
Micro Finance Institutions And Household Income Of People In Kisoro District: A Case Study Of Kisoro Municipality

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Abstract

The major objective of this study lied in finding out whether there was a relationship between micro finance institutions and Household income of people in Kisoro Municipality, Kisoro District. Other objectives included: To establish the level of performance of Microfinance institutions in Kisoro Municipality and to find out the extent of Household income earning in Kisoro Municipality, Kisoro District. The study adopted a triangulation of a case study design and a cross-sectional survey design, also the study employed both qualitative and quantitative techniques to analyze data. Simple random probability sampling and purposive sampling techniques were used to obtain appropriate respondents for the study. Questionnaires and interview guides were used to collect data from respondents about the relationship between micro finance institutions and Household income of people in Kisoro Municipality, Kisoro District, and the researcher considered 50 Micro finance owners, 100 businessmen (business owners) in Kisoro Municipality, 223 community members and LC 5 chairman of Kisoro district and Kisoro Municipal Town Clerk. Data was analyzed by use of Microsoft excel and presented in form of frequency distribution tables and pie chart. SPSS Software was also used to analyze data in the study. The researcher found out that there is a very strong positive relationship between micro finance institutions and Household income of people in Kisoro Municipality, Kisoro District at $r = 0.775$ and since the sig. value (.000) was far less than 0.01, which is the maximum level of significance required declaring a significant relationship between micro finance institutions and Household income of people in Kisoro Municipality, Kisoro District, this implies that the level of micro finance institutions development greatly affects the level of Household income of people. The findings revealed that 55% of the respondents suggested that the level of performance of microfinance institutions in Kisoro municipality is very high, 30% of the respondents noted high level, and 10% revealed low level and the remaining 5% of the respondents noted very low level. The researcher recommended the government to provide financial support in form of loans in order to boost their service delivery. The researcher recommended MFIs to provide financial services to the people at affordable interest rates. The researcher further recommended the parents to get involved in income earning activities so that they can improve their house hold income.

Keywords: Micro Finance Institutions And Household Income

Background of the study

According to Patricia (2004), Micro finance institutions (MFIs) are financial companies that provide small loans to people who do not have any

access to banking facilities. Mwangi et al (1998) defines the term Micro finance institutions as the organizations that provide loans to low- income

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clients, including micro-companies and the self-employed, who traditionally lack access to mainstream sources of finance from banking institutions (Gracious, 2023). Microfinance institutions have been defined by CGAP (1998) as “The organizations that offer provision of financial services to low income people” (Kazaara & Christopher, 2023).

International organizations are coming to the realization that MFIs are veritable and effective channels to ensure programme implementation effectiveness, particularly in poverty alleviation projects and firsthand knowledge of the needs and interest of the poor (Chakravarty & Shahriar, 2010.). According to (Winny et al., 2023), the World Bank Sustainable Banking with the Poor project (SBP) in mid-1996 estimated that there were more than 1,000 microfinance institutions in over 100 countries, each having a minimum of 1,000 members and with 3 years of experience. In a survey of 2006 of such institutions, 73 per cent were NGOs, 13.6per cent credit unions (Derrick et al., 2023), 7.8 per cent banks and the rest savings unions. An overwhelming majority of the world’s poor live in the third world countries. Various approaches have been employed in alleviating poverty of which provision of credit that targets the poor is one. Many are now of the opinion that allowing the poor to have command over resources through credit can contribute towards poverty alleviation (K. Faridah et al., 2023). Schrader (2009) argues that the best way to do something about poverty is to let the people do their own thing. Nobody

will have more motivation to change his situation than the sufferer himself/herself (Mahmood et al., 2023).

Overall, Microfinance institutions (MFIs) in Africa are dynamic and growing. Of the 163 MFIs, 57 percent were created in the past eight years-and 45 percent of those in the past four. African MFTs appear to serve the broad financial needs of their clients (Christopher et al., 2022). Unlike trends in most regions around the globe, more than 70 percent of the reporting African MFIs offer savings as a core financial service for clients and use it as an important source of funds for lending. MFJs in Africa tend to report lower levels of profitability (Annet et al., 2023), as measured by return on assets, than MFIs in other global regions. Among the African MFIs 47 percent post positive unadjusted returns; regulated MFIs report the highest return on assets of all MFI types, averaging around 2.6 percent (Polycarp et al., 2023). In 2012, Uganda ranked 161st among 187 countries on the United Nations Development Programme & Human Development Index, in the Low Human Development category. Based on an analysis of the 1989/90 Household Budget Survey, the poverty assessment for Uganda drew two poverty lines (Ntirandekura & Christopher, 2022). The first was set at a level that represented the expenditures necessary for a daily intake of 2,200 calories plus some reasonable non-food expenditures, and Ugandans falling below this line were characterized as the “1 poor”. The second line was set at a level of expenditures representing the bare minimum for adequate food intake, and those falling below this

