

CREDIT SCHEMES AND RURAL DEVELOPMENT

AGAGO DISTRICT. THE CASE STUDY

OF KALONGO TOWN

COUNCIL

BY

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**RESEARCH REPORT TO THE FACULTY OF BUSINESS ADMINISTRATION FOR
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DECLARATION

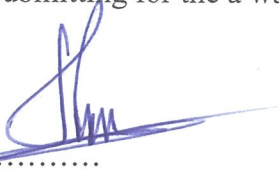
I **LABEJA JOHN RUBANGAKENE** declare that this research report is a result of my own original copy and has never been submitted for a degree or other academic award or publish at any University or higher institution of learning I take responsibility regarding any opinion, error or omission obtained here.

Signature: 

Date: 21/9/2012

APPROVAL

This report entitled “ Credit scheme and rural development carried out under my supervision and worth submitting for the a ward of a degree.

Signature 

Date..... 22/05/2012

Mr Odongo Mike

SUPERVISOR

DEDICATION

This piece of work is specifically dedicated to my late parents Mr Owili Akwilino and Mrs Akello Jentie who did not live to see me through in my struggle in completing my education Mammy and Dad if there is any comfort in your death then it is that I ultimately and belatedly succeeded in doing what you people had planned to do for me. Since the time of your departure' the faithful Lord kept me strong and saw me through until today I miss your love'; care and guidance. However' I still thank God for the time we had together' may the good lord be with you. Amen.

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ABSTRACT

The major purpose of this study was to assess whether credit schemes has got substantial relationship with rural development. Find out how rural development can be achieve through running some mall micro credit institutions with the local community and determine peoples' attitudes towards it.

Micro credit institutions basically handle small savings, giving small loans to identified beneficiaries and they normally generate their funding from the membership fee collections, pre-loan deposits of each member however there are still challenges facing the running of these credit institutions in addressing the problem of rural development.

To ensure that the above arms were reached, data collected from various sources (both qualitative and quantitative) and priorities were also given to books, quotations from texts, and other publication among others that seemed to have addressed related topic as of the study.

The finding were that the functioning, performance and contribution of this credit institution has greatly enhanced the capacity of rural people in achieving rural development because it has increased their participation both in the economic activities and community development adventures in decision making.

The finding also suggested that improved strategy in managing these micro credit institution such as improved security situation, provision of soft loans, provision of social services, improved accessibility of factors of production and sensitization would enhance the development of rural population

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, the problem statement, general objective, and specific objectives, and research questions, scope of the study, significance of the study, justification and operational definitions

1.1. Background of the study.

The goal of most government (Millennium Development goal) is to reduce Poverty in rural areas, during 1950s and 1960s, The theory of Economic dualism suggested that the way to eliminate Poverty was to assimilate labour from the backward rural Subsistence Sector into the modern industrial sector. This However, failed to reduce poverty substantially in rural areas. Credit schemes aimed at reducing Poverty have been a popular response to the Perceive, Lack credit for the poor people and the Perceive inadequacies of the indigenous village level Credit and Unit Insurance arrangement.

Musoke&Amajo (2008) recognised that households have no potential entrepreneurship and experience which are being inadequately tapped and underutilised. In light of the above, some organisations came up with strategies to increase the access of households to credit without the condition of Collateral Security especially the small and micro entrepreneurs in Uganda, such organisation included Foundation for International Community Assistant (FICA), Agago Aruu Co-operative Saving and Credit Society Limited among other with their aims of improving small scale Credits which could be channelled productively into a variety of Micro-enterprises thus increasing growth.

Agago Aruu Co-operative saving and Credit Society Limited (AGARU) has a village banking model which is a Community managed Credit Saving Association with the objectives of helping the local Community to get gainful empowerment. It was introduced in Agago District in the year 2002 and has been functioning for a period of 10years. It covers all Sub Counties in Agago District.

AGARU Co-operative Saving and Credit Society limited have made significant attempts to provide Credit to Identified groups of people who are micro entrepreneur usually with thirty members per group.

1.2. Statement of the problem.

Agago like other districts in Uganda is concerned with measures to provide quality and sustainable services to the nation. Although training is ubiquitous to performance, a number of people in Agago district have had chances of under taking development activities. The problem of access to income generating activities continue to pervade economic development in Agago district. The initiative of Aruu Co-operative saving scheme has worked to reduce the severity of the poverty among the people of Agago. However the problem of poor access to sustainable income generating activities still prevail in Agago district. Lack of sustainable income has led to many youths wandering on the streets, prostitution and above all poverty.

Although the government of Uganda has attempted to improve the performance of micro finance institutions in Uganda through empowering the people, encouraging village banking and providing income generating activities to the people and provision of youth fund, the problem still prevail among the people. That is why the researcher examined the effect of credit micro finance scheme on the economic development in Agago district.

1.3. General objective.

The purpose of this study was to analyse credit schemes and rural development in Agago district.

