International Journal of Economics, Business and Management Research

Vol. 1, No. 01; 2017

http://ijebmr.com

MICRO-CREDIT AND THE GROWTH OF WOMEN ENTREPRENEURS IN RIVER OLI DIVISION OF ARUA MUNICIPALITY IN UGANDA

Mildred Osoru , Jacob L. Oyugi and Stephen Kasumba
School of Management and Entrepreneurship
Kyambogo University – Uganda

ABSTRACT

This paper is part of a broader study set to examine the influence of Micro Finance services on the growth of Women entrepreneurs in River Oli Division Arua Municipality.

Despite improved access to microfinance services like loans, women in River Oli Division continue to face financial challenges and low growth in their businesses.. The researcher used case study design based on qualitative and quantitative approach in order to get better result. The population size was 215 out of which, 184 respondents were sampled. Primary data was collected through administering structured questionnaires, interviews, and Focus Group Discussions. On the other hand, secondary data was collected through the review of relevant documents and MFIs reports. The findings disclosed that, access to micro-credit and other services offered by MFIs were of benefit to women since they were able to start-up businesses and take care of their families. The study concludes that, MFIs services positively influence the business growth of women entrepreneurs. It is therefore recommended that, MFIs should reduce interest rates on both group and individual borrowing and increase on the loan amount, need to extend loan reimbursement period, address the issue of collateral security and support training in various fields of entrepreneurship in order to acquire entrepreneurial and technical skills.

Keywords: Micro-finance, growth, women entrepreneurs, River Oli, Arua Municipality, Uganda.

Introduction

The study from which this paper was extracted was conducted at River Oli Division, a sub-county in Arua Municipality located in the southern part of Arua town. It is made up of three wards (Pangisha, Kenya and Tanganyika). Generally, business establishments play a great role in job creation, revenue generation and economic growth (Wube, 2010). Nevertheless, in Arua District, women entrepreneurs are faced with a number of issues like socio-cultural and economic factors which hinder their entrepreneurial development. Attitudes, norms, values and practices, patriarchal ideology towards women in this District has a negative effect on the performance of women entrepreneurs. Despite the fact that over 80% (26,502.4) of the female population are entrepreneurs who have access to microfinance services and operate businesses at micro level like sell of agricultural produce, timber, clothes, poultry farming and fish mongering, women still register declining growth in their businesses (BRAC Report, 2015).

Literature review

The study focused mainly on business loan disbursed to women entrepreneurs in groups and on individual basis, and the interest rates charged by the Micro Finance Institutions.

Business loans

As an exclusive development mediation, microfinance offers access to flexible, appropriate and affordable micro-credit to entrepreneurs that empowers and equips them to establish their own ventures and generate income for business growth (Littlefield & Hashemi, 2003). This mostly benefits the women since they are the major target for MFIs. According to Wydick & Kevan (2001), the provision of business loans to the poor serves two purposes. Initially, as borrowed capital is invested in trivial enterprises, it often results in substantial increase in household income. Furthermore, adequate credit facilities encourages financial growth in the informal sector by increasing capitalization of business, employment creation, and long-term income growth to aid entrepreneur's performance (Kuzilwa, 2005). According to Lakwo (2007), credit assistance to entrepreneurs is often seen as improved income, output, investment, employment and well-being of the entrepreneurs. Promotion of Micro and Small Enterprises (MSEs) sector in Kenya is a viable and dynamic strategy for attaining the national goals which includes employment creation. This is because the SMEs are major sources of entrepreneurial skills, innovation and employment. According to Ojo (2009), credits and savings had positive impact on the performance of entrepreneurs in Nigeria as such, micro-credit and its influence on the performance of women entrepreneurs cannot be underrated. Srnec and Havrland (2006) asserts that, access to sustainable financial services (Micro-credit), increases income, builds assets, reduces vulnerability among women, better nutrition, health and education. Nonetheless, women entrepreneurs in River Oli Division still face retarded growth in their business.

More so, employment in Ghana largely focuses on small and medium enterprises (SMEs), however, these SMEs mainly owned by women are almost entirely excluded from the formal financial sector. Consequently, investments which promote growth and employment are habitually ruled out. This implies serious constraints to the development of the economy as a whole (Srnec and Havrland, 2006). Micro-credit as a strategy for business development is recognized world-wide as a dominant economic development supporter and an important tool in relieving rural poverty (Bayes, 2005). Small loan arrangements extended to women enable them to increase their business and household income, build assets and reduce their vulnerability to daily life time catastrophes, thus helping women to raise their business.