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line were considered to be the “poorest” or the core poor and these were majorly the people in rural Uganda and as defined by the first line, about 55 percent of Ugandans can be considered to be poor who are urban dwellers majorly, 92% of the poor live in the countryside, although only 89% of the population is classified as rural (Rashid et al., 2023). The discrepancy between rural and urban levels of poverty is even greater using the lower or “core’s poverty line. Not only is poverty more widespread in rural areas, it is also more severe. Rural people also spend about half as much as urban dwellers. Accordingly, poverty-related indicators, such as household size, dependency ratio, and illiteracy, are higher for rural Uganda. In particular, poorer households tend to have older and less educated household heads, and are more likely to be headed by a woman (Oromo et al., 2023).

Income is one of the monetary dimensions for measuring well-being. The National Development Plan (NDP) stresses the need to uplift the welfare of all Ugandans through the “Prosperity for All” policy that focuses on increasing production and wealth accumulation (Allan et al., 2023). According to the Uganda national bureau of statistics through the Uganda national household survey (UNHS, 2009/10) collected information on various components of household income including; property income, current transfers and other benefits, income from enterprises, salaries and wages; and income from subsistence activities (W. Paul & Kazaara, 2023). For purposes of analysis, household income was defined as the sum of

income both in cash and in-kind that accrues from economic activities performed by household members. The nominal value of income was used implying that it has not been adjusted for inflation (Frank et al., 2023).

According to the study conducted by Woolard & Klasen (2004) in Kenya, it was found out that It is important to note that incomes capture individual material characteristics, household income is a useful indicator, since the benefits of many elements of consumption and asset accumulation are shared among household members (N. Faridah et al., 2023). This cannot be presumed, especially in the context of gender divisions of labour and power within the household, in particular for women, who may not be the main earners in the household. Using household income information to apply to all the people in the household assumes an even distribution of income according to needs within the household, which may or may not be true. However, income is nevertheless the best single indicator of material living standards (Oromo et al., 2023). Any concealment behaviour exhibited by any of the spouses to income disclosure, such behaviour may contribute to an intergenerational poverty trap, and also the wellbeing of the family may be in jeopardized (Jac & Kazaara, 2023).

In the past 20years, the delivery of financial services to this poor population has been considered as an important anti-poverty reduction tool (Sarah & Richard, n.d.). Microfinance has and continues to play an important role in the following key areas helping

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the unemployed becomes employed, thereby increasing their incomes and consumption; many women have been empowered and given a livelihood and independence. Significant amount of saving have been mobilized and in general, a saving culture developed among the poor population (K. Paul et al.,

2023). Furthermore, microfinance has enabled poor people to access better health, and nutrition. This study will discuss the relationship between Micro finance institutions and Household income of the people in Uganda, Kisoro District.

Statement of the problem

Microfinance as pioneered in Bangladesh by Mohammed Yunus (1999) was to assist low-income youth and men through micro-enterprises for their economic development (Tom et al., 2023). Growing concerns about poverty stands out in political agendas all over the world, as stubbornness of poverty even in the richest nations is being met with increasing impatience (K. Faridah et al., 2023). Governments and international aid donors have been subsidizing credit to small farmers in rural areas of many developing countries. These subsidized credit from donor Non-Governmental Organizations (NGOs) made it possible for large numbers of low-income people to have access to financial services (Moses et al., 2023).

In the past 20years, the delivery of financial services to this poor population has been considered as an important anti-poverty reduction tool. Microfinance has and continues to play an important role in the following key areas helping the unemployed becomes employed, thereby increasing their incomes and consumption; many women have been empowered and given a livelihood and independence (Nelson & Christopher, 2022). Significant amount of saving have been mobilized and in general, a saving culture developed among the poor population (Moureen & Julius, 2023). Furthermore, microfinance has enabled poor people to access better health, and nutrition. The problem lied in finding out whether there was a relationship between Micro finance institutions and Household income of people in Kisoro District, Kisoro Municipality.

