methods and Techniques of Data Collection

#### Qualitative Methods

**3.6.1 Focus Group Discussions (FGDs)**

Focus Group Discussions were held with the beneficiaries of Community Based Savings Micro Finance with the help of interview Guides to get general views on the benefits, the challenges and limitations of community based microfinance both at the institutional and at household level, and to collect their views on the kind of support needed to address the challenges and the limitations of poverty eradication. The respondents were both male and female and they were equal in numbers. FGDs
also facilitated the researcher to get information from beneficiaries’ spouses and children on their perception of how CBSMFs have helped fight poverty in their households. Twenty (20) spouses, both men and women were interviewed as well as twenty (20) children.

3.6.2 Key Informant Interviews
Key informant interviews were held with the Community based savings Micro finance leaders using the Key Informant Interview Guide, to get information on the different types of community based savings micro finances they operate, their procedures and how they think/know their services have facilitated household poverty eradication. Key informant interviews were also conducted with community leaders and opinion leaders to get information on their perception on how CBSMF have improved the standards of living among the households in their villages and how these have benefited the community as a whole. Ten (10) CBSMF leaders, 5 opinion leaders and 5 community leaders were interviewed.

3.6.7 Observation
The researcher observed the general environment of the household and used availability of household basic needs as a scale to judge the household’s welfare.

3.6.8 Household Survey
Household survey with the use of structured questionnaires was conducted to get the beneficiaries’ responses on how the CBSMFs have contributed towards poverty eradication in their households. Both men and women were interviewed.
Observations by the researcher supplemented the findings.

3.7 Data management and Analysis
The field data was analyzed using both qualitative and quantitative methods.

3.7.1 Qualitative Data Management and Analysis
Focus group discussions, key informant interviews were transcribed and analyzed continuously during and after fieldwork each day. The analysis was done around sub-themes of the study and where possible code categories were identified, written
in the margin of the transcript, added together to get the general trends and significant differences between transcripts and conclusion drawn.

3.7.2 Quantitative Data Management and Analysis

Each interview schedule was edited before leaving each respondent; there was crosschecking for uniformity, accuracy, completeness and consistency of information. The data was coded and tabulated using the statistical Package for social scientists (SPSS). Tables, pie charts and bar charts were used to describe the findings.

3.7.3 Documentary Analysis

Relevant documents i.e. CBSMF work plans, magazines and other important documents were consulted for triangulation purposes, data was refined; categorized into sub themes of the study, and conclusions drawn.

3.8 Procedure

The researcher got an introductory letter from the Department of Social Work and Social Administration (SWSA) of Makerere University. To introduce her to the respective respondents and authorities at district, parish and village levels. Respondents were located and appointments fixed especially with the key informants.

Pre-testing of the research instruments was done to ensure that correct and valid data was collected. Data collection was done by skilled research assistants under close supervision researcher to ensure that all the information required was collected, the information was edited before leaving the respondents and daily evaluation of field progress was done. Data was analyzed adequately and a report compiled.

Questions were coded, tabulated, and edited before leaving the respondents. Coding was based on themes basically to enhance clear and concise presentation of data. Thereafter data was entered into the computer for analysis.
Data integration and triangulation of in-depth interviews, key informants, and secondary sources was compiled with concrete conclusions about the study phenomenon.

3.9 Ethical Considerations

During data collection, the rights of individuals were respected. The researcher had to first get consent of all the respondents for their responses.

The researcher ensured confidentiality of information to protect and enable respondents trust her with the information from the sensitive questions. Sensitive information/issues were not explored unless the researcher requested the respondents to provide that information. All the necessary protocol was observed, and all the respondents were thanked for their participation in the study.

A lot of research skill was used by the researcher to collect data from the children. They were met in their play ground which is a familiar surrounding to make them comfortable and familiar people were kept away to avoid intimidation. They were asked about their condition at home in terms of feeding and availability of home necessities today and a year before to get a comparison.

3.10 Limitations of the Study

Some respondents feared to disclose information about their assets for fear of insecurity. To overcome this limitation the researcher first educated the respondents about the purpose of the research and assured them of the security of the information to alleys their fears.

The study was conducted in Busimbi Sub County where formal and informal micro finance is being practiced therefore hard to draw general conclusions. However the researcher selected respondents that are purely engaged in community based savings micro finance and with very good understanding of the saving methodology. Therefore the data collected was representative enough to enable the researcher to draw general conclusions.
Some groups exaggerated the contribution of CBSMF to household poverty eradication without considering the contribution of other interventions such as NAADS, PMA, which have been working in their communities to eradicate household poverty eradication. The researcher however probed as much as possible to segregate data.
CHAPTER FOUR

PRESENTATION OF THE STUDY FINDINGS

4.1 Introduction

This chapter presents the study findings in form of tables and graphs according to the study objectives. The study set out to assess the contribution of Community Based Savings Microfinance to household poverty eradication in Busimbi sub county Mubende district.

4.2 Community Based Savings Micro Finance in Busimbi sub county

The study found that there are a number of CBSMF in Busimbi Sub County ranging from faith based, gender biased, occupational based to village based CBSMFs. Some of the faith based CBSMFs include Tusuubira Businziggo Christian Women’s Development group and St. Apollo Kivebulaya savings & credit group, the gender biased CBSMFs include Wabigalo United Women’s development group, the Occupational CBSMFs include Mubende Teachers Cooperative Savings and credit Society Ltd for government aided primary school teachers in Mubende district and Mityana Meat Suppliers Cooperative Saving and credit Ltd for the butchers while the village based include Katakala Twegatte Development group. CBSMFs have exclusive membership to a certain category with the aim of uplifting the standards of living of members that category.