Furthermore, micro-credit can be interpreted as a tool for commercial progress because it promotes start-up of new businesses, reducing poverty and creating jobs (Mamun, 2012).

Ayyagari, (2013) argued that, the expectations of small enterprises contributes to the employment share in low-income economies than in high-income countries depending on their ability to secure credits from MFIs and other formal institutions like banks that help SMEs to develop and get returns on their investment.

Mokhtar (2011) also indicated that, the purpose of loan usage, size and amounts are the main factors that influence borrowers' income. When funds are invested in to productive ventures and are of reasonable amount, borrowers earn higher returns on investments which helps them to diversify thus creating employment opportunities to the community.

A study has shown that, micro-credit services have progressive effect on women entrepreneurs' wellbeing. However, this is the opposite with women entrepreneurs in River Oli Division. Ahmad (2012), demonstrated that microcredit has a constructive impression on the women entrepreneurs in Yemen through stimulating new businesses formation and increasing their income levels. On the other hand, Haile, Bock, and Folmer, (2012) pointed out that, micro-credit empowered women in Ethiopia allowing them to improve their ability in decision making and increase income as well as enhance their household expenditures. This led to growth in the female owned enterprises. More augment by Mokhtar (2011) highlighted the significant role of microcredit in enhancing clients' income, assets and the quality of their life in Malaysia where most women benefited.

Group lending

The provision of micro credit through Self Help Groups (SHGs) across India made women manage themselves for social mobilization, to create self-confidence, rise their self-esteem through participation in socioeconomic life (Reji, 2013). The SHGs programme normally targets the rural poor, particularly women, who are often discriminated against not only by banks but also by their own family. As a result, the provision of loans to women serves the dual goals of increasing business and household income.

Microfinance loans through SHGs are of great benefit to the group members since the loans are disbursed based on group solidarity instead of formal collateral (Manikonda, 2014). This enables close supervision of the utilization of credit by the members which motivates them to put it in productive ventures for sustained income and eventual expansion of their enterprises.

Accordingly, (Feigenberg, Field, and Pande, 2010) found that regular communication among group members builds social capital and increases their financial outcomes. Clients who met more frequently were less likely to default in subsequent loan cycles encouraging MFIs to continue working with the groups to magnify their commerce.

Self Help Groups (SHGs) have been found as the best approach to loan disbursement (Yunus, 2007). The group lending approach, was first used in Bangladesh, and may not easily be replicated in other countries like Uganda. Bangladesh has an area of 147,600 km^2 with 130 million people while Uganda has an area of 241,551 km^2 with 34.6 million people (UBOS, 2014), which implies that the information network in Uganda could be much weaker than that of Bangladesh where group lending has operated efficiently. Members of a group in Uganda may not be able to fully monitor how funds borrowed from MFI are properly managed by their members. Nevertheless, the microfinance sector in Uganda has largely adopted the Bangladesh model and runs two broad microcredit programs; individual lending and group lending. The two credit programs exhibit different characteristics defined by, the promptness of loan approval, repayment periods either weekly or monthly, interest rates, and other program specific terms. (Woller and Brau, 2004).

According to Armendáriz and Morduch (2007), Self Help Group meetings facilitate education and training valuable for members with small experience to improve financial performance of their businesses. According to Godquin (2004), group lending helps to mitigate the risks associated with information asymmetry. Since group borrowers are linked by joint obligation, information is available in case a member changes the business from safe to unreliable project, which would otherwise increase the probability of paying the liability by the whole group. This gives group members the incentive to monitor each other for fear of not losing the business income thus helping to achieve growth in business. Nevertheless, (Madajewicz, 2003) argued out that group lending may be rendered ineffective since in case of default, liability of the loan is transferred to group members, and the cost of monitoring each other is high, this results in to loss of revenue and capital (Savita, 2007) argued that group lending is associated with additional costs including group formation costs, training borrowers on group procedures, higher degree of supervision and a higher frequency of installment payments. These costs escalate interest rates of such micro loans leading to greater repayment risks and loss of revenue. Other researchers argue that group lending punishes good customers since the group members act as surety and in case of default, the group name is flawed (Zinman and Karlan, 2008). This hinders optimal consumption of borrowed funds by the clients and even affects repayment since the motivation of future credit is no longer existing in the event that one member fails to repay.

Most of the economically active but deprived, involved in the Microfinance services strained the necessity for capital to be able to operate their businesses. Certainly, through group lending, women entrepreneurs highlighted that microfinance organizations enabled them to acquire some key ingredients that include; easy access to credit (small loans), increased credit assistance even when outstanding loan amounts are not paid, ability to split or partially pay off loans and need to reschedule loan (Affandi and Astuti, 2014).

