ISSN No:-2456-2165

Micro Finance and Poverty Reduction of Selected Households in Kawempe Division, Kampala-Uganda

Julius Twinamasiko
"Corresponding Author"
School of Graduate Studies and Research, Team University
Plot 446, KabakaAnjagara.rd
P.O Box 8128 Kampala-Uganda.

Steven Ainebyona
School of Graduate Studies and Research,
Team University
Plot 446, KabakaAnjagara.rd
P.O Box 8128 Kampala-Uganda.

AbasRutaro
School of Graduate Studies and Research,
Team University
Plot 446, KabakaAnjagara.rd
P.O Box 8128 Kampala-Uganda.

Abstract:- The study was aimed at assessing the contribution of micro finance towards poverty reduction among households in Kawempe Division. And this was assessed in terms of contribution of microfinance towards access to basic needs, increased saving and incomes and wealth creation among households in Kawempe division. The researcher employed a descriptive, correlation, cross-sectional and survey design in which he used a self-administered questionnaire to collect both qualitative and quantitative data. The researcher targeted a selected population of 110 households in Kawempe division from where a sample of 86 respondents was selected using both purposive sampling and simple random sampling as based on Krejcie& Morgan (1970) tables. Study findings revealed a slight correlation of R= 0.349[a] between the observed and predicted poverty reduction outcomes. And that a small coefficient of determination of 24.2% (R-square 0.242) in the poverty reduction could be explained by the microfinance elements considered in this study. In view of the above the study recommended that microfinance institutions should consider increasing the period of first repayments in order to allow for the households to command adequate cash flows that can allow for acquisition of assets and or take on opportunities for expansion, there is need for special microfinance, grant and training programs that target the youth for entrepreneurial development and that Government having though embarked on the youth programme, need to put stringent measures to curb vices like corruption that has infiltrated the programme. And also the researcher recommends that in order to build on gains achieved in the microfinance sector, Government increasingly needs to harness the poverty- reducing potential of shifts in the household sectorial share of employment in favor of more productive and dynamic activities.

I. INTRODUCTION

1.0 Introduction

This chapter covers background of the study, problem statement, study objectives, research questions, study scope, significance and conceptual framework of the study.

1.1 Background of the study

Poverty remains a matter of growing concern in many developing countries of the world. According to Lufumpa (1999), today, as other continents continue to register sustainable economic growth and development, Africa is not only lagging behind but is trapped in a vicious circle of borrowing and donor dependency syndrome which some critics point out as one of the causes practically sabotaging real development. Gurses (2009) conducted a study in Turkey and mentioned that micro finance is a powerful tool to reduce poverty. The author has mentioned that one fifth of the population of Turkey was at risk due to the poverty even then it is not a poor country according to global standards. Moreover the author mentioned that poverty, both in Turkey and all over the world, is not only a function of microcredit but a social problem, and government intervention of the state holds the ultimate resolution to struggle against poverty.

Therefore, to achieve sustainable development there is need for a holistic approaches to dealing with the concerns of the poverty in the region. There is a range of MFIs whose participation is essential to address appropriately the challenge of poverty reduction (Yahie, 2000). For example in Machona (2006) studied the impact of microfinance in Addis Ababa Ethiopia by assessing the impact of microfinance on women microenterprises that were clients of Gasha MFI. The findings for this study indicated that only a few of the women clients of Gasha microfinance institution reported increased incomes from their microenterprise activities.

Furthermore, Morduch and Haley (2002) notes that there is evidence to support the promise that it is possible for a microfinance institution to serve the poorest and also achieve financial sustainability. However, Swain (2004) states that microfinance is better used as an instrument along with other policies for poverty alleviation rather than poverty reduction strategy in isolation. The reality on the ground indicates that the increase on the number of poor people both in rural and urban Uganda is worrying. Therefore, if poverty levels are not reduced in Uganda, then the MDG goal number 1 on the eradication of poverty and hunger.

The Uganda Poverty Reduction Strategy Papers (PRSPs) (2005) indicates that poverty is largely a rural phenomenon. In the rural areas, incomes are lower and poverty is deeper than in urban centers. As a consequence they lack the ability to generate incomes, to save, to start economic activities and to access credit from the formal sector is heavily restricted due to lack of collateral.

According to the profit-incentive theory, MFI use of commercial funding sources (at any stage of development) will enable MFIs to meet the “microfinance promise.” Reliance on commercial funding is beneficial along two dimensions: outreach and efficiency. Since donor funds are limited in amount, reliance on donor funding limits the ability of MFIs to expand to meet rising demand for services. There is also a question as to whether reliance on donor funds allows MFIs to avoid pressures to operate efficiently (Armendáriz de Aghion&Morduch, 2005).

Commercially funded MFIs respond to the profit incentive, working to increase revenues and decrease expenses so that they can have revenues sufficient to cover all operating expenses. MFIs with access to donor fund may not respond to these pressures to operate efficiently or deliberately choose outreach over efficiency by serving poorer or rural clients with higher delivery costs. Concerns over the dangers of excessive subsidization in microfinance have been prevalent since the 1980s, and as a result, the goal of serving the poor has been twinned with the goal of long-term financial self-sufficiency for some time (Morduch, 2005).

In recent years, there has been increasing internal and external pressure for the MFIs to decrease dependence on subsidized or grant funding. By enabling MFIs to link directly with investors and commercial banks, these types of organizations strive to help MFIs become independent of donor funds (Armendáriz de Aghion&Morduch, 2005). However, Profit-Incentive Theory assumes that firms are certain about the levels of their maximum profits. But profits are most uncertain for they accrue from the difference between the receipt of revenues and incurring of costs in the future. It is, therefore, not possible for firms to maximize their profits under conditions of uncertainty. Therefore the researcher applied life cycle theory to guide the study.

