

The Role Of Micro Finance In Improving The Economic Welfare Of The People In Bugiti District. A Case Study Of Kapyanga Sub-County.

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Abstract

This study was conducted in the role of MFIS in kapyanga sub-county Bugiri District. The key objective of the study was to evaluate the role of MFIS in kapyanga sub-county, identifying the key credit policies used by MFIS. Find out the problem facing these MFIS in their service delivery and find out the strategies used to solve the problem facing MFIS. The study used both qualitative and quantitative design methods of data collection used are interview guide and questionnaire. The study involved 50 respondents which intended employees, beneficiaries and managers of MFIS. the findings of the study indicates that. Provision of financial service by MFIS was helping people in different ways for example construction of houses, buying of assets, paying of school fees for the Children of the beneficiaries and improvement of diet. Although it come out that there are some problems still facing MFIS that is to say limited funds, lack of knowledge by the beneficiaries, delay for accessibility of loans, low returns from the borrowed money, difficulty in recovering the loan. The study recommended their funds should be provided to strengthen the financial capacity of MFIS, people be encouraged to make up groups to ensure accessibility to the findings provided by MFIS and people should be fully sensitised on the importance of MFIS.

Key words: Microfinance and Economic welfare.

Background to the study.

Microfinance is a financial institution that provides small financial assistance to the public and charges interest on the loans provided (Alex & Kazaara, 2023). They provide lower-level services such as loans, saving people's income, financial counseling to beneficiaries (Jowin et al., n.d.). Uganda is a remarkable development society that emerged from unstable economic conditions that destroyed its international reputation with poor political conditions (Rigan & Enock, n.d.). The size of the Ugandan economy has more than crumbled with an average growth rate of about 06% per year as a result of the establishment of the IMF (Stephen & Vincent, 2023). According to a recent survey, Uganda ranked second in sub-Saharan Africa in terms of GDP growth since 1990, inflation has fallen to a staggering 24% in the same period and has been less than 10% for the past 5 years (Frank et al., 2023) . This success can be largely attributed to the government's commitment to macroeconomic stability and liberalization of the economy, including the financial system (Branch et al., n.d.; Washington et al., 2023). Compared to other developed MF countries such as Bolivia or Bangladesh, the microfinance industry in Uganda is still new, especially in Bugiri District, specifically Kapyanga Sub-County. The first MFIs are FINCA and Uganda women finance trust (Branch et al., n.d.). However, they began to expand in terms of significant client reach and only gained recognition in the 1990s with increased donor interest (Faridah, Jacob, et al., 2023). Poverty is a human condition characterized by a low standard of living and a severe lack of basic necessities of life such as food, shelter, education, clothing

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with low life expectancy, illiteracy, and a general lack of basic necessities (Keneth et al., n.d.). Therefore, Kapyanga sub-county is about 9 km south of Bugiri town. It is one of the oldest sub-counties in Bukooli North County. Uganda is an economy dominated largely by self-production and the informal sector; there is a need to monetize the economy and increase its depth in kiyungi microfinance assets (Alex & Sarah, 2023). For this reason, the government emphasizes the use of microfinance institutions as one of the main players in poverty reduction (Akankwasa et al., 2022). People in Uganda, especially in kapyanga district, are in desperate need of a financial institution, but financial institutions such as banks often do not give them credit due to a combination of factors such as insufficient collateral. Therefore, the researcher comes to this background. to conduct research on the role of microfinance in improving the economic well-being of people in Kapyanga sub-county in eastern Uganda and elsewhere (Evelyne & Rebecca, n.d.).

Statement of the problem

Compared to other districts, Bugiri is characterized by relatively weak and ineffective coordination among stakeholders in the MF sector (Jonan et al., 2023). In their performance report of 2015, the district was the worst performing in the eastern region (Ramadhan et al., 2023). The objective of this research was to find out the role of MFIs in the credit policies used and the challenges of MFIs as well as their solutions for the development of Kapyanga County, Bukooli County, Bugiri District for the world and policy makers to know. that possible means can be derived to avert situation that is predominate in this study area (Julius, n.d.)

Specific objectives.

1. To find out the benefits of microfinance institution to the residents of kapyanga sub county
2. To identify the problem facing micro finance institution in their operations.
3. To identify the strategies to be used to solve the problem facing micro fiancé institutions.

Research questions

1. What are the contributions of micro finance institution?
2. What are the problems faced by micro finance institutions in their course of service delivery?
3. What are strategies used to solve problem facing microfinance institution?