The study respondents belonged to 14 different CBSMFs and the findings are a true representation of the CBSMFs operations in Busimbi Sub County. Table 2 shows a list of CBSMs with different characteristics

<table>
<thead>
<tr>
<th>Community Based Savings Micro Finance</th>
<th>History of formation</th>
<th>Asset base</th>
<th>Capacity to sustain themselves</th>
<th>Management style</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tusuubira Businziggo Christian</td>
<td>Formed in 2006 as Church based CBSM</td>
<td>Self mobilized savings from members</td>
<td>Savings are shared at the end of the year plus</td>
<td>Leadership is for one year and it is rotational</td>
</tr>
<tr>
<td>Development group</td>
<td>Money available for only members</td>
<td>interest. No accumulated savings</td>
<td>Money available for only members</td>
<td>Have accumulated savings from past years</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------</td>
<td>----------------------------------</td>
<td>----------------------------------</td>
<td>-----------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td>Mubende Teachers Cooperative Savings and credit Society Ltd</td>
<td>Formed in 1956</td>
<td>Purely for primary teachers</td>
<td>Money available for only members</td>
<td>Have accumulated savings from past years</td>
</tr>
<tr>
<td>Kyoosiga Kyokungula Group</td>
<td>Formed in 1982</td>
<td>For women farmers.</td>
<td>Money available for only members</td>
<td>Accumulate Savings for a season and then share out. No added interest</td>
</tr>
<tr>
<td>St. Apollo Kivebulaya savings &amp; credit group</td>
<td>Formed in 2006 for both men &amp; women in the Anglican church in Tamu</td>
<td>Self mobilized savings from members. Money available for only members</td>
<td>Savings are shared at the end of the year plus interest. No accumulated savings</td>
<td>Have accumulated savings over the years</td>
</tr>
<tr>
<td>Busimbi Community Development Association</td>
<td>Formed in 2000. For small scale traders both men and women</td>
<td>Self mobilized savings from members but Money available at higher interest for non members</td>
<td>Share at the end of the year and start again</td>
<td>Have accumulated savings over the years</td>
</tr>
<tr>
<td>Wabigalo United Women’s Development group</td>
<td>Formed in 2001. For small scale women traders</td>
<td>Self mobilized savings from members but Money available at higher interest for non members</td>
<td>Share at the end of the year and start again</td>
<td>Have accumulated savings over the years</td>
</tr>
<tr>
<td>Basiima Women’s Association</td>
<td>Formed in 2000 for single mothers</td>
<td>Self mobilized savings from members but Money available only to members</td>
<td>Share at the end of the year and start again</td>
<td>Leadership is changed every after three years</td>
</tr>
<tr>
<td>Mityana women development initiative (Kolping Society)</td>
<td>Formed in 1993 for all catholic women in Mityana</td>
<td>Members annual subscription, can borrow and are free to sell their products to kolping restaurant</td>
<td>Share at the end of the year and start again</td>
<td>Leadership is changed every after three years</td>
</tr>
<tr>
<td>North Ward Development Association (NOWADA)</td>
<td>Formed in 2003 for women councilors in Mityana Town council</td>
<td>Self mobilized savings from members but Money available only to members</td>
<td>Share at the end of the year and start again</td>
<td>Leadership is changed every after one year</td>
</tr>
<tr>
<td>Katakala Twegate Development group</td>
<td>Formed in 2003 for all women in Katakala village</td>
<td>Self mobilized savings from members but Money available only to members</td>
<td>Share at the end of the year and start again</td>
<td>Leadership is changed every after three years</td>
</tr>
<tr>
<td>Katakala Munomukabi Women’s Group</td>
<td>Formed in 2000 as a burial group for all women in Katakala village</td>
<td>Self mobilized savings from members but Money available</td>
<td>Share at the end of the year and start again</td>
<td>Leadership is changed every after three years</td>
</tr>
</tbody>
</table>
Kyosimba onanya savings & credit group

- Formed in 2001 for both men and women in Naama village
- Self mobilized savings from members but money available only to members
- Have accumulated savings which can be accessed to buy seed and inputs
- Leadership is changed after every three years

Mityana Meat Suppliers Cooperative Saving and credit Ltd

- Formed in 2000 for meat suppliers
- Self mobilized savings from members but money can be available to non members at higher interest
- Have accumulated savings
- Leadership is changed after every three years

Table 2 illustrates the respondents’ that are in some of the CBSMFs in Busimbi Sub County.

**Table 3 Shows respondents’ participation in Community Based Savings Micro Finance**

<table>
<thead>
<tr>
<th>Community Based Savings Micro Finance</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tusuubira Businzigo Christian Development group</td>
<td>2</td>
<td>3.3</td>
</tr>
<tr>
<td>Mubende Teachers Cooperative Savings and credit Society Ltd</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Kyosiga Kyokungula Group</td>
<td>3</td>
<td>5.0</td>
</tr>
<tr>
<td>Apollo Kivebulaya</td>
<td>27</td>
<td>45.0</td>
</tr>
<tr>
<td>Busimbi Community Development Association</td>
<td>5</td>
<td>8.3</td>
</tr>
<tr>
<td>Wabigalo United Women’s Development group</td>
<td>2</td>
<td>3.3</td>
</tr>
<tr>
<td>Basima Women’s Association</td>
<td>2</td>
<td>3.3</td>
</tr>
<tr>
<td>Mityana women development initiative (Kolping Society)</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>North Ward Development Association (NOWADA)</td>
<td>4</td>
<td>6.7</td>
</tr>
<tr>
<td>Katakala Twegate Development group</td>
<td>3</td>
<td>5.0</td>
</tr>
<tr>
<td>Katakala Munomukabi Women’s Group</td>
<td>3</td>
<td>5.0</td>
</tr>
<tr>
<td>Kyosimba onanya savings &amp; credit group</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Mityana Meat Suppliers Cooperative Saving and credit Ltd</td>
<td>4</td>
<td>6.7</td>
</tr>
<tr>
<td>St. Apollo Kivebulaya savings &amp; credit group</td>
<td>2</td>
<td>3.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Primary Data, 2007*

According to the study, of the 14 CBSMFs in Busimbi Sub County, Apollo Kivebulaya had the highest number of clients; 27 (45%) of the respondents; comprising of both men and women. It was followed by Busimbi Community Development Association with 5 respondents. Mityana Meat Suppliers Cooperative Saving and credit Ltd and NOWADA followed with 4 respondents each; Katakala Twegate Development group,
Kyosiga Kyokungula group and Katakala Munomukabi women’s group followed with 3 respondents each. Tusibira Businzigo Christian Development group, Wabigalo United Women’s Development group, Basiima Women’s Association and St. Apollo Kivebulaya savings & credit group followed with 2 respondents each; and Mubende Teachers Cooperative Savings and credit Society Ltd, Mityana women development initiative (Kolping Society) and Kyosimba onanya savings & credit group had 1 respondent each.