According to this framework of analysis, most MFIs start out as NGOs with a social vision, funding operations with grants and concessional loans from donors and international financial institutions that effectively serve as the primary sources of risk capital for the microfinance sector. Thus, the literature on microfinance devotes considerable attention to this process of “NGO transformation” as a life cycle model outlining the evolution of a microfinance institution (Helms, 2006).

Generally, the life cycle theory posits that the sources of financing are linked to the stages of MFI development. Donor grants and soft loans comprise the majority of the funding in the formative stages of the organization. As the MFI matures, private debt capital becomes available, but the debt structures have restrictive covenants or guarantees. In the last stage of MFI evolution, traditional equity financing has become available (Fehr et al 2004).

During this study, the emphasis was laid on two major concepts. These include microfinance and poverty reduction. Microfinance was considered as an independent variable with dimensions; Loans, Savings, Business development and Credit facilities. Poverty reduction was looked at as a dependent variable and was tackled basing on increased income, increased saving, ability to meet basic needs, creation of wealth and ability to save. Poverty is a global phenomenon, which affects continents, nations and peoples differently. In this study, poverty referred to lack opportunities for households to have their projected goals due to limited capital (Lindvert, 2006).

It afflicts households in various depths and levels, at different times and phases of existence (Oyeranti, 2005). On the other hand, poverty reduction is a set of measures, both economic andhumanitarian, that are intended to permanently lift people out of poverty. The most commonly way to measure poverty is based on income or consumption line. A person is considered poor if his or her consumption level falls below 1USD per day, a level necessary to meet basic needs. In most countries including Uganda there is urban poverty. Towns and villages around the cities are characterized by high levels of poverty and most of small and micro enterprises operate with limited capital and in unsecured places. In this study, poverty reduction referred to improving the income level of households.

Microfinance is a broad category of services, which includes microcredit. Microcredit is provision of credit services to poor clients (households). Microcredit is one of the aspects of microfinance and the two are often confused. Critics may attack microcredit while referring to it indiscriminately as either 'microcredit' or 'microfinance'. Due to the broad range of microfinance services, it is difficult to assess impact, and very few studies have tried to assess its full impact. Proponents often claim that microfinance lifts people out of poverty, but the evidence is mixed. What it does do, however, is to enhance financial inclusion (Feigenberg et al, 2011). In this study, microfinance referred to providing micro loan to poorest of the poor (basically those are neglected by banks,

ISSN No:-2456-2165

microfinance provides them loan facility), and a source of financial servicesfor entrepreneurs and small businesses lacking access to bankingand related services (Robert et al, 2004).

1.2 Statement of the problem

Poverty has been and is a problem facing majority of the world's people and nations and it has devastating consequences for the people who live it. Poverty reduction has been a major concern for successive governments in Uganda over the years because it is believed to be the universally accepted way of achieving economic growth in the country. Uganda's most important success on poverty reduction was achieved in the MDG era where income-poverty ratio was reduced by two thirds, surpassing the 50% reduction specified by Target 1A. It was found that households with higher income levels were better able to meet the direct and indirect costs of accessing education and healthcare (MDG report 2015). Uganda's poverty reduction was driven by broad-based economic growth, enabled by strong macroeconomic management, public investment in infrastructure such as feeder roads and rural electrification, regional integration and trade, and rapid urban growth. Nonetheless, Government continues to implement various measures among which microfinance has taken precedence to support the 6.7 million Ugandans who are still in poverty, and the further 14.7 million who remain vulnerable (Mwabu et al, 2017). Micro finance institutions have been noted to have tremendous contribution towards alleviation of poverty through provision of micro loans to poor and low income earners who may not have access to other formal financial institutions like commercial banks. Its therefore important for the researcher to assess the extent to which microfinance contribute to poverty reduction among households in Kawempe division, Uganda.

1.3 General objective

The general objective of the study was to assess the contribution of micro finance towards poverty reduction among households in Kawempe Division.

1.3.1 Specific objectives

In order to achieve the general objective, the research set out to achieve the following specific objectives.

i. To examine the contribution of microfinance towards access to basic needs in Kawempe division.
ii. To find out the contribution of microfinance towards increased saving in Kawempe division.
iii. To assess the contribution of microfinance towards increased income in Kawempe division.
iv. To examine the contribution of microfinance towards wealth creation among households in Kawempe division.

1.4 Research Questions

i. What is the contribution of microfinance towards access to basic needs in Kawempe division?
ii. What is the contribution of microfinance towards savings in Kawempe division?
iii. What is the contribution of microfinance towards the level of income in Kawempe division?
iv. What is the contribution of microfinance towards Creation of wealth among households inKawempe division?

1.5 Scope of the study

The study focused on the contributions microfinance towards poverty reduction among households in Kawempe division. The researcher conceptualized microfinance as the independent variable with indicators of; loan provision, savings and business development. On the other hand, poverty reduction was looked at as a dependent variable in terms of increased income, increased saving, ability to meet basic needs and wealthcreation.The researcher considered a period of 1996 to 2018, as this was the period when the Poverty Eradication Action plan (PEAP) was initiated and implemented.

1.6 Significance of the study

The study is very significant to micro finance Administrators and workers, Prospective customers, government, other interested parties, as well as to the researchers as it's a body of knowledge on deep understanding of the contributions of microfinance in poverty reduction among households in Uganda.