1.4. Specific objectives

1.4.1 To examine the extent to which loan disbursement on the economic development

Of Agago district

1.4.2 To assess the effect of asset loans on economic development of Agago district..

1.4.3 Asses the challenges of credit schemes on the rural development in Agago district.

1.5 . Research questions

- 1.5.1 to what extent does the loan disbursement affect the rural development of the people of Agago district?
- 1.5.2 What are the effects of loans disbursement on the rural development in Agago district?.
- 1.5.3 What arte the challenges faced by credit schemes in the rural development of Agago district?

1.6 Scope of the study

1.6.1 Subject scope

The study focused on financial loans, training and asset loans and how they affect the economic development of the people of agago district.

1.6.2 Geographical scope

The study was carried outs in Agago district, Agago is one of the new districts curved from kitgum district. It located in northern Uganda,

1.6.3 Time scope

The study examined data and facts from the years 2005 to 2010. This is because these are the years where people relatively voted for movement third term government, yet the district continue to suffer from poor academic performance.

1.7 Significance of the study

The study intends to benefit the following stakeholders;

1.7.1The researcher

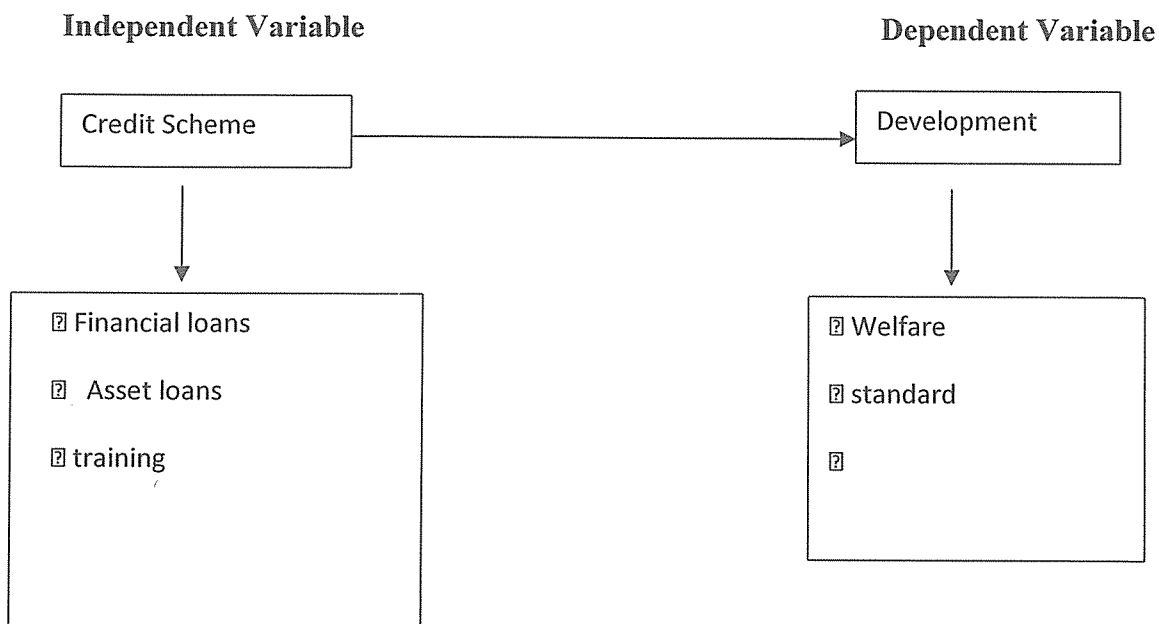
The outcome of this study will benefit future researchers in that they will use this study as bench marks. The research gap shall be used by the researcher as a source of further study.

1.7.2 Policy Makers

The findings of the study will be of great value to the policy makers as they will be alerted and design appropriate policies guiding the financial institutions in Uganda.

1.8 Conceptual frame work.

Conceptual framework showing the relationship between credit scheme and economic development of people.



In this conceptual frame work, credit scheme and economic development of people are variables in the study. Credit scheme is conceived as the independent variable while development is the dependent variable. Credit scheme is viewed from the perspective of on the finance, loans and training.

CHAPTER TWO

LITERATURE REVIEW.

2.0.INTRODUCTION

This chapter presented the literature that had been written over the years back concerning the credit schemes and rural development.

Available Literature showed that limited research had been conducted in Uganda that investigated the contribution of the credit Schemes to rural development basing on such a background, the researcher intended to review the literature about the performance of credit Institution and their impacts on rural development (covering social, Economic and Political essence). Since early 1980s. There have been several economic reforms that had been pursued in Africa. What were stimulating to note about these reforms were their effects on the growth of the low Africa countries (World Bank, 1992).

The relatively low significance of the rural saving in a number of these economic was attributed to lack of confidence in the stability of the financial section of many countries following year of interference by government in the operation of these section (GCA 1993). There is therefore considerable evidence that has shown that rural credit schemes are used as effective's measure for reducing poverty.