Specific objectives

1. To establish the level of performance of Microfinance institutions in Kisoro Municipality.
2. To find out the extent of Household income earning in Kisoro Municipality, Kisoro District.
3. To find out the relationship between micro finance institutions and Household income of people in Kisoro Municipality, Kisoro District.

Methodology

The study involved both qualitative and quantitative approaches during data collection. Burns and Grove (1993) define quantitative research as a formal, objective, systematic process to describe and test relationships and examine cause and effect interactions among variables. The study adopted a triangulation of a case study design and a cross-sectional

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survey design, also deploying both qualitative and quantitative techniques to analyze data. A case study design was selected because the researcher neither had time nor financial resources to conduct a national survey of all Districts in Uganda (UGAPRIVI, 2012). Secondly, as Mugenda and Mugenda, 1999) states, a case study research design permits a researcher to conduct an in-depth examination of a single phenomenon at a given point in time, to arrive at findings that are applicable to the broader phenomenon that the case represents. In particular, Kisoro Municipality only has about 1000 inhabitants (Population and Housing Census, 2014). The study population consisted of Micro finance owners found in Kisoro Municipality, community members in Kisoro municipality, businessmen, political leaders like the LC 5 chairman of Kisoro district and Kisoro Municipal Town Clerk. Out of a total population of 1000, a sample of 375 respondents were chosen using the *Krejcie, Robert V., Morgan, Daryle W. (1970) table*. The respondents in this study were Micro finance owners, businessmen (business owners) in Kisoro Municipality and community members. The LC 5 chairman of Kisoro district and Kisoro Municipal Town Clerk were used as key respondents in the study. Simple random sampling was used to select respondents in the group of business owners and community members. A total of 50 Micro finance owners, 100 businessmen (business owners) in Kisoro Municipality, 223 community members participated in the study and their selection involved simple random sampling and specific attention was paid to inclusion of both male and female respondents in the study area. The researcher prepared 50 questionnaires for Micro finance owners, 100 questionnaires for businessmen (business owners) in Kisoro Municipality, 223 questionnaires for community members, other for the key informants which includes the LC 5 chairman of Kisoro district and Kisoro Municipal Town Clerk officer to supplement the interview with the key informants and documentary review. Data processing was done through Editing, coding and tabulation. Data analysis shall also be done using computer analysis with the help of the SPSS (Statistical Package for Social Sciences). This helped the researcher analyze the raw data and transform it into meaningful and usable information. After this process, a report was written based on the findings from the study. The data that was collected by the researcher was edited, coded, and entered into the computer using the Statistical Package for Social Scientists (SPSS) and Microsoft Excel Software Package (Nelson et al., 2022). The analysis involve the use of tables, figures and frequencies to present the descriptive characteristics of the respondents. Pearson correlation analysis and regression analysis were employed. Pearson correlation analysis was used to determine the relationship between the study variables (micro finance institutions and household income).

RESULTS

The effects of micro finance institutions on the development of household income of people in Kisoro Municipality

	Effects of micro finance institutions on the development of household income of people in Kisoro Municipality	Strongly agree (5)	Agree (4)	Agree nor disagree (3)	Disagree (2)	Strongly disagree (1)	Total
1	Micro finance institutions gives loans to small scale businesses	100 (50%)	30 (15%)	20 (10%)	30 (15%)	20 (10%)	200 (100%)
2	Micro finance institutions influence the growth of small scale businesses	80 (40%)	20 (10%)	50 (25%)	40 (20%)	10 (5%)	200 (100%)
3	Many small scale business owners fear to borrow loans from micro finance institutions	70 (35%)	50 (25%)	30 (15%)	10 (05%)	40 (20%)	200 (100%)
4	There are few micro finance institutions in this area	80 (40%)	20 (10%)	50 (25%)	40 (20%)	10 (5%)	200 (100%)
5	Addresses the socio- economic barriers that often lead to poverty, crime, poor health and low property values.	40 (20%)	30 (15%)	50 (25%)	20 (10%)	60 (30%)	200 (100%)

Source: Primary data (2023)