1.7 Conceptual framework

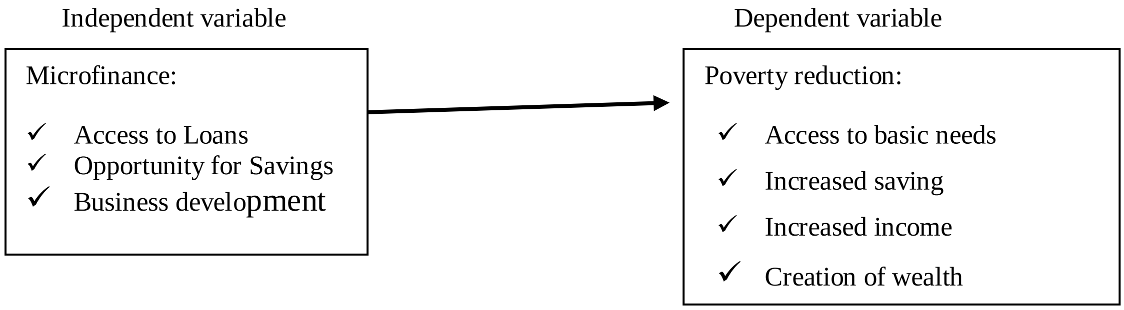

Figure 1: showing the conceptual relationship on microfinance and poverty reduction.
Source: Researcher, 2018

The conceptual framework in figure 1 above, explains the relationship among microfinance institutions and poverty reduction. The researcher hypothesized microfinance in terms of Loans, Savings and Business development to influence the dependent variable (poverty reduction) that was measured using increased income, increased saving, ability to meet basic needs and creation of wealth.

II. LITERATURE REVIEW

This section assesses the literature on the effect of access to finance, saving and wealth creation opportunities on the poverty reduction of the people. Wright (2000) asserts that microfinance interventions on health and education, nutritional indicators improve where microfinance has been working. Littlefield, et al (2003) also acknowledgesthat microfinance impacts the health of the beneficiaries as he was quoted saying that, "*households of microfinance clients appear to have better nutrition, health practices and health education as comparable to non-client households".*

In low income communities, most people prefer to save in undisclosed places; in the roof, pot, walls, underground or under a bed. Savings cannot be converted to investment when it is kept under a bed. Investment is the sacrifice of the current consumption for the future returns. People need savings for emergencies, opportunities (which are often unexpected), to pay for lifecycle events associated with death or marriage, and to smooth payments of their consumption needs (Tareq 2015).

Nourse (2001) reviews the context and rise of microfinance products and argues there is a need for savings and insurance services for the poor and not just credit products. He goes on to argue that MFIs need to provide tailored lending services for the poor instead of rigid loan products. Supporting this latter assertion, Eyiah (2001) develops a model of small construction management contractors and MFIs in developing countries that provides a tailored lending structure for microenterprise contractors.

Hashemi et al (1996) investigated whether women's access to credit has any impact on their lives, irrespective of who had the managerial control. And study findings revealed that women's access to credit contributes significantly to the magnitude of the economic contributions reported by them; to the likelihood of an increase in asset holdings in their own names; to an increase in their exercise of purchasing power and in their political and legal awareness.

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

III. METHODOLOGY

3.0 Introduction

This chapter focused on the description of the methods that were used in the study. These include the research design, study population, sample size and selection, sampling techniques and procure, data collection methods, data collection instruments, validity and reliability, data processing and analysis and ethical considerations that were used to find out the contribution of microfinance towards poverty reduction among households in Kawempe division, Kampala district.

3.1 Research Design

The researcher employed a descriptive,correlation, cross-sectional and survey design in which he used a self-administered questionnaire to collect both qualitative and quantitative data.

3.2 Study population

According to Sekaran (2003), study population is the entire group of people or events that the researcher intends to investigate. The researcher targeted a selected population of 110 households in Kawempe division to be involved in the study.

3.3 Sample Sizeand sampling procedure

The researcher used purposive sampling and simple random sampling to select the respondents who were involved in the study. According to Sekaran (2003), purposive sampling is appropriate when desired information is to be obtained from specific target groups. Purposive sampling helped the researcher to select individuals who have the required information necessary for the study. A sample of 86 households was selected from a population of 110 households with the guide of Krejcie& Morgan (1970) tables.

3.4. Data Collection methods

The researcher used the questionnaire to collect primary data that allowed respondents to provide in-depth and reliable information in relation to the study. The questionnaire was used as it collects much more information in a relatively short time. The researcher also reviewed documentary reviews to guide the discussion of the study findings.

3.5 Validity and reliability of instruments

According to Oso and Onen (2008), validity refers to the extent at which the outcomes obtained from the analysis of data represent the event under study. The researcher ensured the validity of the questionnaire by the use of content validity index from where an index above 0.7 was obtained hence fit for the study using the formula below.

CVI=K/N where; CVI=content validity index, K= Number of items considered relevant and N=Number of items considered in the instrument.

Smith et al (2008) define reliability as a determinant of the degree at which research provides reliable results or data after several trials. The researcher employed the internal consistency method of the Cronbach Alpha test to determine the stability and consistency of research instruments putting into account that the questionnaire used a five likert scale from where an alpha above 0.7 was obtained hence fit for the study.

3.6 Data processing and analysis

Berowitz (1997) defines data analysis as a body of methods which help to portray facts, detect patterns, develop explanations and test hypotheses about the set data. Data collected from the field was analyzed after editing and coding it. The purpose of analyzing data was to come up with important information about the research problem and answer the research objectives. In this the researcher run a correlation, regression and ANOVA on the microfinance and poverty reduction in Kawempe division.

3.7 Ethical consideration

Research like any other discipline has ethical requirements. Therefore the researcher followed ethical considerations in carrying out the research. The researcher ensured privacy of the respondents, observe confidentiality of the information provided, and got permission from the heads of department to carry out study on respondents. The researcher also explained to the respondents the aims and objectives of the study and also sought consent from the respondents to participate in the study freely before being undertaken.

IV. DATA ANALYSIS, INTERPRETATION AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter focuses on the presentation and discussion of the research findings on micro finance and poverty reduction in Uganda focusing on selected Households in Kawempe division-Kampala district basing on the study objectives. The findings have been presented using simple Frequency tables, pie charts, histograms, correlation coefficient, regression and ANOVA for easy understanding.