4.3 Beneficiaries of the CBSMF in Busimbi Sub County

According to the study findings, the beneficiaries of the CBSMF in Busimbi Sub County were classified in terms of occupation, religion, gender, age, education and marital status and sometimes where one lived in terms of village and what they already have (assets) or are in the process of getting as key determinants to their membership and participation to CBSM.

One member of Mityana Women’s Development Initiative informed this study that the CBSMF gives money to women with livestock or those in the process of stocking to facilitate them to construct cattle sheds, purchase acaricides, diary meal and other drugs. He had this to say;

"Women who have got livestock and need to be assisted with cattle feeds, acaricides and the like, they save and access loans from the association. Loans are also given to the women who have not yet acquired the animals but are in the process of doing so. The loans enable them to acquire all the necessary items before the commencement of the project”

This means that men are not benefiting from this CBSMF and so are the women without the intention of stocking. The other criterion is depositing monthly savings with the association. Members save Ushs.2000 and membership fee is Ugshs.10,000/= if one joins and saves up to Ushs.30,000, she can access a loan of Ushs.100,000 provided membership is fully paid. This limits membership to this CBSMF to only those who can meet the requirements.

Similarly, the Mityana Meat Supplies Cooperative Savings and Credit Ltd restrict its services to butchers in Mityana Town Council. For one to become a member, he has to pay Ushs.20,000/= buy an application form at Ushs.1,500 and pay an annual
membership fee of Ushs.2,500. This means that butchers from other villages who might be interested in joining are left out and so are those who can not meet the requirements because of a limited income.

One member of Kikumbi village reported that the conditions of benefiting from the CBSMFs are sometimes very tough. Some CBSMFs do not give loans to tenants because their residence is not permanent any time they can go away with people’s savings. “This attitude marginalizes the poor who need this service most.” The Local council Chairperson of Kikumbi had this to say;

“The money lending groups; say they are fighting poverty but they discourage the poor from accessing their services and especially the loans. People who are renting other peoples houses can not be assisted to build their houses but instead they give loans to landlords to build more houses and continue to exploit the poor.”

As illustrated by figure 4.2 below, the majority of the beneficiaries, 41(68.3%) were women compared to 19 (31.7%) men. There are also many CBSMFs whose members are exclusively women. This indicated that women benefited in the community based savings micro finance more than the men. This is because the saving value in some of these CBSMFs is relatively small amounts because members cannot afford to save big amounts of money and this is minimized by men. Similarly the loan sizes are also relatively small they range between UGX 15,000/= to 100,000/= which is considered useless by men. Operations (saving and loaning) in these CBSMFs are based on mutual trust therefore in some of these CBSMFs women are reluctant to enroll male members because they are considered untrustworthy and unreliable. An example of such CBSMFs, are Mityana Women’s Development Initiative and Basiima Women’s Association.

Figure 4: Gender Distribution of Respondents
It was confirmed that women should get access to credit services more than men because after making profits women assist their families as opposed to their counterparts. Even in cases where some men have membership in CBSMFs, their families have not realized any benefit at all. One respondent whose husband is a member of a CBSMF had this to say:

"Some husbands get loans without the knowledge of their wives; do whatever they want with the money. Their wives only come to know when its time to repay and our husbands have failed to pay back and some of family property has to be auctioned."

Another participant in a focus group discussion whose husband is also a CBSMF beneficiary said:

"It is amazing to know what men do with the loans they get from the CBSMFs. Some husbands get loans but they never pay without a hustle. It seems some men drink the money with their women lovers"

The above findings show that even when men access funds from the CBSMFs, it might not necessarily benefit the household. Majority of the women respondents believed that money from the CBSMF is more useful at household level when it is given to women than to men. Some CBSMF owners and local leaders also agreed to this.
The study also categorized the key respondents by age and it was found out that all the respondents were above 20 years as illustrated by figure 5 below:

**Figure 4: Respondents’ Age**

![Graph showing respondents' age distribution](image)

*Source: Primary Data, 2007*

The majority of the key respondents 19 (31.7%) were between 31 and 40 years, followed by 16 (26.7%) who were between 41 and 50 years, 11 (18.3%) between 51 and 60 years, 10 (16.6%) between 20 and 30 years and 4 (6.7%) who were over 60 years. These findings show that the energetic members in the community are the most active in CBSMFs. The age bracket (20-60 years) were the ones participating and hence benefiting most from the CBSMFs compared to those below 20 who were not represented and those above 60 years who were a mere 6.7%. This was attributed to the fact that most of the people below 20 years are still in school being looked after by their parents. Those who are out of school; they do not have big responsibilities to push them to join CBSMFs. Those above sixty (60) are regarded as weak and unable to mobilize savings therefore CBSMFs are reluctant to enroll them.

A key informant from Tusubira Businziggo Christian Women’s Development Group informed this study that membership in their Group is open to only those above 18
years which partly explains why the majority of the beneficiaries were between 20 and 60 years.