The credit and saving sector is the spontaneous sector comprising of mutual and propriety sector such as the Rotating saving and Credit Association (ROSCA).

These are defined as Association formed upon a core of participants who agreed to make regular contribution to fund which is given in a whole or in parts of each contributor in the rotation (Ardener 1964).

They are sometimes known as indigenious bankers who historically predate formal finance (Chandavarkar, 1992). According to Lianto (2003), small borrowers in developing countries have traditionally relied on informal Lenders for their credits need because of limitation of self-finance and lack access to bank credits according to Ardeners (1964), contribution forms part of the structure of credit scheme group.

These are usually in cash or in kind or a combination of both in all being collected and handed over to members in the rotation. Among the Chinese, she observes that the contributions were sometimes informed of a Feast for the member.

2.1.1 Performance of credit institution.

Chander (1988) argued those micro credit programmes are considered to be financial intermediaries. A large body of literature, largely on micro finance dwelled on viability of targeted credit programme.

In Uganda, there are over forty five micro credit Institution involved in micro financing, covering on estimated 550,000 Clients, having collected approximately 65 billion shillings in saving and having a total of 53 billion shilling outstanding as small loan to micro entrepreneurs (Daily Monitor, 2002). Bennet and Clueves in the World Bank report (1995) were of the view that the programme evaluation on the outreach to measure the coverage of the targeted household extents of services they received outreach indicators are taken as proxies for development assuming that self-sustainable financial institution are likely to contribute income expansion. Most rural people have turned to credit institution to bridge the gap between the rich and the poor.

In small communities for instance Sri-Lanka, South world (1992), noted that credit institution were a major source of credit to improving the well fare of rural communities. Most of these institutions are donor founded and donor have actually encouraged and supported micro credit activities especially those that are committed to achieving substantive outreach and financial sustainability.

However, the springing resource base (donor funds) to support the ever increasing demand implies that the MCIs need to support themselves Ledger wood (1998)

In addition to the above, Clark(1991) contents that while it is possible and many government consider financial credit as a central element of integration of women in development programmes, a large numbers of credit facilities by micro financial institution failed to yield the desired results principally due to their original designs, management and implementation.

2.1.2. Rural development.

In writing about rural development Harris, J(1982) defined rural development as the reduction of inequality income and employment, access to public goods and services and the eradication of poverty . To him rural development focuses on issues of distribution therefore, an approach of intervention by the state in economics of the under developed countries. He explained that although rural development is the development of the economy as a whole it particularly focuses on poverty and inequality on the other hand, according to the Sambers (1983) for the rural development to occur, it requires a process of increasing contact with and learning from the rural poor of setting the anti-poverty biases of rural development tourism and using methods of rapid rural appraisal. Sambers explains that the need to perceive rural poverty and to understand its nature to device and use cost effective ways to find out about rural situations and to foster a new professionalism which asks for who gain and who loses would constitute rural development.

2.1.3. Credit facilities for rural development in uganda.

In a study by action for development (ACFODE, 2000) on the impact of micro finance institutions in Uganda, a case study of Kiboga and Palisa District, it is revealed that attempts to provides financial services through traditional banking have not been successful.

This is because there are no banks in rural areas. ACFODE continuous to explain that the major objectives of micro finance institutions in developing countries is to reduce poverty and to provide opportunities to self-employment especially vulnerable groups.

It is further explained that; these programmes of micro finance institutions have been successful in providing saving and credit services to groups those who have access to formal banking facilities have been difficult.

Since 1992, the European dement fund has supported small scale enterprises by providing people with credit in form of investment capital for the equipment needed to expand the business.

The European development fund is now reaching most disadvantaged Ugandans through grants to build infrastructure in rural communities where development was

hampered by protracted civil wars. It is also giving loan to individuals to start-up businesses ranging from metal working to mushroom growing; it offers credit facilities to those who cannot meet the term and interest rate of commercial Banks.

The Micro projects programmes aim to provide facilitator that will help marginalised communities to increase their incomes and the value capacities and attain improved wealth. The programme also aims to improve the living conditions of the rural poor through both financial and non-financial services. Credit is given entirely directly to individuals or indirectly through the financial intermediaries, an idea generated by the Grameen Bank in Bangladesh. In this case, the Micro project programmes provide credit facilities to Micro finance institutions which are involved in collecting saving from and delivering credits to micro project programmes target groups.

2.1.4. Credit schemes as resources for poverty eradication

Available literature and studies industries that are the major source of credit to rural households is credit schemes. According to World Bank report (1989), a study of 398 rural household carried out in Niger revealed that Informal credit accounted for 84% of total household loans and led to increase of 17% in agricultural income.