4.1 The effect of access to finance on poverty reduction

The responses from the respondents were computed to 5 point Likert scale options: Strongly Disagree- SDA, Disagree- DA, Not sure- NS, Agree- A, Strongly Agree- SA. (Note: Frequency- *f* and Total frequency-TF)

Table 1: Access to finance and poverty reduction

Likert scale	**SDA**		**DA**		**NS**		**A**		**SA**		**Total**	
Statement	***F***	**%**	***f***	**%**	***f***	**%**	***f***	**%**	***F***	**%**	**Tf**	**T(%)**
Access to finance builds an inclusive financial sector which reduces poverty.	18	21.2	25	29.4	9	10.6	17	20.0	16	18.8	85	100
Access to finance improves households' consumption patterns, income prospects, and the decision to send children to school.	11	12.9	19	22.4	2	2.4	34	40.0	19	22.4	85	100
The activities of less-poor micro entrepreneurs whose access has improved benefit the very poor.	20	23.5	23	27.1	10	11.8	16	18.8	16	18.8	85	100
Access to credit improves the poor's income and reduces the inequality gap.	31	36.5	24	28.2	12	14.1	17	20.0	1	1.2	85	100

Source: primary data, 2018

On the statement of *"Access to finance builds an inclusive financial sector, which reduce poverty by enabling poor and excluded people to employ their skill sets, labour and innovations in the productive activities of the economy.."*, 18.8 of the respondents strongly agreed, while 20.0% agreed with the subject. On the other hand 21.2% strongly disagreed with the statement while 29.4% disagreed with the statement and 10.6% of the respondents were not sure about the stated topic. This implies that access to credit facilities generally build financial inclusion. This in agreement with Beck, T., Demirgüç-Kunt, A., &Honohan, P. (2009) who cited that microfinance loans have achieved a great mile in enabling financial inclusion- an aspect that had filed the mainstream financial institutions clogged by their bureaucratic requirements and procedures for credit.

Further still on the statement, *"Access to finance improves households' consumption patterns, income prospects, and the decision to send children to school rather than using them as laborers in the household."* findings show that 40.0% of the respondents agreed and 22.4% respondents strongly agreed with the subject matter *while* 12.9% strongly disagreed and 22.4% disagreed with the subject statement. This implies access to finance improves household consumption a view held by Ruel, Garrett, Hawkes, &Cohen, (2010). Ruel and his colleagues asserts that though financial crises affect the rural poor disproportionately, access to finance through microcredit loans improve the poor's consumption patterns on food and fuel in a Parallel manner irrespective of their location. However Banerjee, &Duflo(2007) highlights that consumption patterns especially on basic needs are not dependent on access to micro credit only but also the credit terms and monitoring capacity of the microfinance institutions to which the poor subscribe which limit the subscribers on their spending and saving requirements.

Basing on the statement *"The activities of less-poor micro entrepreneurs whose access has improved benefit the very poor substantially from increased employment and other opportunities"*study findings show that 18.8% of the respondents strongly agreed to the statement while 18.8% agreed to the statement. On the other hand 23.5%, of the respondents strongly disagreed while 27.1% disagreed with the statement and 11.8% were not sure about the statement. This implies that microfinance access to credit facilities to not necessarily increase employment and other opportunities for the poor probably due to the fact that most poor access personal loans products (Avant, 2012). These findings are in alignment with Gobezie (2004) that access to credit and other microenterprise services are hypothesized to expand opportunities at both household and enterprise level through increased household/enterprise income and enhancing employment opportunities (both paid and unpaid but the evidence suggest only few results in these regards. On the other hand Ferdousi (2015) observed that access to microfinance credit has increased entrepreneur activities but made no attempt to quantify the effect this had on the poverty levels of those that accessed the credit facilities he however noted that the lack of access to microfinance financing maintains poverty among the poor .

Basing on the statement "*Access to credit improves the poor's income and reduces the inequality gap."* as observed in the table 4.3 above, it revealed that 36.5% of the respondents strongly disagreed with the statement and 28.2% disagreed with the statement. On the other hand 20.0% agreed to this view while 1.2% of the respondents strongly agreed and 14.1% were not sure. This implies the respondents were of the view that Access to credit does not improve the poor's income nor reduce the inequality gap. This is further explained by Akisimire (2010) who asserts that micro financial system influences the poor who can start a business and who cannot, who can pay for education and who cannot, who can attempt to realize one's economic aspirations and who cannot. Thus, finance can shape the gap between the rich and the poor and the degree to which that gap persists across generations. In another perspective Onyango (2011) notes that on one side the rich-poor gap shortens for those that can access the loans while it widens for those that cannot with potentially profound implications on poverty and income distribution.

4.2 The contribution of Business development towards poverty reduction among households

The responses from the respondents were computed to 5 point Likert scale options: Strongly Disagree- SDA , Disagree- DA, Not sure- NS, Agree- A, Strongly Agree- SA. (Note: Frequency- *f* and Total frequency-TF).

Table 2: Business development and poverty reduction

Likert scale	**SDA**		**DA**		**NS**		**A**		**SA**		**Total**	
Statement	***f***	**%**	***f***	**%**	***f***	**%**	***f***	**%**	***f***	**%**	**Tf**	**T(%)**
Identifying new markets for Household products or services increases productivity	-	-	-	-	-	-	59	69.4	26	30.6	85	100
Business developments allows for new jobs creation.	-	-	-	-	-	-	47	55.3	38	44.7	85	100
Investments in small and medium enterprises create and sustain the jobs necessary for poor people to work and earn the income.	17	20.0	26	30.6	8	9.4	18	21.2	16	18.8	85	100
Business Planning skills enables households to cut on operation costs	10	11.8	21	24.7	7	8.2	29	34.1	18	21.2	85	100

Source: Primary data, 2018

Results from table 2 above on whether*"Identifying new markets for household products or services increases productivity and expand working opportunities within the households and increases income and economic growth."*, reveal 30.6% of the respondents strongly agreed, while 69.4% merely agreed with the subject. This implies that identifying new markets as one of the business development strategies by microfinance institutions for household increase productivity and expand working opportunities within the households enhancing economic growth. This finding is line with the OECD ministerial conference (2018) on Strengthening SMEs which emphasized how governments and private actors can work with SMEs to harness digital technologies and improve market intelligence, access distant markets and knowledge networks at relatively low cost, and boost income for poor households in the long run.