The study then examined the respondents’ marital status and the findings are presented by figure 6 below:

**Figure 5: Respondents’ Marital Status**

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>No. of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>5</td>
</tr>
<tr>
<td>Married</td>
<td>45</td>
</tr>
<tr>
<td>Separated/Divorced</td>
<td>8</td>
</tr>
<tr>
<td>Widowed</td>
<td>4</td>
</tr>
</tbody>
</table>

*Source: Primary Data, 2007*

The above findings show that majority of the respondents 39(56%) were married women. These were followed by 9 (15%) who were widowed, closely followed by 8(13.3%) who were single and 4 (6.7%) were separated from their spouses. This was attributed to the fact that married women are regarded as more stable and more reliable as compared to their counterparts. Secondly, most married men neglected family responsibilities such as paying of children’s school fees and therefore joining CBSMFs seem to be the only answer to the married women. Some male beneficiaries revealed that married women with children are unlikely to divorce and are more prepared to bear any difficult situation around them as compared to the single and divorced.
The respondents’ education level was thought to have an impact on their ability to seek CBSMF services, so it was examined as shown by figure 4.5:

**Figure 6 Respondents’ Education**

![Bar chart showing respondents' education levels](chart.png)

*Source: Primary Data, 2007*

The findings show that the majority of the respondents 26(43.3%) had gone as far as primary 6 and 7 level of education. These were followed by 13 (21.7%) who had attained secondary education, followed closely by 12 (20%) who were at tertiary level. Five (5) respondents (8.3%) had gone as far as primary 1 to 5 education, 3 (5%) had university education and 1 (1.7%) was not educated at all. This finding indicates that the majority of the beneficiaries of the CBSMFs had studied upper primary and tertiary level of education. Very few had attended lower primary and higher education which implies that the education level had an impact on the respondents’ participation in the CBSMF. The findings show that the majority of the elite respondents could access financial support from other formal financial institutions where they could access bigger loans to improve their livelihood. For those who are educated, money from CBSMF is only meant to supplement their income generated from monthly salaries, and other income generating activities. Whereas those with low levels of education have no access to other sources of financial services apart from CBSMFs and the formal MFIs have tougher conditions.
such as collateral and filling of forms which they cannot afford. On the other hand the illiterate are considered un credit worthy by most of the CBSMFs members therefore they are unlikely to enroll them.

Figure 8: showing how the community had benefited from CBSMs

**Figure 7 CBSMFs’ Benefit to the Community**

![Pie chart showing benefits of CBSMFs]

*Source: Primary Data, 2007*

All in all, the majority 51 (85%) of the respondents informed this study that CBSMFs have benefited households in Busimbi sub county. Only 9 (15 %) of the respondents did not agree to this as illustrated by figure 4.6 above.

The benefits of the CBSMF among the people of Busimbi Sub county included payment of school fees and registration fees for the children, affordability of medical care, buying house hold utensils, stocking of livestock, buying farm implements like hoes and improvement of farming methods, raising capital to start some small businesses or improve other income generating activities and risen self esteem among the members.
4.4 The Respondents’ perceived benefits of CBSMF

Having established the category of beneficiaries of the CBSMF in Busimbi Sub County, the study went on to examine the impact of the CBSMF in the eradication of poverty in the households.

First the respondents were asked whether CBSMF had been able to eradicate poverty in their households and the findings are presented by figure 9 below:

**Figure 8: CBSMFs’ Eradication of Poverty**

![Pie chart showing responses to CBSMF's impact on poverty eradication]

*Source: Primary Data, 2007*

The findings show that the majority of the respondents 43(71.7%) agree that CBSMFs have eradicated poverty in their households, while 17(28.3%) disagreed.

Those who agree that CBSMFs have eradicated poverty went ahead to elaborate as presented by table 4 below:

**Table 4: Contribution of CBSMFs in the Eradication of Poverty in the Households**

<table>
<thead>
<tr>
<th>Ways in CBSMF has led to Poverty Eradication in the Households</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Loans have been invested in income generating activities & improved household incomes | 15 | 25.0 |
---|---|---|
Loans have expanded the businesses | 11 | 18.3 |
Loans have paid school fees | 5 | 8.3 |
Loans have improved household welfare | 9 | 15.0 |
Inculcated & Improved the savings culture | 3 | 5.0 |
NA | 17 | 28.3 |
Total | 60 | 100.0 |

Source: Primary Data, 2007

It is apparent that CBSMF have improved peoples lives in a number of ways. Out of 43 respondents who said CBSMF had eradicated poverty in their households, 15 of them said they had got capital, invested it and increased their income, 11 had used the loans to expand their businesses while 5 had used the loans to pay their children’s school fees. Nine (9) had been able to improve their household welfare and 3 had improved their savings.

According to the key informant from Katakala Twegatte Women’s Development Association, women in this CBSMF have been able to start and improve their income generating projects. One member testified that she had started outside catering services using the money from the Association. While women from Mityana women development initiative testified that they are now able to sell some milk, ghee, vegetables and earn income unlike in the past. Another member said that some of their members had renovated their homes while others have constructed houses, paid their children’s school fees and their diet has improved.

According to most women in the focus group discussions testified that, women have been able to buy household assets such as plates, cups, basins, chairs and beds. Others bought items such as radio and television sets. One woman discussant had this to say;

“There was a time when we used to borrow household chattels from the neighboring homesteads. Some families would even borrow salt, Pangas, knives, axes while others would even borrow shoes and clothes. Now, most of these things are now available in our homes.”

The Director of Basiima Investment Ltd informed the study that the CBSMFs have eradicated household poverty by helping people to get loans to buy Bodas Bodas as
a source of income. CBMFs have also given a chance to the school drop outs to join vocational schools to learn practical skills. Some members are now technicians and mechanics and others have started their own garages. Other members have been facilitated to buy land to cultivate food for household consumption and realize a surplus for sale.

According one member from Tusuubira Businziggo Christian Women Development many members have benefited from the CBSMF have purchased livestock particularly piggery, goats, poultry and cattle. Businesses have grown and some people are coming back for bigger loans having paid off their earlier obligations. Another member had this to add;

"We used to have very few people with livestock in this area, but now many people have got cows, goats ranging from one to at least 3 cows or goats. These are a source of income when the owners sell the animal products or even the animals them selves, they use this money to do other productive things such as restocking and buying land. All this has been possible with the support of CBSMF."