Group lending in microfinance creates greater social investment and therefore leads to greater entrepreneurial success (Morris, Warner, & Hiatt, 2006). Through the increased social bonds, the entrepreneur has greater access to funds and information required for the business, which enables her to generate income to expand the business.

Individual lending

According to Armendáriz and Morduch (2007), individual lending programs also present several benefits to entrepreneurs since the loan amounts are normally higher than group loans and can be invested in prolific projects which generates employment. These loans are normally collateralized and underwritten by third parties (guarantors), who exerts sufficient pressure on the borrower to repay MFI loans. This helps the entrepreneurs (borrowers) to expand their business. Conversely, Laure and Baptiste (2007) argued that, guarantee mechanism, especially personal guarantees, is only fruitful if the client pledged collateral security. The institutional framework should also easily permit the transfer of the pledged property to the creditor. (Nader, 2008) confirmed that, microcredit played a considerable role in the families' wellbeing in Cairo. It helps them to gain assets and generate income, improve children's education as well as improve their health condition and harmony. Micro enterprise schemes initiated under the Rural Women's Extension Group (RWEG) in Malaysia, revealed that micro loans are the core source of income for the majority of families under these projects (Gikonyo, Zainalaludin & Masud, 2006). Microenterprises made substantial contributions to growth, especially of rural communities by increasing household earnings and creating employment openings to the rural population paving way to the growth of women entrepreneurs.

Interest rates

Using data on a Bangladeshi MFI, Dehejia, Montgomery, and Morduch, (2012) found a significant short-term decline in loan demand (roughly a unitary elasticity) after a rise in interest rates from two to three percent per month. This reduced the number of MFIs clients which led to a drop in business of women entrepreneurs and this is contrary to the objective of enhancing entrepreneurial growth among borrowers.

In contrast, Karlan and Zinman (2008) found a much slighter effect in an experimental setting in South Africa. They measured clients' sensitivity to interest rates by dispatching out more than 50,000 credit offers to clients, with the letters offering interest rates that were carefully chosen at random. This strategy made borrowers less sensitive to changes in charge than expected, resulting in to increase in demand for credit to undertake more ventures to generate income.

Methodology

Research Design

The study adopted a case study design. According to Johnson (2007), this design allows the exploration and understanding of complex issues. It is considered a robust research method particularly when a holistic, in-depth investigation is required. This design used both qualitative and quantitative techniques of data collection. This is supported by Amin (2005), who established that, the use of mixed methods help to research a problem from all sides, aids to focus on a single process and confirms the data accuracy.

Qualitative design is considered to be particularly suitable for gaining an in-depth understanding of underlying reasons and motivations.

Quantitative design is considered to have as its main purpose the quantification of data. This allows generalizations of results from a sample to an entire population of interest and the measurement of the incidence of various views and opinions in a given sample (Creswell, 2012). Quantitative research is appropriate in situations in which there is pre-existing knowledge, which permits the use of standardized data collection methods (e.g. the survey questionnaire) and in which it is aimed to document pervasiveness or test hypotheses (Bowling, 2002).

Area of the study

The study was carried out at River Oli Division, Arua Municipality-Arua District. River Oli Division is a sub-county in Arua Municipality located in the southern part of Arua town. It is made up of three wards (Pangisha, Kenya and Tanganyika).

The study centered on microfinance services that influences the growth of women entrepreneurs in this Division.

The women entrepreneurs in this Division mainly operate businesses at micro level like sell of agricultural produce, timber, clothes, poultry farming and fish mongering.

Population of the Study

The study population for this research comprised of women entrepreneurs who have access to microfinance services, management of microfinance institutions and the credit officers. The total population was 215.

Sample size and Sampling technique

The sample size of the study was calculated basing on the Krejcie and Morgan, (1970) table. From a population of 215 respondents, a sample of 184 was selected. 143 women entrepreneurs who have access to Microfinance services, 11 management staff and 30 credit officers. Purposive sampling technique was used for selecting the MFIs and their management staff. This was because the approaches are more suitable for in-depth qualitative research in which the focus is often to understand complex social phenomena (Patton, 2002).

The study considered the major three microfinance institutions that extend financial and non-financial services to women entrepreneurs within Arua Municipality.

The credit officers were sampled by simple random technique. With this technique, there is an equal chance (probability) of selecting each unit from the population being studied when creating a sample.

Stratified sampling was used for selecting women entrepreneurs according to their business types. This technique ensured a high degree of representativeness of all the strata or layers in the population. In order to be included in the sample, the respondent must be a female entrepreneur who has benefited from microfinance services for at least five years, a credit/loan officer in the microfinance institutions and the management staff.