Further still on the statement, *"Business developments allows for new jobs creation which in turn lead to equitable distribution of income culminating in higher standards of living for the populace.",* 55.3% of the respondents agreed and 44.7% of the respondents strongly agreed with the objective statement. This implies in line with this finding Prateek, (2018) discussed that Microfinance institutions play a major role in ensuring a more equitable distribution of income giving all citizens a fair opportunity to become successful which may help accelerate growth and promote economic development.

Basing on the statement *"investments in small and medium enterprises, creates and sustains the jobs necessary for poor people to work and earn the income needed to purchase goods and services they need."*20.0%of the respondents strongly disagreed, 30.6 % of the respondents disagreed and 9.4% were not sure. On the other hand 21.2% of the respondents agreed and 18.8% of the respondents strongly agreed with the statement. This implies Households by reason of business development can facilitate poverty reduction by provision of jobs and income giving the poor the purchasing power a proxy of poverty reduction. This finding is line with Agyapong (2010) who observed that households typically create job opportunities which provide employment for its members and other households, including low-skilled workers, and providing opportunities for skills development. As such, households that generate value added and quality jobs represent an important channel for inclusion and poverty reduction, especially by providing spendable income for the poor in low-income economies (Avant 2012).

Basing on the statement "*Business Planning skills enables households to cut on operation costs improving the income and increase household savings"* as observed in the table 3 above, it revealed that 11.8% of the respondents strongly disagreed, 24.7% of the respondents disagreed and 8.2% were not sure. On the other hand 34.1% of the respondents agreed and 21.2%strongly agreed. This implies that business development improves on the financial stability of households. This finding is line with Akinboadeet'al (2012) who observed that business development is directly related to the financial stability of households. Among the elements of business development he observed included business planning, market analysis and intelligence specifically emphasizing that these three improve on the income of the household and contribute to poverty reduction among its members. On the contrary the OECD (2012) observed that much as most households experience apparent growth and prosperity most of its members remain in poverty due to poor income of the household members in low income countries most of which lack a minimum wage policy.

4.3 The relationship between saving opportunities and poverty reduction among households

The responses from the respondents were computed to 5 point Likert scale options: Strongly Disagree- SDA , Disagree- DA, Not sure- NS, Agree- A, Strongly Agree- SA. (Note: Frequency- *f* and Total frequency-TF).

Table 3: Business development and poverty reduction

Likert scale	**SDA**		**DA**		**NS**		**A**		**SA**		**Total**	
Statement	***F***	***%***	***f***	***%***	***f***	***%***	***f***	***%***	***f***	***%***	**Tf**	**T(%)**
The opportunities for savings enable Households create assets for future investment and financial security.	4	4.7	21	24.7	2	2.4	29	34.1	29	34.1	85	100
Savings services at MFIs which have time restrictions on withdrawals are good for long term capital accumulation.	-	-	-	-	-	-	46	54.1	39	45.9	85	100
The opportunity to save provides Households with the capacity to access better financing for business endeavors in terms capacity and productivity.	26	30.6	27	31.8	-	-	16	18.8	16	18.8	85	100
The opportunities for savings enable Households create assets for future investment and financial security	17	20.0	22	25.9	8	9.4	17	20.0	21	24.7	85	100

Source: primary data, 2018

On the statement of *"The opportunities for savings enable Households create assets for future investment and financial security"*, 4.7% of the respondents strongly disagreed, 24.7% of the respondents strongly disagreed and 2.4% were not sure. On the other hand 34.1% of the respondents agreed and 34.1% of the respondents strongly agreed with the statement. `This implies that Microfinance institutions create an opportunity for Households to generate Assets through savings. This finding is a supported by several studies which generally point to the fact that Micro finance institutions (MFIs) have become the main source of funding micro enterprises in Africa and in other developing countries helping alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care, and empowering people to make the choices that best serve their needs." (Siyad 2013,).

Further still on the statement, "*Savings services at MFIs have time restrictions on withdrawals, which are good for long term capital accumulation to meet the financial needs of the poor.",*54.1% of the respondents agreed and 45.9% respondents strongly agreed with the subject matter. This implies time restrictive saving products offered by microfinance institutions facilitate capital accumulation to meet the poor financial needs. Siyad (2013) argues that time restricted drawings are just a few of the strategies microfinance institutions use to control the urge of the poor to withdraw due to the proneness to spending. The OECD (2012) observed that the poor's proneness to spending arises from the fact that their income is always less than their need.

Basing on the statement *"The opportunity to save provides Households with the capacity to access better financing for their business endeavors in terms capacity and productivity."*30.6% of the respondents strongly disagreed and 31.8% of the respondents strongly disagreed. On the other hand 18.8% respondents agreed, while 18.8% of the respondents strongly agreed with the statement. This implies that the saving opportunities offered by microfinance institutions may not translate into business expansion. This finding is contrary to the OECD (2018) that lists saving opportunities as one of the key factors facilitating business growth through expansion driven by re investment. However a World Bank Enterprise Survey found that Access to finance is disproportionately difficult for smaller firms in the least developed countries (LDCs), with 41 percent of Households in LDCs reporting access to finance as a major constraint to their business growth and development.

4.4 Poverty Reduction

The responses from the respondents were computed to 5 point Likert scale options below.