Findings from the focus group discussion held with the women spouses of the CBSMF male members however, indicated that their households had not benefited from the CBSMF. One lady stated that even if a man gets a loan from the CBSMF he does not invest the money in productive projects that can generate income to improve the household’s standard of living. Instead many of them get an extra wife or they go drinking with their friends to show that they are financially powerful. This was supported by one of the opinion leaders who said the CBSMF had not eradicated poverty. He had this to say;

"People get loans from CBMFS, but they are not in any way better. Some drink off the money and fail to invest it in any productive venture. Consequently, their children are not in school, they leave in ram shackle houses and they are always complaining of poverty. Even those who don’t get loans are better off."

Similarly in one of the focus group discussions some male respondents whose wives are participating in the CBSMFs reported that though they had not benefited directly from the projects managed by their wives, but the house hold welfare had generally improved. They eat a balanced diet and their home environment generally looks
attractive, their wives no longer quarrel a lot when the husbands do not leave behind money for domestic use, and generally love has increased.

The children in the focus group discussions reported unanimously agreed that they had benefited from the CBSMF. They testified that they can now eat meat, good food like rice, they have clothes, blankets, uniforms, shoes and they drink tea with sugar. They said when they are sick their parents especially mothers they buy drugs for them unlike in the past when they used to give them local herbs for treatment. One of the children had this to say;

"Before my mother joined Nigiina, she used to treat us with Mululuza (a local herb for malaria) and we would miss school quite often. I used to be chased away for lack of school fees when exams are starting but now my parents can afford to pay part of my school fees at the beginning of the school term and pay the last installment at the end of the term and I get my progressive report. Some times my mother gets a loan and then pays back after gathering enough money from her poultry project and from the sale of vegetables."

Majority of the children informed the study there has been a recommendable improvement in their households since their parents started accessing credit facilities from the CBSMFs. One male child had this to say during the discussion;

"We used to buy most food stuffs from the market but now people come and buy food from our home. Food stuffs such as eggs, fish and milk were rarely eaten at our home but now we eat them every Sunday."

Like some adult respondents however, some children informed the study that their parents and families in general have not benefited so much from the CBSMFs services. Children complained that their parents had invested the CBSMF loans in projects that don’t yield quick money so they cannot see the benefits. While others observed that loans had created more problems in their home. They were experiencing more quarrels from their parents especially on issues of non repayment and diversion of loans into unproductive ventures. One of the children commented;

"My father got a loan and invested it in tree planting. Am not sure whether These trees will grow and earn profits. When we ask him for school requirements he says he invested the money in tree planting so we should be patient with him until he pays back the loan so we a forced to do some odd jobs like digging in people’s gardens to get some money. Am afraid he may have to sell the trees to pay back the loan."

Another child had this to add;
"Our neighbor’s properties were sold by the group members when their father failed to pay back the loan”. I don’t want this to happen to us”.

For these children, CBSMF is something ‘delicate’ which they pray that their parents handle carefully. Though it is intended to help people especially the poor to live comfortable lives, but at times failure to repay leaves the household more miserable than before.

Although some of the children, beneficiaries and their spouses don’t think CBSMF has not improved their household welfare, the majority maintained that there has been great improvement in their way of life and they have been able to do many good things with the assistance of CBSMFs. The observations made by the researcher during the study visits to the beneficiary’s households indicated that the CBSMF beneficiaries were far better off than those that were not participating.

However in the struggle to eradicate poverty and improve the households’ welfare, respondents encounter a number of challenges. The challenges have been categorized those faced by CBSMFs and those faced by the households.

4.5 Challenges to CBMFs in Service Delivery

The study found that there are a number of challenges hindering the eradication of poverty in the households. According to 17 respondents (28.3%) CBSMFs had not eradicated poverty in the households due to a number of challenges as presented by table 5:

**Table 5: Challenges Hindering the CBMFs to Eradicate Household Poverty**

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of business skills to diversity investment opportunities</td>
<td>11</td>
<td>18.3</td>
</tr>
<tr>
<td>The repayment period is too short to make profits</td>
<td>3</td>
<td>5.0</td>
</tr>
<tr>
<td>The loan amount is too little to be invested productively</td>
<td>2</td>
<td>3.3</td>
</tr>
<tr>
<td>In some CBSMF Interest rate is too high (up to 20%)</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>NA</td>
<td>43</td>
<td>71.7</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Primary data, 2007*
The majority (11) of the 17 respondents, who claimed CBSMF had not eradicated household poverty, reported that the CBSMF beneficiaries lack business skills to diversify their investment opportunities. As a result, they invest in the similar income generating projects, lack value addition skills hence the market is affected. Three (3) people said that the loan repayment periods are too short for one to realize meaningful benefits. The repayment period ranges between one to four months. Two (2) respondents said the loan amount is too little to be invested in productive ventures to make profits and eradicate household income poverty. One beneficiary said the interest rate is high and it limits the member’s rate of borrowing. This finding indicates that despite the fact that the majority of the respondents found CBSMF is a tool for eradicating household poverty, there were a few who found a problem with these CBSMFs and to them the above mentioned challenges had affected the CBSMF’s capacity to eradicate household income poverty.

One of the opinion leaders interviewed informed this study that the CBSMFs have not yet eradicated household poverty in his area because there are people who still cannot afford a meal daily. He went on to say that such people can not afford to raise money to save in the CBSMF let alone accessing credit and paying such high interest rates. He said some businesses had collapsed because property had to be sold during loan recovery leading to loss of household income. Additionally, misuse of loans and failure to pay has also brought up misunderstandings in homes and at times families are broken.