The detailed sample matrix is illustrated in table 1.

Table 1: Sample selection matrix.

	POPULATION (N = 215)			**SAMPLE (n = 184)**		
MFIs	Female Clients.	Management Staff.	Credit Officers	Female Clients	Manage-ment Staff	Credit Officers
BRAC	70	3	11	59	3	11
FINCA	55	4	9	48	4	9
PRIDE	40	4	10	36	4	10
Total	**165**	**11**	**39**	**143**	**11**	**30**

Source. Researcher (2016)

Table 1 shows the distribution of the respondents across different categories of the three MFIs.

Research instruments

A mixed-method strategy was adopted for this study. A mixed method is one in which more than one method of approach is used in data collection and analysis in research.

Secondary and primary data were required for the study. Secondary data was collected through a review of relevant documents, MFIs reports and academic reports.

The primary data required the design and administration of a simple structured questionnaires to women entrepreneurs and credit officers, interview guides to the management staff and focus group discussions again to women entrepreneurs.

Questionnaires

The questionnaires were self-administered to the women entrepreneurs and the credit officers. For the entrepreneurs, structured questionnaires were administered according to the objectives and close ended to ensure effective analysis. On the other hand, the loan officers received semi structured questionnaires. The tool is inexpensive and valuable for collecting a wide range of information from a large number of respondents and can be distributed easily (Mugenda and Mugenda 2003). Walliman (2005), comments that, using questionnaires enables a researcher to organize the queries and receive responses without actually having to talk to every respondent. Responses of the questionnaires were answered on a 5 point Likert Scale ranging with 1- strongly disagree, 2- disagree, 3- don’t know, 4- agree and 5- strongly agree. This was because, use of Likert scale increases response rate and response quality. (Sachdev & Verma, 2004).

Interview guide

The researcher administered unstructured interview schedule to guide the discussion with the management of MFIs who needed to elaborate on several issues.

Unstructured interviews are more flexible as questions can be adapted and changed depending on the respondents’ answers, that is to say, the interview can deviate from the interview schedule (Amin, 2005).

Also qualitative data were generated through the use of open questions which allowed the respondent to talk in some depth, choosing their own words as they try to bring out a detailed descriptive picture of some phenomena (Bowling, 2002).

Focus group discussion (FGD).

FGD was used to collect primary data from women entrepreneurs who were classified in to groups of ten members depending on their business types. FGDs are flexible assessment tool. Participants found it more comfortable talking in a group than in an individual interview and interactions generated more discussion and, therefore, more information.

Validity of the instrument

The supervisors' comments were used to improve the questionnaire by eliminating errors. Pretesting of questionnaires was done by administering questionnaires to 20 respondents within the target population but outside the sample and this helped to identify the gaps and aided modifications accordingly. The researcher also computed the content validity index (CVI) from the formula; Content Validity Index (CVI) = $\frac{\text{Number of judges declared item valid}}{\text{Total number of judges}} = \frac{16}{19} =$ 0.84

The CVI was above 0.7, a value recommended for research instruments (Amin, 2005). So the instruments were valid and relevant to measure the study variables.

Reliability

For qualitative data, the researcher during data collection exercise ensured that, the data recorded from the interviews reflect the actual facts, responses and events.

For quantitative data, Cronbach's alpha coefficients were performed. The measurement of study variables were based on a five point Likert scale ranging with 1- strongly disagree, 2- disagree, 3- don't know, 4- agree and 5- strongly agree and computed using SPSS.

Cronbach's Alpha coefficient was used to measure reliability of the instrument. Reliability is the measure of the degree to which a research instrument produces consistent results. According to Amin (2005) an alpha of 0.5 or more is sufficient to show reliability (Sekaran, 2003).

Table 2: Illustrating reliability statistics

Variable	No. of Items	Cronbach's Alpha
Microfinance services	**19**	**0.574**
Growth of women entrepreneurs	**19**	**0.75**

Source: Researcher (2016)

The Cronbach's Alpha and the Content Validity Index were above 0.500; therefore the research instruments were considered valid and reliable to collect data on the study variables.

Data analysis and presentation

In order to facilitate the primary data analysis, responses were coded and be given a numerical interpretation with the help of Statistical Package for Social Sciences (SPSS). Data were presented in tabular form and percentages were calculated. Descriptive statistics was used in form of frequencies and percentages. Regression analysis was used to establish the influence of microfinance services on the growth of women entrepreneurs. This technique helped the researcher to establish the influence of independent variable (microfinance services) on the dependent variable (growth of women entrepreneurs).