According to Holma and mostly (1996), previous research on the impact of agricultural credit and technology has confirmed that because of the imperfection in capital market, credit has a positive effect on production. A research finding on Malawi Small Holder Agricultural credit Administration (SACA) from 1988 to 1992, indicated that the majority of borrowers used their loan to upgrade their technology, the study also showed that for people below the poverty line though the average increase was small I.e. from 0.1% to 0.7% was none the less positive Kasirria (2002) pointed out that the access to formal credit and informal fiancé institution like foundation for international community assistance (FICA), Women finance credit trust and other programmes empowered the community and increased their household resource allocation this effected direct increase in people's welfare.

2.1.5. Contribution of credit schemes in rural development.

Southwowl (2004), noted that in Sri-Lanka, household were dependent on credit because of the cycle of expenditures and consumption pattern. In explaining the sector credit programmes, United Women Micro finance aimed to reduced unemployment, increased production and productivity and improved incomes and the rural informal sector United Women Micro finance objective 2003.

The programme provided credit and training through intermediate organisation to rural micro entrepreneurs, Small business and self-empowered person who did not have access to formal credit.

2.1.6. limitation and problems of credit facilities for rural development.

Quoting Bravorman and Happy (2004), they cited lack of proper mobilisation and education of the beneficiaries of the factors that often cripples credit scheme. This is because credit scheme to small scale customers require massive expenditure on transportation and information gathering and extension services to teach the un-educated population.

Although many credit scheme aims at integrated rural development programmes, almost all credit programmes have failed to produce a sign of improvement in the income and the employment of the poor.

In a study done, in the council for economic empowerment for Women in Africa (CERWA), clans of both genders listed the following problems they face in relations to the credit schemes, short repayment period, delay in clearing an individual to get a loan, delaying of loans for the whole groups and repayment period of two weeks for the first instalment as being too short.

Some the problems include high interest rate due to inflation and lack of grace period for getting a loan,

To wine up this chapter, the issue of credit scheme is not just a new development, hence literature has been availed on issues of concern such as rural development, contribution of credit scheme to for rural development, limitation of credit facilities to bring about rural development among others.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter describes the methods and tools that will be used in collecting the available data. It includes the research design, sampling design, data collection methods and instruments, data processing and analysis and the likely limitations to be encountered.

3.1 Research Design

The research will be both quantitative and qualitative. The researcher shall apply cross sectional research design. This is because cross-sectional designs enables the researcher to collect data from a cross section of respondents (Mugenda and Mugenda 1995).

3.2 The Study Population

Population is a complete set of individuals, cases or objects having some common observable characteristics that are of interest to the researcher (Amin 2005). This is summed up in table 1 below

Table 1 showing sample population

Respondents	Total	Sample
Credit officials/loans officers	08	08
Women groups	30	28
clients	40	34
Business community	20	18
Local community members	14	14
Total		98

3.3 Sampling Methods

Table 1 showing sample selection and methods

Respondents	Sample	Method
Credit officials/loans officers	08	Purposive
Women groups	28	Simple random sampling
clients	34	Simple Random Sampling
Business community	18	Stratified
Local community members	14	Simple Random Sampling
Total	98	

Purposive sampling was used to select the key respondents. Clients and women group members were selected through simple random sampling. Systematic sampling was used to get the business community while local community ere reached through simple random sampling method.

3.5 Data collection methods and Instruments

Data will be collected using questionnaires that will be designed to extract information concerning all aspects of the study. The questionnaires will be filled in by the head teachers, teachers and local community members. To ease administration, most questions in the instrument will be pre-coded. The researcher will then distribute these questionnaires to the respondents, which afterwards will be collected for data analysis after filling.

Interview

Extensive interviews will be carried out with key respondents to supplement the data from questionnaires. This includes district education officers, Division education officers and the pupils will be interviewed to seek their opinions on the subject of study.

3.6 Procedure of data collection.

Upon submission of the approved proposal to the supervisor, an introduction letter from KIU shall be issued which is then given to district Education Officer who in turn introduces the researcher to the field.

The researcher will seek for permission to conduct the study from municipal and schools by use of a letter of introduction from Kampala International University and particularly from department of education.

3.7 Data Analysis and presentation

Data collected from the field will be first edited, then coded and using tables, graphs, pie charts and percentages to represent the data. In accordance with the research objectives, the findings will be interpreted using reviewed literature so as to attach meaning to the data collected in order to make it as error free as possible.

3.8 Validity and Reliability

3.9.2 Reliability

Pre-testing will be meant to show the level of acceptability of instruments to be used in research and any weaknesses or deficiencies of the instruments to be identified and then corrected before the research is conducted like a problem in the questionnaire

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS.

4.0: Introduction.