One local leader informed this study that some members are illiterate and they lack training in saving mobilization and management. Some of them save but when they fail to pay back the loan in time, members attach their property hence worsening their poverty situation. This finding shows that lack of training is a big challenge to the CBSMFs’ efforts to eradicate household poverty. Given the fact that majority of the beneficiaries; 26(43.3%) had only gone as far as primary 6/7 hence most of them do not keep proper records. This coupled with lack of training in handling financial matters has resulted into poor accounting, misuse of loans, failure to meet repayment dates and loss of property.
Another challenge is lack of a clear objective in saving. Some members in CBSMFs save without a clear objective, they receive no feedback on the status of their accounts and some of the leaders misuse the money to cater for their own interests and members do not benefit. One key informant, the chairman of Mityana Meat Supplies Cooperative Savings and Credit Ltd had this to say:

"The members have not benefited because their executive committee has failed them. The society spent all their savings in the bidding process and they were awarded a tender to construct an abattoir. Mityana town council paid them good money to commence the work but their executive committee members swindled all the money. When members realized, they withdrew their support for the tender and they raised it to the council and the tender was withdrawn. The cooperative society now has no money and it is in a mess."

The official from Basiima Women’s Association informed this study that the main challenge to CBSMF’s eradication of household poverty eradication is lack of loan appraisal skills. Clients are sometimes not appraised before they are given loans. In such instances even when the risk of borrowing is high, members are not advised and when they are given loans they fail to pay back. In addition, the recovery techniques employed by some groups are very harsh and this scares off prospective clients from joining the CBSMFs.

The study also found out that since most of these loans are given without pledging collateral, to ensure repayment the loan amounts offered is limited and sometimes it is too small to be useful. The fines charged on the defaulters is also said to be high and this affects the persons’ ability to pay back the loan.

It was again established that farming is not supported by the CBSMFs even when members want to engage in commercial farming the loans are denied. The argument is that crops are affected by vagaries of weather, they take long to mature for sale and yet the CBSMFs want their money to recycle it among the members. This means therefore that big sections of the population who are purely farmers are left out.

Another challenge was that most people hate working in groups, they prefer borrowing as individuals because they shun joint responsibility. In CBSMFs when
some members completely fail to pay back, their colleagues shoulder all the loss which is not fair. One key informant of Basiima Women’s Association added that there are cases where some people are displaced due to land wrangles and they go without paying their loans. This explains why some has resulted into some of the CBSMFs decided to lend money to only land lords not tenants; thereby denying financial assistance to the tenants who need it most.

Another challenge is multiple borrowing. According to the official of Mubende Teachers Cooperative Savings and Credit Society, teachers belong to many CBSMFs and they acquire multiple loans which if not properly utilized, members fail to pay back. In such cases instead of improving their livelihood, they find themselves heavily indebted, confused and poorer than they were before.

An official of Munno Mukabi informed the study that at times the funds are too small to satisfy all the members’ financial requirements. This results into members accessing small amounts of money which is sometimes diverted into home consumption. One member had this to say;

"Sometimes our members get disappointed because when they apply for loans we fail to raise the money to give them due to insufficient funds. Others apply for big amounts but we give them less than what they ask for. This is greatly impacts on people’s planned activities and it often results into loan diversion."

4.6 Ways of Overcoming the Challenges
According to the respondents, to overcome the above mentioned challenges a number of issues have to be addressed as illustrated by figure 10 below:
According to figure 4.10 above, 14 (23.3%) of the respondents informed this study members should be trained to manage the loans properly if they are to eradicate household income poverty and the same number (14) said loan terms should be improved, while 9 people said that people should be educated about management of productive projects for them to gain profits. Eight (8) respondents (13%) suggested that the government should help to top up their savings so that loan amounts are increased to enable members eradicate household income poverty.

Seven (7) respondents suggested that district commercial offices should support CBSMFs in their communities because they provide financial support to the local people to improve their livelihood. 5 (8%) were of the view that if government helped to top the savings, this would enable them increase the credit period and this would enable the members to invest in agriculture and other productive ventures and get the desired returns. Two (2) respondents said that the District Community services office should sensitize the CBSMF leaders/owners on gender issues to stop segregating between men and women when issuing loans. 1 respondent said that
the district commercial officers should train the CBSMFs how to handle interest issues.

Most of the respondents proposed that sensitization of the borrowers prior to borrowing and monitoring their progress is very essential to proper utilization of the loans, so the government should come up with a policy to support self help initiatives because if this is done, then eradicating household income poverty would not be a problem.

One of the key informants from Mityana Meat Suppliers Cooperative Saving and credit Ltd suggested that, to overcome the problem of misappropriation of the CBSMF funds, the government should endeavor to organize regular general assemblies of all CBSMFs and train them on issues of budgeting and financial management. In such meetings, members can discuss their grievances and be advised appropriately. Financial discipline such as regular saving, timely repayment can then be addressed in such fora. Otherwise the informal financial sector has been completely ignored and yet it supports the greatest number of people both in the rural and urban areas.

One key informant working with Mityana Women’s Development Association suggested that to overcome the challenge of multiple borrowing, CBSMFs need to organize thematic debates, seminars, workshops, visits, linkages to stimulate information flow of with among CBSMF to avoid multiple borrowing. However, this requires extra financial support hence support from the government in this area is highly recommended.

CBSMFs members said that some CBSMFs should introduce payment of a loan insurance fund for every loan acquired to reduce on loan loss particularly when some members default and run away. This insurance package therefore will work as loan back up. However, members need to be trained to appreciate this issue and this can be handled by the cooperative officer at the district. Other respondents pointed out that government should inject “Bona Baggaggawale funds (prosperity for all)” into CBSMFs to benefit people who have already made a self help initiative.
Having established the types of CBSMFs in Busimbi Sub County, Mubende district; the categories of people benefiting, their impact on household poverty eradication and the challenges met, the researcher went ahead to discuss the findings, make conclusions and recommendations for the study in the next chapter.
CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
The chapter presents the discussion of the findings presented in chapter four, conclusions and recommendations of the study. The recommendations were given by the respondents in their different capacities as well as the researcher.