Results

Response Rate

The section gives the response rate which is numerically presented in table 3.

Table 3: Response rate according to the category of respondents.

Category of respondents	Planned	Actual turn up	Response rate (%)
Women entrepreneurs	143	137	95.8
MFI management staff	11	7	63.6
Loan officers	30	20	66.7
Total	**184**	**164**	**89.1**

Source: Researcher (2016).

The overall response rate was 89.1% as shown on Table 3 was considerably enough for the study since it was a representative of the population.

Background characteristics of the respondents

The study sought to determine the background characteristics of the respondents in order to understand the population dynamics. The factors considered included their age, education level, marital status, business experience, and number of dependents.

Table 4: Distribution of respondents according to their age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 20 years	12	8.7	8.7	8.7
	21-30 years	28	20.4	20.4	29.1
	31-40years	54	39.5	39.5	68.6
	41-50 years 51 years and above	33 10	24.1 7.3	24.1 7.3	92.7 100
	Total	**137**	**100.0**	**100.0**	

Source: field data 2016.

Table 4 shows that, out of the 137 respondents, 39.5% were aged between 31-40 years, 24.1% were aged between 41-50 years, 20.4% were aged between 21-30 years while few 8.7% and 7.3% were aged below 20 years and 51 years and above respectively.

This study shows that, those in age bracket of 31-40 years are the majority in doing business and seeking for financial assistance from microfinance institutions. This could be explained by the nature of responsibilities they have as mothers with children in schools who need school fees and other necessities. Indeed, many women in this category indicated that, it was their duty to ensure their children gain knowledge and have food on table.

Table 5: Distribution of respondents according to education level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never attended school	10	7.4	7.4	7.4
	Primary	35	25.5	25.5	32.9
	Secondary	50	36.6	36.6	69.5
	Tertiary	27	19.6	19.6	89.1
	Others	15	10.9	10.9	100.0
	Total	**137**	**100.0**	**100.0**	

Source: Researcher (2016).

Results in table 5 shows that, out of the total respondents studied, majority 50 (36.6%) stopped at secondary level, 35(25.5%) had primary education, 27(19.6%) had attained tertiary education, meanwhile 10.9% had other levels of education and only 7.4% never attended school.

This implied that respondents with at least secondary education could sustain managing business unlike those without education. It also indicated that many women who study beyond fundamental education consider employment than engaging in businesses.

Marital status

The researcher wanted to find out the marital status of the women entrepreneurs which may have positive or negative influence in growth of women entrepreneurship.

Table 6: Distribution of respondents according to Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	43	53.8	53.8	53.8
	Single	10	12.5	12.5	66.3
	Divorced	13	16.3	16.3	82.7
	Widows	14	17.5	17.5	100.0
	Total	**80**	**100.0**	**100.0**	

Source: Researcher (2016).

From table 6, majority of the respondents (53.8%) were married, (12.5%) were single and another 16.3% were widows who become heads of households as a result of bereavement, meanwhile 17.5% were divorced.

This therefore implies that majority of the respondents in River Oli Division, are married women and it being a Muslim community, most families are polygamous and have family responsibilities which drives them to operate business for sustainability having looked at the education level hence need for microfinance services.

Table 7: Distribution of respondents according to business experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5 years	64	46.7	46.7	46.7
	5-10 years	35	25.5	25.5	72.3
	11-16 years	22	16.1	16.1	88.3

Table 8: Distribution of respondents according to the number of dependents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below 3	13	16.3	16.3	16.3
	3-6	18	22.5	22.5	38.8
	7-10	39	48.8	48.8	87.5
	above 10	10	12.5	12.5	100.0
	Total	**80**	**100.0**	**100.0**	

Source: Researcher (2016).

As revealed on table vii, most of the women entrepreneurs had business experience of less than five years, 64(46.7%) followed by those who had experience of 5-10 years, 35(25.5%) while a few of them 16 (11.7%) had business experience above 16 years. It is clear from the findings that, most of the women seek microfinance services more especially loans as the only tool to start up and expand on their meager businesses. Nevertheless, those women who have done business for quite long (above 16 years) have accumulated savings for further business expansion and perhaps others now borrow bigger loans from banks. This is presented in table 6.

Source: Researcher(2016).

From table 8, most of the clients (48.8%) had number of dependents ranging from 7-10, only 12.5% had above 10 dependents meanwhile, those who had below 3 dependents were 16.3%. The remaining 22.5% had 3-6 dependents. This implies that, majority of the women have family responsibilities and do business to bail them out of poverty. The frequency distribution is shown in table 9.