Methodology

The researcher used qualitative and quantitative methods. The study was conducted in kapyanga sub county found in Bukooli north county, Bugiri district in the eastern part of Uganda. The study involved management, employees and beneficiaries of micro finance institutions in kapyanga sub county, Bukooli north County, Bugiri District. Fifty (50) respondents were focused in the study. Two managers of micro finance institutions, ten employees of micro finance institutions and thirty-eight beneficiaries of micro finance in kapyanga Sub County in Bugiri district. These were selected using the statically sampling design; thus, it involved dividing target population into member of sub groups and the sample is driven from 50m sub group. This helped to obtain quantitative data which is refers to as primary data in this research report.

The researcher used both primary and secondary data during the collection. The researcher used questionnaires, interviews, documentary records, pens, pencils rubber, and papers. Statistical data analysis was performed and descriptive statistics i.e. percentages were reported. All the analysis was done in STATA (Nelson et al., 2022).

Results.**Benefits of MFIS to tell their beneficiaries in kapyanga sub-county**

Benefit	Frequency	Percentage. (%)
Access to good and services	25	50
increased level of investment	19	38
help to pay school fees	6	12
Total	50	100

All the men and women respondents appreciated the significant impact their roles of MFIS on women in field like decision making, record keeping and supporting their families financially. Majority of the beneficiaries (25, 50%) revealed their access to good and services to MFIS in this regard one of the male beneficiaries said (I am grateful for the services of MFIS among them have been able to acquire a motorcycle which normally use for transporting milk and eggs to the market) and minority of the beneficiaries showed that MFIs helped them to pay school fees for their students (7, 12%). The availability of MFIS has further increased on the level of investment by the individual beneficiaries in kapyanga sub-county. We have used our money from these MFIS for ossur piggery project; we hope to get some good money from these pigs when they grow up (Faridah, Kazaara, et al., 2023).

The problem experienced by MFIS in kapyanga sub-county**Table 3: problem faced by the MFIS as ranked by their management.**

category	Frequency.	Percentage (%)
Limited security after accusation of the loan.	14	28
Difficult in recovery of borrowed funds	21	42
Low return	8	16
Competition from other micro finance	7	14

Source primary data.

Findings from the table above indicated that majority of the respondents (21, 42%) faced a problem of difficulty in recovery of borrowed funds, followed by Limited security after accusation of the loan with (14, 328%) indicating that the above problem is at a rampage. The minority of the respondents from the management indicated that Competition from other micro finance isn't an alarming problem with only (7, 14%) (Kazaara & Christopher, 2023).

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Summary.

The finding showed that MFIs particularly those operating in kapyanga sub county have helped to improve on the socio-economic status of the people e.g., they provided loans for small business, construction of houses, payment of school fees and purchase of assets like motorcycles. The findings showed that majority of the beneficiaries know what was meant by MFIS though they never reached the conclusion on formal definition of the term micro finance institutions. It showed that MFIS in kapyanga sub-county had only this source of income which are from the micro finance support centre and from members contribution. It was revealed that the loan sizes provided to the beneficiaries of MFIS were not satisfactory enough (District et al., 2023). Findings equally showed that MFIS beneficiaries in kapyanga sub-county were borrowing for a number of reasons like business, school fees. It's also revealed that MFIS in kapyanga sub-county were offering both financial and non-financial service by their beneficiaries. The finding showed that MFIs borrowed money at different phases which include borrowing weekly monthly, quarterly, annually (Akankwasa et al., 2022). The research made indicated that both MFIs and their beneficiaries were faced with a number that both MFIs and their beneficiaries were faced with a number of problems both internally and externally. In the final analysis the findings revealed that despite the existence of

Conclusion

The MFIS have a lot of impact on the people of kapyanga sub-county in areas like strengthening their purchasing power, construction of houses and buildings improving their general standards of living to mention but a few. It was also revealed that the beneficiaries were not so which involved in planning and designing strategies for the operation if MFIS. The member of potential beneficiaries over whelks the capacity of the only two ensuring MFIS in kapyanga sub-county indicating that some people are not serves. Generally, MFIS will have a significant impact in reducing poverty, promoting education and agriculture if they have enough operational funds, closely monitored the progress of beneficiaries, train their beneficiaries, charge reasonable interest role and when the beneficiaries honour their loan agreement.

Recommendations

For the MFIS to work efficiently and effectively in curbing down poverty the sub-county of the kapyanga the following summarised recommendation have to be taken into consideration.

MFIS should encourage participatory approach so that the beneficiaries get involved in the planning and designing of strategies to make such strategies friendly and acceptable like honest one and marital status.

People should be encouraged to formally group to ensure easy accessibility of the fund provided by MFIS.

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