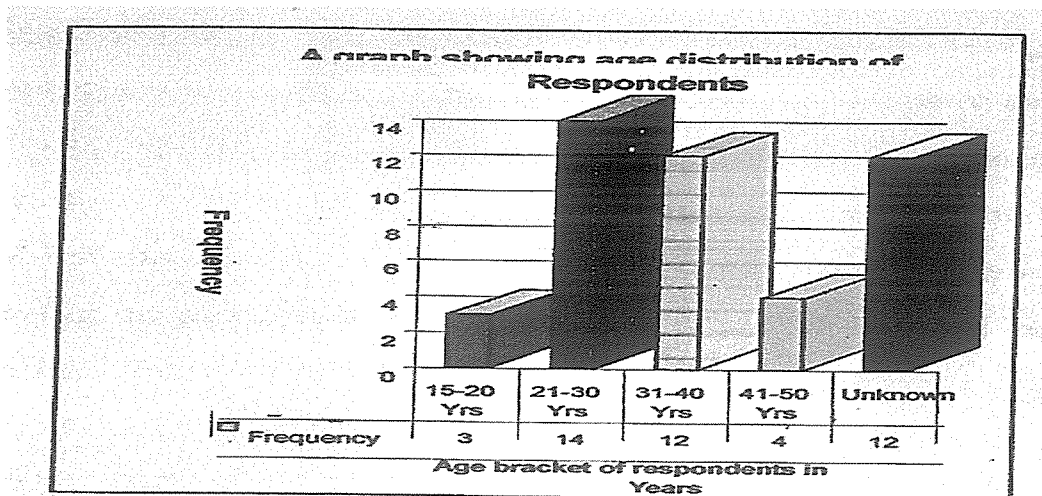
This Chapter presents the findings, from the study and subsequent analysis and interpretation derived from the data collected in relation to the study objectives earlier on formulated in chapter one. The presentation takes the form of descriptions, percentage tables, bar graphs, and pie charts. These findings are based on formal interviews with forty five beneficiaries (respondents) and the in-depth interviews with two key informants (Employee of AGARU).

The background characteristics of beneficiaries such as age, marital status, educational level, and occupation have been discussed and presented separately.

This is because they were investigated not only as background characteristics but more importantly as factors responsible for determining the performance and contribution of the credit scheme to rural development. The rest of the findings are also presented in separate sections according to the objectives of the study.

4.1.0 The age distribution of respondents

Figure 4.1:



Source: Primary data

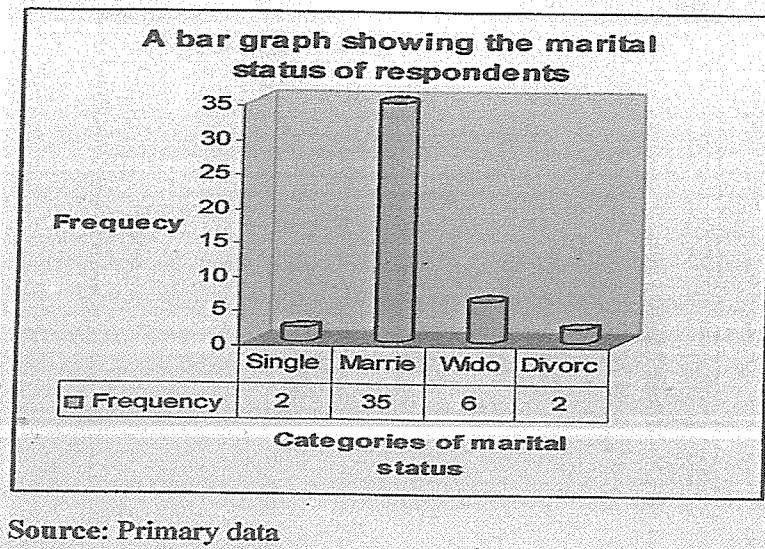
Here, the respondents were classified into five major groups where the researcher examined the effect of the age on the eradication of poverty and on the performance of credit Institution or whether it needed a particular age category.

The finding revealed that the respondents were distributed in different age groups, and out of the forty five (45) interviewed, those falling within the age brackets of 15-20 years were 3 which constituted 6.7%, those between 21 – 30 years were 14 (31.1%), those between 31-40 years were 12 (26.7%), those between 41-50 years were 4 (8.9%) and those who did not know their age completely were 12 (26.7%) as shown in the graph above.

The findings from the graph revealed that, the most active age group in the scheme are those with family responsibilities (21-30 years of age) since most of them are just beginning to make the families and they are more exposed to opportunities for investment, income generating activities and have high financial demands. The same applies to the respondents between the age groups 31-40 years. In this age group, people usually focus on their children and work hard to pay for their school fees hence they join the scheme to enhance their business capacity through loan acquisition, business skill and looking at the age of the group of 15-20 years and 41-50 years that comprises a small percentage of 6.7% and 8.9% respectively mainly because the age group is less active in business field and don't have much responsibilities to cater for, whereas the older age groups are usually loaded with dependants which may sometime hinder their commitment they could otherwise spare for carry on business and also they could be lacking capital resources to invest them into income generating activities.