Table 9: Distribution of respondents according to the nature of business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sole proprietorship	71	88.7	88.7	88.7

Partnership	7	8.8	8.8	97.5
Others	2	2.5	2.5	100.0
Total	**80**	**100.0**	**100.0**	

Source: Researcher(2016).

Results in table 9 showed that, most of the women entrepreneurs (88.7%) are sole proprietors who operate small scale businesses, whereas 8.8% are in partnership. This implied that, most women prefer personal businesses that they can easily manage without conflict of interest and given the fact that, the owner is personally responsible and liable for all the debts and liabilities incurred by the business.

Micro-credit and the growth of women entrepreneurs in River Oli Division.

This section gives a description of the research objective one; the influence of micro-credit on the growth of women entrepreneurs. This question was conceptualized using eight questions which required each respondent to do self-rating on micro-credits. Responses were based on Likert-scale ranging from 1. Strongly disagree (**SD**) 2. Disagree (**D**) 3. Not sure (**NS**) 4. Agree (**A**) 5. Strongly agree (**SA).** A summary of the data is presented in table 10.

Table 10: Descriptive statistics on respondents self-rating on micro-credit.

Statements	**N**	**Minimum**	**Maximum**	**Mean**	**S.D**
I have established a business as a result of accessibility to micro-credit.	137	1	5	2.91	0.898
Provision of business loans has helped to improve my income level.	137	1	5	2.49	0.943
I find loan application procedures favorable.	137	1	5	2.37	0.720

Group borrowing is not a favorable mechanism to access micro-credit.	137	1	5	2.16	0.983
I invest the borrowed funds in to profitable ventures.	137	1	5	2.39	0.901
High interest rates does not affect the income and revenue of my business.	137	1	5	2.06	1.158
The loan repayment period is favorable to me.	137	1	5	2.09	1.135
Lack of collateral security is not an obstacle whenever I wish to access reasonable loans.	137	1	5	1.93	1.10

Source: Researcher (2016).

Results on table 10 indicates that, majority of the women entrepreneurs established businesses as a result of accessibility to micro-credit (mean=2.91 and $\sigma = 0.898$). This therefore implies that, micro loans are essential in the establishment of businesses among women.

In relation to this, the respondents were asked whether Provision of business loans helped them improve their income level (mean=2.49 and $\sigma = 0.943$). It implied that, loans did not fully help the women entrepreneurs reduce the gap of income unfairness.

From table (xi**),** it is clearly indicated that, loan application procedures were not favorable to entrepreneurs (mean=2.37and $\sigma = 0.720$). This may be due to the presence of lengthy procedures to be followed when accessing loans from MFIs.

From the findings, minority agreed that, group borrowing is not a favorable mechanism to access micro-credit (mean=2.16 and $\sigma = 0.983$). This means that, to most of the women, group borrowing is the easiest way to access micro-credit especially those without collateral security.

From table 10 only few women agreed that, high interest rates does not affect the income and revenue of their business (mean=2.06 and $\sigma = 1.158$). This shows that the interest rates charged by MFIs are not favorable to majorly of the clients as it drains them of their income.

Majority of the respondents did not support the idea that loan repayment period is favorable to them although a few of them (mean=2.09 and $\sigma = 1.135$) agreed with this. This means that the loan repayment period is very short normally for six months, and more so, instalments are paid weekly.

As revealed on table 10**,** only a few number of women (mean =1.93 and $\sigma = 1.10$) agreed that Lack of collateral security is not an obstacle whenever they wish to access reasonable loans. Meanwhile to majority of the female borrowers, lack of collateral security is a hindrance whenever they wish to access bigger loans on individual basis. This therefore implies that, collateral security is key in accessing loans and limits those who do not have.

> Interviews with Key informants *showed that, 70% of their clients are women who come to seek financial assistance either to start a venture or to improve on the already existing project. Majority of these women borrow the loans on group basis since they do not have collateral security. The clients do not need initial savings but on the day of disbursement 20% of the borrowed amount is deducted and kept in their accounts. Nonetheless, other MFIs like FINCA and PRIDE demand initial savings of at least 15% of the amount intended to borrow. Loan amount ranges from Ugx100,000-1,000,000 at an interest rate of 15% and group members act as surety while individual borrowing runs for mostly one year at an interest of 25% p.a. and instalments are monthly. The loan amount ranges between UGX. 1,000,000-5,000,000 depending on the nature of the business and the security pledged.*
>
> (***Area Manager BRAC microfinance)***
>
> *During a FGD, majority of the women said that, "They obtained micro-*loans *which empowered them to raise income and invest in income generating activities like poultry, piggery and retail shops which improved their welfare though these loans have short repayment periods and unfavorable interest rates.*

Sixty (60) of the respondents said; they do earn some profits from their investments but still not sufficient enough to improve their economic status since most of their profits go for daily family consumption. That, it is hard for them to remember the amount they get as profit from the time they started operating business. The women further added that, since they started operating business, they are proud to confess that, at least each day, their family does not lack what to feed on and it is the reason as to why they work round the clock.