5.2 CBSMFs supporting the People in Busimbi Sub County
The study found that there are many CBSMFs in Busimbi Sub County ranging from Faith based, gender and member based to occupational CBSMFs. The respondents who participated in this study were from 14 different CBSMFs, as shown in table 4.2. Majority of the CBSMFs were established to improve members’ lives. The study findings revealed that a big number of the population study had benefited from the CBSMF initiative. This was confirmed by the model of hope for poverty eradication the world over based on the pro poor micro finance credit support of the Grameen Bank of Bangladesh with its collateral free credit services. The model successfully reached the poor through innovative small groups resulting into a recommendable decline in the poor proportions since early 1980s (Micro Credit Summit, 1997). Similarly in Busimbi Sub County though a few respondents said they had not benefited from the CBSMF, the majority confessed that they had benefited. This observation was also made by a number of writers. The researcher (Ashe, 2000) asserts that Community Based Savings Micro finance is set up to create and increase financial services to poor households to either eradicate poverty or slow it down. This study confirmed that even those who had not benefited immediately or directly, have had easy access to credit which was not the case before.

5.3 Category of People Benefiting from CBSMFs
The study established that women benefited more than their male counterparts. The main reason was that there were more CBSMFs exclusively for women than there were for men. This finding is supported by written literature which asserts that many CBSMFS target the poor people especially the women to enable them undertake
micro and small scale business enterprises to improve their household wellbeing and social status resulting from increased incomes (*UWFT Brochure, 2004*).

Women revealed that when men (husbands) access loans and their wives cannot tell where that money was invested let alone the interest generated and yet there are a lot of outstanding domestic demands. This has pushed women to resort to CBSMF to save and access credit and generate some income to cater for domestic needs and for economic empowerment. Accordingly, literature that was reviewed confirmed that women account for 65 percent of the active savers in the traditional saving mechanisms in Uganda (*Nannyonjo and Nsubuga, 2004*).

Secondly, most CBMFs consider men to be higher risk borrowers than the women. One key Informant of Mityana Meat Supplies Cooperative Saving and Credit Ltd informed the study that in their CBSMF male members are irresponsible and some do not pay back. So the society has started soliciting for new members particularly women. This shows that women are better and more committed members.

Further information from the key informants and the focus group discussions revealed that men divert the borrowed funds to non productive ventures so they fail to pay back and therefore men’s access to credit does not translate into household poverty eradication. This was supported by Kate Young, (cited in Ostergaard, 1987), who wrote that lack of control over productive resources is one of the most outstanding challenges to Women’s economic empowerment and household welfare.

The study further revealed that, the married and widowed respondents were the most active clients in the CBSMF. This is because they are more trusted and considered more reliable than the rest of the other respondents. Single mothers were the second last and the researcher is of the view that they are considered as more slippery because they can get married anytime or go back to their husbands. The separated /divorced were least represented and the researcher is of the view that Busimbi sub county being a rural setting, there could be fewer people in this category.
The study however, found that in some of the CBSMFs the requirements prior to receiving loans limits the beneficiaries. For instance making weekly savings in a rural setting is not easy. But this is the only way CBSMF generate funds therefore compulsory saving is intended not only to teach members financial discipline but also to create a loan fund which also acts as collateral for a member (Dunford, 2000). And according to Murray (2001), in Pakistan compulsory savings is one of the requirements before loans are disbursed.

The researcher however, is of the view that to benefit from CBSMF, one must have some minimum level of income to meet the regular saving requirement which leaves out the very poor households.

5.4 CBSMFs and poverty eradication

The study findings showed that majority of the respondents 43 (71.6%) CBSMFs in Busimbi testified that, they had accessed capital to invest in productive projects, their income and savings had increased, their businesses had expanded, they could pay their children’s school fees and their household welfare had improved.

Majority of the children informed the study that their households had benefited from the CBSMF; because their parents could now afford good food, household items like; clothes, uniforms and shoes and sugar. Other children, though very few had reported that their family livelihoods had not improved and that they had sometimes witnessed quarrels and some form of domestic violence due to money problems. The researcher believed the children because they were asked about household welfare which they can clearly understand therefore this was an easy way for them to judge an improvement and their information is rarely compromised.

Using the government of Uganda’s definition of poverty as a situation of perpetual need for daily necessities of life such as food, clothing and shelter (Population Census Report, 2003), the researcher feels that using the children’s information, judging household poverty eradication as an improvement in household welfare is valid enough to support the government of Uganda’s definition of poverty.
Although the majority of the spouses of the CBSMF male borrowers informed the study that their household incomes and welfare had not improved and they (women) had not benefited from the CBSMFs. This problem was faced by the spouses of the CBSMF male borrowers not the female borrowers. This raised a question about who actually benefited from the CBSMFs when it came to male borrowers? The researcher is of the opinion that even when there is an increase in household income, the women do not enjoy the benefits as explained by some writers that an increase in household does not mean that the household is economically empowered.

According to Deugd, (2002 cited in Skartlatos, 2004), despite increased access to financial services; economic empowerment is not always guaranteed as there has been little positive change in the decision making abilities within the family. In Nicaragua, men still control household resources and economic wealth but their households are not economically empowered Women are denied access and say on the family earnings, even when they have contributed to it and they lack control over the household resources (Oung cited in Ostergaard, 1987).

The researcher also found that the issue of household poverty eradication is relative from one person to another. In some cases, where all the profits generated from the CBSMF fund was spent on school fees, failure to realize any tangible profit might be interpreted as a failure of the CBSMF to eradicate household poverty while in the actual sense, the money was invested in their children’s education which is profitable to the same household in future.

5.5 Challenges to eradicating Household Poverty

Despite the findings indicating that the CBSMFs had contributed to the household poverty eradication in Busimbi sub county, respondents identified a number of challenges raised by CBSMFs. The researcher also is of the view that the culture of saving will not only inculcate a culture but also impose financial discipline among the clients but it eliminates the very poor from enjoying the benefits of CBSMFs because they cannot afford such savings (Gebrehimot, 1997).
Multiple borrowing was another challenge which prevented the respondents from benefiting from CBSMFs. The researcher argues that multiple loans with limited income sources to pay back could not in any way reduce household poverty. This is supported by other writers like Pagura, (2003), Wright, (1997) and Schreiner, (2001), who said that multiple memberships and switching borrowing among different groups/institutions is a challenge to the benefits of CBSMFs as it leads to higher levels of debt.