4.1.1. The Marital Status of the respondents.

Figure 4.2:



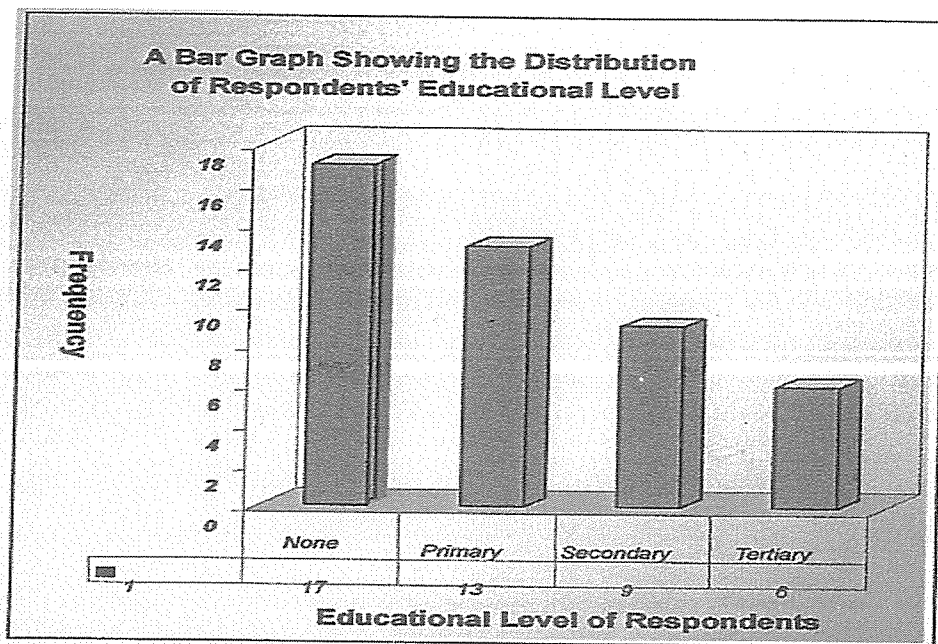
The researcher had to establish the marital status of the responsibilities; this was considered in this case so as to know which marital status category of people uses the services of the credit institution (AGARU). The marital status off the respondents shown in the figure .4.2 above show that, out of 45 respondents in the sample, 35 respondents were married constituting up to 77.8%, 6 respondents (13.3%) were widowed,2 respondents (4.4%) were single and the other two respondents(4.4%) were divorced.

The presence of more married respondent indicates that the amount of responsibilities and financial demands that both men and women have, it is also due to the fact that married people are considered to be more stable and normally encounter little problem in the meeting pre-loan requirements especially concerning guarantees and securities for the loan compared to single men and women.

The presence of divorce women and widowed in the credit institution is also because most of these categories of people are not financially stable, they lack capital to start up their investment hence come together under one umbrella and acquire loan in group and it jointly

4.1.2: Educational Level of respondents.

Figure 4.3:



Source: Primary data

The study also show out the level of education of the respondents from none attendance of school to higher level of learning. In the study, primary level include primary one to primary seven, secondary level include senior one to senior six. The respondent may have attained all in some circumstances or any other level within the bracket.

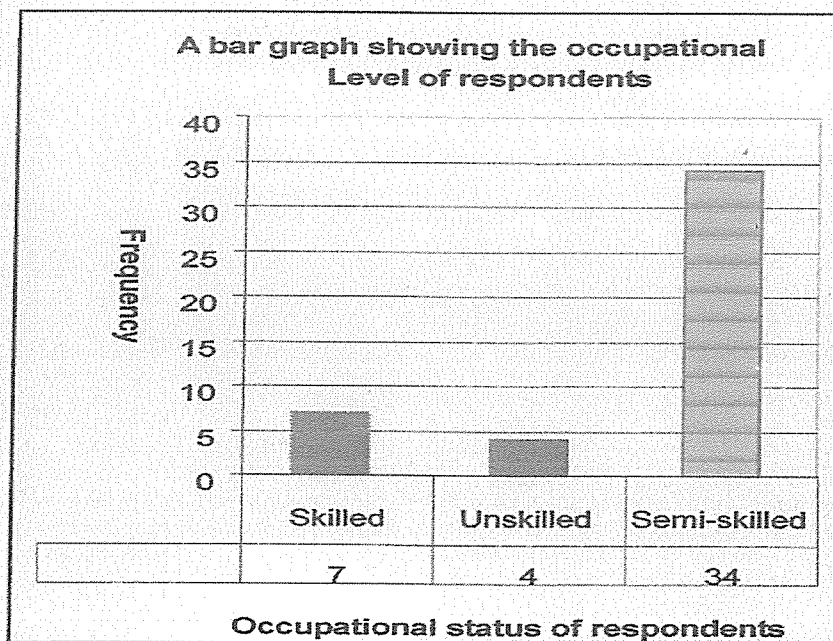
On school attendance, the study showed that 62.2% of the beneficiaries in the sample who were acquiring AGARU services had attained some education level, out of which 9 respondents (20%) had secondary education, 13 respondent (28.8%) had primary education, and 6 respondents (13.3%) having tertiary education and the 17 respondents constituting up to 37.7% had never attained any level of education as shown in the graph above.