When asked about savings, majority (70) of the women boldly said that, savings is still a problem to them because whatever money they get from their business just goes from hand to mouth.

They further said that, since most of their business is a family business, they rarely employ workers, though 20 of the respondents agreed to employing at least one person to help them run their business.

They also emphasized on lack of collateral security as a major stumbling block to accessing bigger loans that would sustain their business, coupled with high interest rates, short repayment period and lengthy application procedures.

(Women respondents)

Interview notes with a Credit Officers at River Oli Division showed that; *clients have a positive attitude and good understanding of the target group of River Oli Division (especially group loans mainly for women) looking at the method MFIs uses (mainly group loans). However, other clients have not yet properly understood the aim (value) of credit. The loan size depends on the calculations made to suit the request of our clients and the repayment period is agreed and discussed in detail before disbursement.* ***(Credit Officers)***

A regression analysis was done **and coefficient result (r=** 0.155) shows that, keeping other factors constant, a unit increase in Micro-credit results in 0.155 units increase in business growth. The result also indicate that the relationship between micro-credit and business growth is very weak.

Discussion

Most of the recipients and the economically active poor involved in the Microfinance services compelled the need for micro-credit, to be able to operate their businesses. From this study, quite a number of entrepreneurs agreed that, they have established businesses as a result of accessibility to micro-credit (mean= 2.91 and $\sigma = .898$) as shown on table (xi). This implies that, micro-credit from MFIs are vital in establishing businesses since banks can't extend loans to those with little or no assets, and generally don't engage in the small sized loans typically associated with microfinance's. This signifies the need for micro financing since it is based on the philosophy that even small amounts of credit can help end the cycle of poverty. This is in line with the findings of Littlefield and Hashemi (2003) who argued that, micro-credit empowers and equips entrepreneurs to establish their own ventures and generate income for business growth. The study also revealed that, group borrowing is a favorable mechanism to access micro-credit since the group members act as surety when borrowing since most of these women do not own property like land and houses that can be used as security. Women in River Oli Division indeed said that, the spirit of collectivism has helped them a lot especially when it comes to accessing loans. This report is in line with the finding of Manikonda (2014), who supports the idea of group lending in relation to lack of collateral security. This helped to increase the number of female borrowers at River Oli Division.

Results in table 10), showed that, majority of the respondents disagreed that, Provision of business loans has aided them improve their income level (mean= 2.49 and $\sigma = .943$) implying that, loans did not fully help the women entrepreneurs reduce the gap of income disparities. This is because these women have family responsibilities where most of their business profits go for daily home consumption leaving them with small amounts to reinvest and the loan amounts given to them initially is low that cannot sustain their business. This finding is contrary to the findings of Kuzilwa (2005) who quoted that, credit assistance to entrepreneurs is often seen as improved income and output.

Table (xi) results also revealed that, to majority of the respondents, lack of collateral security is a hindrance when trying to access reasonable loan amounts from MFIs meanwhile very few (mean =1.93 and $\sigma = 1.10$) complied with security requirement. This implies that most women entrepreneurs at River Oli Division do not own personal assets like land, houses, vehicles that can be pledged as security. This is due to the cultural settings characterized by norms, values, practices and patriarchal thought where women are neither allowed to inherit nor own property like land and houses both in their matrimonial and maiden homes.

Despite the fact that, women entrepreneurs agreed to having access to business loans, there is still no indication that the borrowed funds are invested in to profitable ventures (mean =2.39 and $\sigma = 0.901$) meaning there is still lack of knowledge on strategic investment as put forward by (Bosma and Harding, 2006).

These women in River Oli Division lack technical assistance in form of training and mentoring, since majority of MFIs programs are credit-led with little emphasis on training hence the poor performance of some micro enterprises. The entrepreneurs further lack guidance, monitoring and follow-ups of their business operations which leaves them in to the free range system and makes it hard for some of them to make effective decisions concerning investment.

Implications

MFIs management should reduce the interest rates on both group and individual borrowing and increase on the loan amount given to the clients and at the same time assess repayment competencies before disbursement.

There is also need to extend loan reimbursement period to at least one year from six months for the case of group borrowing, above one year for individual borrowers, and repayment schedules be changed from weekly to monthly for group members.