Table 4: showing the Poverty reduction

Likert scale	SDA		DA		NS		A		SA		Total	
Statement	***f***	**%**	***F***	**%**	***f***	**%**	***f***	**%**	***F***	**%**	**Tf**	**T(%)**
More households can now meet their basic needs as a result of access to microfinance.	8	9.4	26	30.6	8	9.4	25	29.4	18	21.2	85	100
Households have better and improved living conditions through microfinance	18	21.2	26	30.6	17	20.0	16	18.8	8	9.4	85	100
More individuals have registered increased personal savings	17	20.0	17	20.0	8	9.4	25	29.4	18	21.2	85	100
Microfinance has enabled people to engage in entrepreneurial and economic activities that make them more self-reliant	-	-	-	-	-	-	59	69.4	26	30.6	85	100
Microfinance builds inclusive financial systems to all people to access financial services	-	-	-	-	-	-	47	55.3	38	44.7	85	100
Microfinance services have enhanced peoples' productivity and capability to procure assets.	17	20.0	26	30.6	8	9.4	18	21.2	16	18.8	85	100
Microfinance clients have built assets and are less vulnerable to life shocks.	10	11.8	21	24.7	7	8.2	29	34.1	18	21.2	85	100

Source: SPSS data, 2018

Concerning the statement, *"More households can now meet their basic needs as a result of access to microfinance."* 9.4% of the respondents strongly disagreed with the statement, 30.6% agreed and 9.4% were not sure. On the other hand 29.4% of the respondents agreed with this view and 21.2 % of the respondents strongly agreed with the view highlighted by the statement. This implies that microfinance activities in Kawempe had generally empowered households to meet their basic needs. This finding aligns with the view held by OECD (2012) who reviewed that microfinance institutions play a major role in improving the lifestyles of the poor especially related to meeting their basic needs as a direct benefit from accessing finance. Mbugua (2010) added that the misconception of the poor associated with microfinance funds is the major barrier to the fruitfulness of microfinance projects aimed at alleviating poverty. According to him the poor consider the funds to be meant for their basic needs which remain their only benefit when they access the funds.

Regarding the statement, *"Households have better and improved living conditions through microfinance"*, 21.2% of the respondents strongly disagreed 30.6% of the respondents disagreed with the statement while 20.0% were not sure about the reliability of the statement. However 18.8% of the respondents agreed with this view and 9.4% of the respondents strongly agreed with the view highlighted by the statement. This implies the respondents generally rejected the view that microfinance activities in Kawempe had improved households living conditions. This may be attributed to what wolfburger (2014) revealed noting that though Microfinance institutions had achieved financial

ISSN No:-2456-2165

inclusion to greater extent among the poor communities of Kampala, most of the microfinance subscribers households' living conditions had remained virtually unchanged. On the contrary Bugembe (2014) had found that microfinance institutions had greatly improved the subscribers living conditions from aspects of housing, nutrition and most basic needs.

On responding to the statement *"More individuals have registered increased personal savings."*20.0% of the respondents strongly disagreed with the viewand 20.0% of the respondents. Disagreed with the view while 9.4% were not sure. On the other hand 29.4% of the respondents agreed with this view and 21.2% strongly supported it. This implies that microfinance activities and services among households in Kawempe have enable people and their businesses to register increased savings. This aligns with Srivastava, (2016) who asserts that microfinance lending institutions require institutions and individuals to open up accounts with them before accessing credit facilities which accounts serve both as payment channels, monitoring platforms and saving instruments. This consequently encourages clients to save registering increased savings (Minja, 2015).

Responses on the statement "*Microfinance has enabled people to engage in entrepreneurial and economic activities that make them more self-reliant"* revealed that 69.4% of the respondents agreed with the view highlighted by the statement and 30.6% strongly agreed supported it. This implies microfinance activities and services among households in Kawempe have encouraged the growth of entrepreneurships which has promoted self-reliance and economic independence. This view is shared by Srivastava, (2016) who argues that business entrepreneurship among the poor is the gateway to economic self-reliance and since the MFIs facilitate the financing of the entrepreneurship projects this achievement can justifiably be attributed to them. On the contrary (Mbithe, 2013) argued that despite the undeniable fact that MFIs are the major financiers of entrepreneurship among the poor, they cannot be independently hailed for promoting self-reliance as some of them actually perpetuate dependence. Through cycles of borrowings and repayments the poor are stringed on a rope of dependence on MFIs for finance even the operating capital (Mbithe, 2013; Waliaula, 2013).

The findings further reveal that on responding to the statement*" Microfinance builds inclusive financial systems to all people to access financial services" 55.3%* of the respondents agreed *44.7% of the respondents* strongly supported it. This implies microfinance services have provided an inclusive platform that helps households in Kawempe to access financial services. This could be attributed to the business friendly approach of Microfinance institutions towards small and micro businesses allowing for access to funds without collateral supported by affordable interest rates a view held by the OECD (2018).

Regarding the statement "Microfinance services have enhanced peoples' productivity and capability to procure assets and necessary facilities that can encourage productive investment."*20.0% strongly disagreed with the view and 30.6 disagreed with the statement while 9.4% of the respondents were not sure. On the other hand 21.2%* respondents agreed and *18.8%* of the respondents strongly agreed with the statement. There was in consistency among the respondents about this view however most of the respondents rejected the view. This implies that microfinance services may empower and enhance some people's ability to procure assets and indulge in productive investment while others may not be able to chive this benefit. This may be attributed to the fact that different people use microfinance funds in different ways which may bring about differing results. The same view is shared by Carlton et'al (2010) who observed that sometimes microfinance lending institutions deprive people of their productive assets through collateral and limit productive capacity of households.

Regarding the statement "Microfinance clients have built assets and are less vulnerable to life shocks such as unemployment, illness, or family breakup" 11.8% of the respondents strongly disagreed, 24.7% of the respondents disagreed and 8.2% of the respondents were not sure. On the other hand 34.1% respondents agreed, while *21.27*% of the respondents strongly agreed with the statement. This implies that microfinance institutions have empowered household members to build assets which act as safety nets to life shocks.

4.5 Regression and ANOVA

Having discussed the descriptive analysis of microfinance and poverty reduction, the researcher arrived at some conclusions with correlation, regression and ANOVA analysis basing on the research objectives.The results below show the regression model for microfinance and poverty reduction as shown in table 5 and 6 below.

Table 5: Model Summary for microfinance and poverty reduction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.349[a]	.242	.205	.46002

a. Predictors: (Constant), Microfinance

The model summary revealed a slight correlation (R= 0.349[a]) between the observed and predicted poverty reduction outcomes. In fact only a small proportion of variance 24.2% (R-square 0.242) in the poverty reduction could be explained by the microfinance elements considered in this study.