From the findings above, the majority of the respondents had at least attained some level of education. Which is important to get access to the service of the credit scheme and allow them participate in income generating activities, this because one of the pre-requisite of acquiring service from the scheme requires or involves filling of

forms and other training given to the beneficiaries. However the number of respondents with no education background and those with primary education was quite 66.6%, this is because most people especially women drop out of school earlier due to early marriage, early pregnancies and of finance to support their education hence they start up families when they are still young and so in order to take care of such families, they need to borrow loans from financial institution so as to take care of their families, pay school fees for their children and look for other family necessities.

4.1.3: The Occupation Status of Respondents.

Figure 4.4:



Source: Primary data

Under this, the respondents were categorised into skilled (Professionals), un-skilled, and semi-skilled workers, this was done to investigate whether they were satisfied with their work or would sometimes acquire loan to substantiate the running of their activities. Majority of the respondents .i.e. 34 respondents (75.5%) in the sample were involved in semi-skilled Labour or business for example retail others which most of them learned on the job with no professional trainings attained and they normally

borrow loans to expand their business because over time their business usually expand with increasing demand.

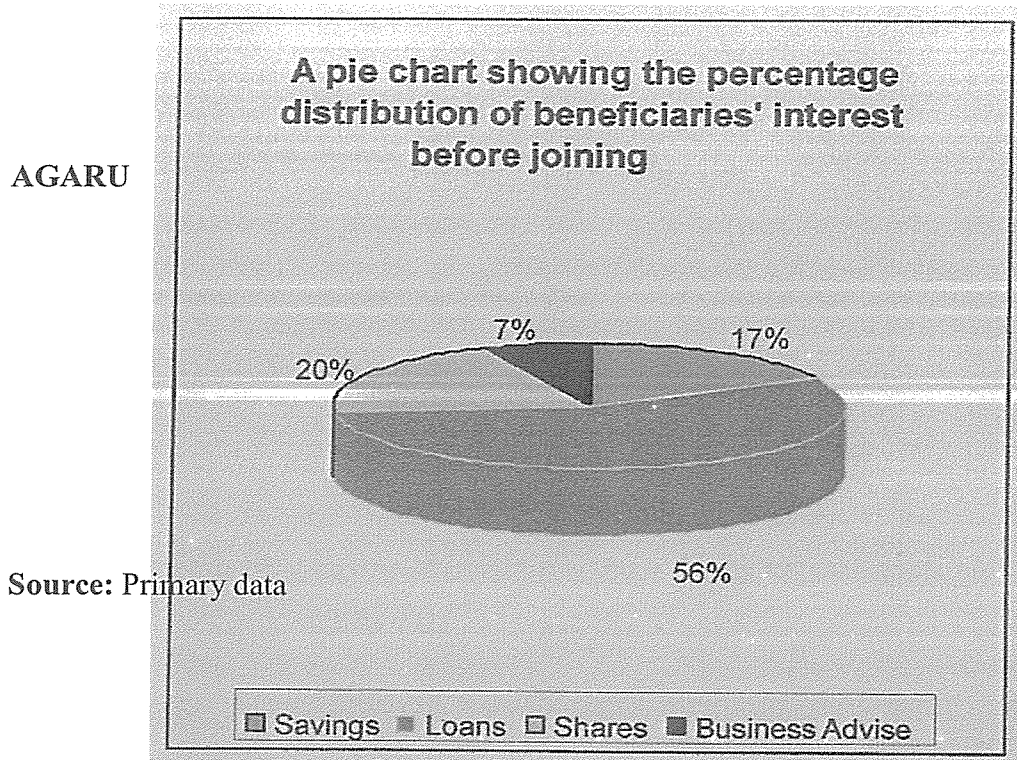
The skilled workers (Professionals) consisted of 7 respondents (15.5%) indicated that the level of education affected the type of occupation for men and women who fall in the informal sector with at least a certificate or a diploma in tertiary institution and these included the office clerk/loan officer of AGARU, 3 secondary school teachers, two nurses and a technician. According to one of the respondents, professional people do not always have enough time to attend to the meetings of the organisation (AGARU) and given the fact that most of them are employees elsewhere, they are always forced to comply with their employer's interest and looking at the unskilled workers, 4 respondents out of the 45 in the sample (8.8%) were mainly involved in selling petty goods, agricultural produces, amongst others and basing on such a background, they therefore needed some small capital for investment and hence go for loans from the credits institution.

4.2.0: Functioning and performance of Credit Scheme to rural development.

In Sub –section, the researcher investigated the functioning and performance of the institution by analysing what kind of services the beneficiaries expected to receive before joining the scheme, member's knowledge on the duration of the scheme in their area, and the beneficiary's satisfaction with the performance of the Scheme.