The results in the table 1 shows that 50% strongly agreed, 15% agreed, 10% neither agreed nor disagreed, 15% disagreed and 10% strongly disagreed that Micro finance institutions gives loans to small scale businesses. Also 40% strongly agreed, 10% agreed, 25% neither agreed nor disagreed, 20% disagreed and 5% strongly disagreed that Micro

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finance institutions influence the growth of small scale businesses. 35% strongly agreed, 25% agreed, 15% neither agreed nor

disagreed, 05% disagreed and 40% strongly disagreed that many small scale business owners fear to borrow loans from micro finance institutions. 40% strongly agreed, 10% agreed, 25% neither agreed nor disagreed, 20% disagreed and 5% strongly disagreed that there are few micro finance institutions in this area. 20% strongly agreed, 15% agreed, 25% neither agreed nor disagreed, 10% disagreed and 30% strongly disagreed that Addresses the socio-economic barriers that often lead to poverty, crime, poor health and low property values.

Table 2: Level of performance of microfinance institutions in Kisoro municipality

Responses	Frequency	Percentage (%)
Very High	110	55
High	60	30
Low	20	10
Very low	10	5
Total	200	100

Source: Primary Data (2022)

The findings in the table 2, revealed that 55% of the respondents suggested that the level of performance of microfinance institutions in Kisoro municipality is very high, 30% of the respondents noted high level, and 10% revealed low level and the remaining 5% of the respondents noted very low level (Moses et al., 2023).

Table 3: Importance of micro finance institutions to people in Kisoro Municipality

Responses	Frequency	Percentage (%)
Giving loans to people	10	5
Provision of employment opportunities	60	30
Provide business sensitization to people	20	10

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Service delivery to people	110	55
Total	200	100

Source: Primary Data (2023)

The findings in the table 3, revealed that 55% of the respondents suggested that micro finance institutions give loans to people, 30% of the respondents noted MFIs provide employment opportunities to people and 5% of the respondents suggested that MFIs provide business sensitization to people (Winny et al., 2023)

Table 4: Extent of Household income earning among people in Kisoro Municipality

Responses	Frequency	Percentage (%)
Very High	110	55
High	60	30
Low	20	10
Very low	10	5
Total	200	100

Source: Primary Data (2023)

The findings in the table 4, revealed that 55% of the respondents suggested that the extent of Household income earning among people in Kisoro Municipality is very high, 30% of the respondents noted high level, and 10% revealed low extent and the remaining 5% of the respondents noted very extent.

Table 5: Showing Pearson Correlation between micro finance institutions and Household income of people in Kisoro Municipality, Kisoro District		Micro finance institutions	Household income of people in Kisoro Municipality, Kisoro District
Micro finance institutions	Pearson Correlation	1.00	.775
	Sig. (2-tailed)		.000
	N	200	200
Household income	Pearson Correlation	.775	1.00
	Sig. (2-tailed)	.000	
	N	200	200

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** Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS output page

Table 5 indicates that there is a very strong positive relationship between micro finance institutions and Household income of people in Kisoro Municipality, Kisoro District at $r = 0.775$ and since the sig. value (.000) was far less than 0.01, which is the maximum level of significance required declaring a significant relationship between micro finance institutions and Household income of people in Kisoro Municipality, Kisoro District, this implies that the level of micro finance institutions development greatly affects the level of Household income of people (Nelson et al., 2023).

Conclusion of the Findings

The researcher concluded on this objective from the findings that the extent of Household income earning in Kisoro Municipality and this is due to high performance of Micro finance institutions.

The third objective aimed at looking at the relationship between micro finance institutions and Household income of people in Kisoro Municipality, Kisoro District. The researcher concluded that there is a very strong positive relationship between micro finance institutions and Household income of people in Kisoro Municipality, Kisoro District at $r = 0.775$ and since the sig. value (.000) was far less than 0.01, which is the maximum level of significance required declaring a significant relationship between micro finance institutions and Household income of people in Kisoro Municipality, Kisoro District, this implies that the level of micro finance institutions development greatly affects the level of Household income of people (Polycarp et al., 2023).

Recommendations of the study

The government should provide financial support in form of loans in order to boost their service delivery.

The researcher recommends MFIs to provide financial services to the people at affordable interest rates.

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The researcher recommends the parents to get involved in income earning activities so that they can improve their house hold income.

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