A simple regression result from ANOVA[a] for microfinance and poverty reduction in Kawempe division in table 6 below.

Table 6: ANOVA[a] for microfinance and poverty reduction.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.023	24	3.679	17.354	.026[a]
	Residual	12.024	60	.212		
	Total	18.047	84			

a. Predictors: (Constant), Micro finance b. Dependent Variable: Poverty Reduction

Further analysis by the ANOVA shows a regression variation of 6.023 and a F-ratio of 17.354 significant at the alpha level 0.05 since the sig 0.026 is less than 0.05 implying a greater likelihood that the differences between the means did not happen by chance.

V. SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of findings, conclusions and recommendations on findings as far as micro finance and poverty reduction in Uganda are concerned. This also based on the objectives which is; to examine the effect of access to finance on poverty reduction, establish the contribution of Business development towards poverty reduction among households and determine the relationship between saving opportunities and poverty reduction among households.

5.1 Summary of Findings

The study results revealed that Access to finance improves households' consumption patterns, income prospects, and the decision to send children to school rather than using them as laborers in the household." As evidenced by 62.4% respondents in agreement with the subject matter while 35.5% contrary. Also 100% respondents agreed that Identifying new markets for household products or services increases productivity and expand working opportunities within the households and increases income and economic growth.

Results also showed that Business developments allows for new jobs creation which in turn lead to equitable distribution of income culminating in higher standards of living for the populace.", as evidenced by 100% respondents in agreement with the statement. However results showed that 62.4% disagreed with the statement that "The opportunity to save provides Households with the capacity to access better financing for their business endeavors in terms capacity and productivity contrary to the only 37.6% in agreement.

Study findings also revealed a slight correlation of R= 0.349[a] between the observed and predicted poverty reduction outcomes. And that a small coefficient of determination of 24.2% (R-square 0.242) in the poverty reduction could be explained by the microfinance elements considered in this study.

5.2 Conclusions

Based on the study findings, the researcher concludes that access to finance is linked to poverty reduction by facilitating increased entrepreneurial activities which increases disposable income spent on household consumption especially on food, fuel and basic needs such as health and education. The study further concluded that access to credit does not reduce the income inequality gap as the gap shortens for those that access credit while it widens for those that cannot and that a lack of access to microfinance financing maintains poverty among the poor.

The researcher also concludes that business development activities financed by households such as business training, Market development and marketing reduce poverty by increased productivity and expand working opportunities assisting their companies acquire new customers and sell additional products or services to existing ones consequently increasing the potential for profitability among its members. However there are chances that households experience apparent growth and prosperity yet some of its members remain in poverty.

The study concluded that though microfinance institutions create an opportunity for households to generate assets through savings, such saving opportunities may not translate into business expansion.

5.3 Recommendations

Based on the study findings, the researcher recommends that there is need for special microfinance, grant and training programs that target the youth for entrepreneurial development and that Government having though embarked on the youth programme, need to put stringent measures to curb vices like corruption that has infiltrated the programme. Clients should be trained in skills that can add value to their ability to run the businesses they own more efficiently. This can be done by the relevant MFIs credit officers or Business Development Officers. Since all clients have different knowledge gaps, the researcher suggests that a thorough assessment be carried out to know exactly which areas an entrepreneur requires further skills.

The researcher also recommends that in order to build on gains achieved in the microfinance sector, Government increasingly needs to harness the poverty- reducing potential of shifts in the household sectorial share of employment in favor of more productive and dynamic activities. In addition to that entrepreneurs and households need to be encouraged to take potentially risky investments whilst appropriately managing new sources of vulnerability

Urban centres like Kawempe division offer significant opportunities, but the poor often possess few assets and face high risks, exacerbated by high competition for jobs, weakening of traditional community support systems and inadequate social care services thus many poor and vulnerable households require support in order to exploit the emerging economic opportunities. In view of this the government should complement the microfinance strategy for economic growth with targeted interventions such as education loans and health care to poor household to build the productive capabilities and resilience of vulnerable households.

The researcher recommends that microfinance institutions should consider increasing the period of first repayments in order to allow for the households to command adequate cash flows that can allow for acquisition of assets and or take on opportunities for expansion.The management Microfinance institutions should improve the flexibility of access to the savings maintained by clients as this is destined to translate into significant improvement in the client business growth.

5.4 Areas for further research

This study investigated the role of microfinance poverty reduction in Uganda focusing on selected households in Kawempe division-Kampala district and found that microfinance has a significant role in poverty reduction by especially facilitating the growth and profitability of households which employ a great population of the poor. However it was also found that the prosperity of households may not always translate into poverty reduction for the members therefore the researcher recommended further studies on the role of microfinance institutions in the growth of households.

In a similar way the impact of household productivity on poverty reduction should be established in addition to the factors that sustain poverty among microfinance institutions clients in order to establish the gaps that facilitate failure of microfinance strategies for poverty reduction.

ACKNOWLEDGEMENT

In a special way, I wish to acknowledge my supervisor Mr. RutaloAbasfor his tireless support he has always provided to me towards the completion of this research dissertation. Special thanks also go to my parents; Mr. and Mrs. ZiineTopher for their endless prayers during my studies. In a nutshell would like to acknowledge Steven Ainebyona’s contribution towards this research process and publication, May the almighty God Bless you always.

REFERENCES

[1]. Agyapong, D. (2010). Micro, small and medium enterprises' activities, income level and poverty reduction in ghana-A synthesis of related literature. *International Journal of Business and Management*, *5*(12), 196.

[2]. Akisimire, R (2010). *Microfinance credit terms and performance of SMEs in UGANDA:A case study of SMEs inMbarara Municipality*. (Unpublished Master’s Thesis), Makerere University.