Other challenges included unfriendly harsh recovery measures for the defaulters; short loan terms which make it too difficult for the loan to fetch meaningful profits, high interest rates. This has greatly discouraged some members from accessing credit thus remaining stagnant in their poverty. As mentioned by some writers, while access to credit was seen as a way of uplifting welfare by some individuals, to the others, it had led to poverty. Some people in Katogo who had defaulted or failed to pay back the loans had lost property. Some MFIs, such as COWE, (which is one of the CBSMFs in Busimbi sub county) was mentioned as an institution that cheated people as they pushed them to raise their savings up to 70,000/= before accessing a loan. Those failed to raise that money were neither loaned nor refunded their money because COWE was de-registered (Juliet Kanyesigye & Edwin Kayuki, 2002). Members of Mityana Mwera cooperative savings and credit also complained about the same problem.

Despite these challenges however, the study found that on the whole CBSMFs in Busimbi Sub County had made tremendous improvement in household income poverty eradication. Basing on the definition of the Government of Uganda that poverty is the lack of access to basic necessities of life; that is, food shelter, clothing and other needs such as health and education; and poverty level is measured against average household expenditures (National Environment Management Authority, 2004).

5.6 Solutions to the Challenges
Respondents identified a number of solutions to the challenges to poverty eradication at household level. According to the respondents putting loans to good
use is the main solution to the challenges of poverty eradication at household level. Clients need to invest the loans in profitable ventures that can yield more and more incomes if the household has to be in position to fight poverty.

Creating a reliable source of income at the household level is a major tool to household income poverty eradication. The same number of respondents 23.3% also suggested that improving loan terms can enable majority people afford and access the loans and hence improve their livelihoods. Respondent also suggested that they should be sensitized about the viable projects in which they should invest their loans to realize good profits.

Majority of the key informants suggested that sensitization meetings would be very useful in educating them about danger of multiple borrowing, the need for budgeting and accountability, and strict measures to ensure loans are put to good use. The government still should regulate the operations of CBSMFs to control fraud and exploitation among the people.

6.0 Conclusions

CBSMF in Busimbi Sub County
The CBSMFs in Busimbi Sub County are based on different foundations which are faith, gender, Occupational CBSMFs. All the CBSMFs have one thing in common. They give credit to their members only.

6.1 Category of People Benefiting from CBSMFS
The women benefited more from the CBSMFs than men. This is because most CBSMFs were established specifically to empower women economically since they seem to be the major backbone of the family than their counterpart. Since most women do not have other reliable sources of income, most of them have joined CBSMFs to save and access credit to invest in income generating activities.

CBSMFs have confirmed that the married women and widowed are more reliable and trustworthy when it comes to paying back than men, and therefore can easily access loans. In most cases the benefits of the CBSMFs were enjoyed by the entire
household especially when it is the women who had borrowed the money and household welfare had improved.

6.2 CBSMFs and poverty eradication

CBSMFs had eradicated household poverty which is the lack of access to basic necessities of life; that is, food shelter, clothing and other needs such as health and education; and poverty level is measured against average household expenditures (National Environment Management Authority, 2004). The findings showed that there was an improvement in the access to basic household necessities. These CBSMFs had helped its members to increase their household incomes. Loans have been invested in ventures like retail shops; sell of produce, school fees and income generating projects such as cattle keeping among others which had improved the households’ access to basic necessities.

The study concludes that despite the challenges, CBSMF is a reliable approach to household poverty eradication particularly in rural areas where most people are subsistence farmers with very low incomes and have no collateral to pledge as security to access credit in the formal financial institutions.

The study also concludes that despite the contribution of CBMFs to household poverty eradication in Busimbi sub county, there are a number of challenges ranging from the loan terms, lack of training on how to invest and repayment the loans, lack of adequate funds to give out as loans, multiple borrowing by the clients, group borrowing and harsh punishments for the defaulters that needs to be addressed.

The study further concludes that such challenges can be overcome if clients are trained on how to put loans to good use, trained and encouraged to invest the loans in profitable ventures that will yield more incomes.

7.0 Recommendations

The study recommends that since CBSMFs are the best tool for household poverty eradication especially in rural areas, government should fund them to increase the loan amounts increase the repayment period and improve the credit terms for the expeditious eradication of household poverty.
It is recommended that training of the members and regular financial advice will help the CBSMF to overcome the challenges being faced in their effort to eradicate poverty.

Poor habits such as multiple borrowing by clients should be discouraged because they lead to defaulting as the clients may find it difficult to repay more than one loan. Resultantly they end up losing their property and they embrace biting poverty, ‘an enemy’ they had attempted to fight.

The CBSMFs also should revise some of their loan terms that are truly unfriendly to their clients. Strict measures to ensure that clients put loans to good use should be emphasized if the people are to really benefit from the loans given to them. This can be done by training clients/members to identify profitable ventures in which to invest their loans as well as monitoring the progress of these ventures to ensure that clients get profits and pay back their loans in time.

Respondents (beneficiaries) were also of the view that government should channel the “Bonna Bagagawale” support to the community initiated self help financial initiatives. The CBSMFs activities should be regularized and monitored by government. All exploitative CBSMF should be penalized.

Lastly but not least, researcher commends the work done by CBSMF in household income poverty eradication and recommends training of the members to understand how, where and when to invest their loans, how to repay and how they can revise the loan terms to suite their clients’ needs. Such training will enable the CBSMFs to serve their clients better and most importantly to help them eradicate poverty right from the households.

8.0 Recommendations for further Research

The researcher recommends that further research should be done to establish other ways in which household poverty can be eradicated other than CBSMFs with a special focus on the rural areas. Research should be conducted on the role of gender issues on household poverty.
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