There is need to address the issue of collateral security that is mandatory when borrowing which tends to hinder many entrepreneurs from accessing reasonable loan amounts that would have a greater impact on their business and facilitates economic progress .

References

Affandi, A., and Astuti, D.P. (2014). Dynamic model of Ibn Khaldun theory on poverty;

Empirical analysis on poverty in majority and minority Muslim populations after the financial crisis.

Ahmad, S. Z. (2012). Microfinance for women micro and small–scale entrepreneurs in Yemen: Achievements and challenges. International Journal of Entrepreneurship and Small Business.

Amin, M.A. (2005). Social Science Research: Conception, Methodology and Analysis.

Armendáriz, B., and Morduch, J. (2007). The economics of microfinance. London, UK: MIT Press.

Ayyagari, M. (2013). Finance and Poverty: Evidence from India.

Bayes, A. (2005). Micro-credit and women's empowerment. USA: World Prout Assembly.

Bowling, A. (2002). Research methods in health: Investigating health and 14 Med. Pract. Rev. Health services (2nd Ed.), Buckingham, Open University Press

Chuks, K. (2007). Microfinance and poverty eradication: A case study of rural communities in Nembe and Bayelsa State

Creswell, J.W. (2012). Planning, Conducting, and Evaluating Quantitative and Qualitative Research, (fourth ed).

Dehejia, R., Montgomery, H., and Morduch, J. (2012). Do Interest Rates Matter? Credit Demand in the Dhaka Slums. Journal of Development Economics.

Feigenberg, M., Field, E., and Pande, R. (2010): "Building Social Capital through Microfinance," Discussion Paper w16018, NBER Working Paper.

Gikonyo, W., Zainalaludin, Z., and Masud, J. (2006): Empowering young women through micro- enterprise: A case of Malaysian rural women.

Godquin, M. (2004). Microfinance Repayment Performance in Bangladesh: How to Improve the Allocation of Loans by MFIs. World Development, Vol. 32 (11), Pp. 1909-1926.

Haile, H. B., Bock, B., and Folmer, H. (2012). Microfinance and female empowerment: Do institutions matter? Women's Studies International Forum.

Kevane, M., and Bruce, W. (2001). Social Norms and the Time Allocation of Women's Labor in Burkina Faso.

Krejcie, R. V., and Morgan, D.W. (1970). "Determining Sample Size for Research Activities", Educational and Psychological Measurement.

Kuzilwa, J. (2005): The role of credit for small business success.

Lakwo, A. (2007): Microfinance, rural livelihood, and women's empowerment in Uganda.

Laure,,J., and Baptiste, M. (2007). Individual Microcredit and Social Pressure.

Littlefield, E., Murduch, J., and Hashemi, S. (2003). Is Microfinance an Effective Strategy to Reach the Millennium Development Goals?

Madajewicz, M. (2003). Capital for the Poor: The Effect of Wealth on the Optimal Credit Contract.

Mamun, A. A., Adaikalam, J., and Wahab, S. A. (2012). Investigating the Effect of Malaysia's Microcredit Program on Their Clients Quality of Life in Rural Malaysia. International Journal of Economics and Finance, 4(1), 192-203.

Manikonda, R. (2014). Self-Help Group Programme: Level of Women Empowerment in Andhra Pradesh.

Mokhtar, S. H. (2011). Microfinance Performance in Malaysia. Doctor of Philosophy, Lincoln University, New Zealand.

Morris, S. S., Warner, P. W., and Hiatt, S. R. (2006). The value of networks in enterprise development: Case studies in Eastern Europe and Southeast Asia. Journal of Developmental Entrepreneurship, 11(04), 345-356

Mugenda, M. O., and Mugenda, A. (2008), Research Methods: Qualitative and Quantitative Approaches, African Centre for Technology Studies, Nairobi, Kenya.

Ojo, O. (2009). Impact of microfinance on entrepreneurial development: the case of Nigeria Faculty of Administration and Business, University of Bucharest.

Patton, M.Q, (2002).Qualitative research and evaluation methods. 3rd Sage Publications.

Reji, M. (2013). Economic Empowerment of Women through Self Help Groups In Kerala. International Journal of Marketing, Financial Services & Management Research.

Sachdev, S. B. and Verma, H. V. (2004). Relative importance of service quality. Journal of Services Research 4(1): 93-116.

Srnec, K., and Havrland, B. (2006). Microfinancing: Challenges and Prospects. Appropriate.

Yunus, M. (2007). Creating a world without poverty. Social business and the future of capitalism. Public Affairs, New York.