[3]. Armendariz, B &Morduch, J. (2010).*The Economics of Microfinance* (2nd ed). Cambridge, Massachusetts, MIT:TheMIT Press.

[4]. Duflo, E., Glennerster, R., & Kremer, M. (2007). Using randomization in development economics research: A toolkit. *Handbook of development economics*, *4*, 3895-3962.

[5]. Ferdousi, F. (2015). Impact of microfinance on sustainable entrepreneurship development. *Development Studies Research*, *2*(1), 51-63.

[6]. Gobezie, G. (2004, January). Microfinance Development: Can Impact on Poverty and Food In-Security be Improved Upon?.In *International Conference on Microfinance Development in Ethiopia* (Vol. 21, p. 23).

[7]. Hashemi, S. M., Schuler, S. R., & Riley, A. P. (1996). Rural credit programs and women's empowerment in Bangladesh. *World development*, *24*(4), 635-653.

[8]. Henrich, J. P., Boyd, R., Bowles, S., Fehr, E., Camerer, C., &Gintis, H. (Eds.). (2004). *Foundations of human sociality: Economic experiments and ethnographic evidence from fifteen small-scale societies*. Oxford University Press on Demand.

[9]. Kodama, R. H., Makhlouf, S. A., & Berkowitz, A. E. (1997). Finite size effects in antiferromagnetic NiO nanoparticles. *Physical Review Letters*, *79*(7), 1393.

[10]. Lindvert, M. (2006). Sustainable development work and micro finance: A case study of how ECLOF Ghana is working towards financial sustainability. *Unpublished Thesis in the Department of Social Sciences, Mid Sweden University*.

[11]. Littlefield, E., & Rosenberg, R. (2004). Microfinance and the Poor. *Finance and Development*, *41*(2), 38-40.

[12]. Littlefield, E., Helms, B., &Porteous, D. (2006). *Financial inclusion 2015: Four scenarios for the future of microfinance* (No. 38414, pp. 1-16). The World Bank.

[13]. Mbithe, M. N. (2013). *HE EFFECTS OF MICROFINANCE SERVICES ON THE GROWTH OF SMALL AND MEDIUM ENTERPRISES IN MACHAKOS COUNTY* (Doctoral dissertation).

[14]. Minja, E. B. (2015). *The contribution of microfinance institutions On poverty reduction: A case study of Kinondoni municipal* (Doctoral dissertation, Mzumbe University).

ISSN No:-2456-2165

[15]. Mulunga, A. M. (2010). Factors affecting the growth of microfinance institutions in Namibia. *Unpublished dissertation. Bellville: University of Stellenbosch*.
[16]. Mwobobia, F.M (2012).*The challenges facing small-scale women entrepreneurs: A caseofKenya*.International Journal ofBusiness Administration, 3 (2).
[17]. OECD (2010).*Skills development and training in SMEs, local economicand employment development(LEED)*.OECD Publishing.
[18]. OECD (2018).*InnovativeSMEsand entrepreneurship for job creation and growth*.(p.9). OECD Publishing.
[19]. Onyango, K. A. O. (2011). *The Role of Microfinance Institutions in the Growth Of Small and Medium Enterprises (Smes). A Case of Smes in Gikomba Market Nairobi, Kenya* (Doctoral dissertation, The Management University of Africa).
[20]. Oso, W. K., &Onen, D. (2008). A General guide to writing research proposals and report. Kampala: Makerere University.
[21]. Oyeranti, O., &Olayiwola, K. (2005). Policies and programmes for poverty reduction in rural Nigeria. *African Economic Research Consortium (AERC)*, 1-51.
[22]. Pollack, A., Walker, G., Buyyounouski, M., Horwitz, E., Price, R., Feigenberg, S., ...& Ma, C. (2011). Five year results of a randomized external beam radiotherapy hypofractionation trial for prostate cancer. *International Journal of Radiation Oncology• Biology• Physics*, *81*(2), S1.
[23]. Ruel, M. T., Garrett, J. L., Hawkes, C., & Cohen, M. J. (2010). The food, fuel, and financial crises affect the urban and rural poor disproportionately: a review of the evidence. *the Journal of Nutrition*, *140*(1), 170S-176S.
[24]. Scarbrough, H., Swan, J., Laurent, S., Bresnen, M., Edelman, L., & Newell, S. (2004). Project-based learning and the role of learning boundaries. *Organization studies*, *25*(9), 1579-1600.
[25]. Sekaran, S., Foster, R. G., Lucas, R. J., & Hankins, M. W. (2003). Calcium imaging reveals a network of intrinsically light-sensitive inner-retinal neurons. *Current biology*, *13*(15), 1290-1298.
[26]. Siyad, A. D. (2013). *The effect of microfinance institution lending on the growth of small and medium enterprise in Somalia* (Doctoral dissertation, University of Nairobi).
[27]. Smith, L., Ciarrochi, J., & Heaven, P. C. (2008). The stability and change of trait emotional intelligence, conflict communication patterns, and relationship satisfaction: A one-year longitudinal study. *Personality and Individual Differences*, *45*(8), 738-743.
[28]. Srivastava, B. P., & Sherry, A. M. (2016). Demystifying Microfinance in Inclusive Growth. *IPE Journal of Management*, *6*(2), 29.
[29]. Thorbecke, E. (2015). 5. How Inclusive is the Present Growth Pattern in Sub-Saharan Africa?. *AFRICA at a Fork in the Road*, 63.
[30]. Wong, C., Baquera, N., Colón-Rivera, R., Machona, B., McLaughlin, C., Ramos, J., ...& Vasquez-Radonic, L. (2006). SEEDS of a New Millennium. *The Bulletin of the Ecological Society of America*, *87*(3), 225-228.
[31]. Wright, (2000).*Analysisofthe effects ofMicrofinanceon poverty reduction*.Retrieved from http://www.microfinancegateway.org
[32]. Yahie, A. M. (2000). *Poverty reduction in Sub-Saharan Africa: Is there a role for the private sector?*. African Development Bank.