4.2.1: The Service expected by the beneficiaries upon joining AGARU.

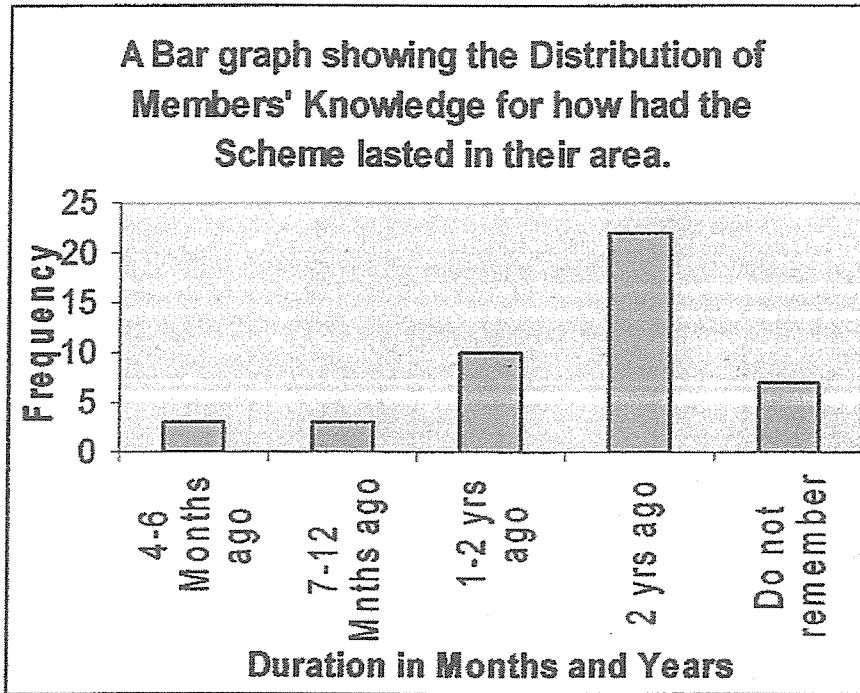
Figure 4.5:



In analysing the functioning of the credit scheme to rural development, the researcher investigated what were the member's expectations before joining the credit scheme; what kind of services did they expect to receive upon joining the scheme and in that, out the 45 beneficiaries in the sample, 8 respondents which constituted 17% were discovered to have joined the scheme for saving purposes, 25 other respondents (56%) also joined the credit institution for purposes of acquiring loan to expand their business, 9 respondents (20%) also joined the scheme to get business advice, this therefore puts it clear that the functioning of the scheme was being seen or felt by the community given the fact that the beneficiaries already had interest before joining the institution as shown in the pie chart above.

4.2.2 Members' knowledge on the Duration of the Credit scheme.

Figure 4.6:



Source: Primary data

From the above graph, the functioning of the Credit Scheme towards rural development was analysed using members' knowledge for the exercise of the credit scheme in Kalongo Town Council; the finding revealed that the respondents were grouped in different categories for knowing the duration that the Scheme had lasted in their area. Those who had known about the scheme in the past 4-6 months from the date of the interview were 3 (6.6%), those who knew between 7-12 months ago were also 3 (6.6%), those who knew scheme between 1-2 years back from the time of interview were 10 (22.2%), those who had known the Scheme 2 years ago from the time of interview were 22 (48.8%) and there were those beneficiaries (respondents) who could not remember when exactly did the scheme start in their area were up to 7 (15.5%) and basing on the above findings, it is therefore easy to determine that the credit scheme was in existence for some times back because out of the 45 respondents in the sample, 22 which is 48.8% disclosed that they knew the scheme for the past 2 years from the date of the interview and that meant the scheme was functioning well

for years now, though some respondents did not exactly know when the scheme was started.

4.2.3: Clients/Beneficiaries satisfaction of the performance of the Credit Scheme to rural development.

Table 4.1: Shows the performance of the credit scheme to rural development.

RESPONSES	FREQUENCY	PERCENTAGE %
Positive	32	71.1
Negative	13	28.8
Total	45	100

Source: Primary data.

Looking at the level of satisfaction of the beneficiaries from the performance of AGARU, that is whether this has brought any changes or achievement in the life of beneficiaries, the management's position from the key in-forms' responses was that they provide sufficient service to their clients as deemed necessary by the objectives of the scheme. However, analysing the performance of the credit scheme from the beneficiaries' perspective is as shown in the above.

The finding revealed that, of the 45 beneficiaries interviewed, 32 respondents which constituted up to 71.1% were in positive support of the performance or activities being carried out by the credit scheme that it is a move towards rural development given the many development related issues they addresses. However, 13 other respondents (28.8%) argued that the performances of the credit scheme was creating no impact towards rural development due to a number of challenges that they have yet failed to address amongst which included the high interest rates on charged on borrowers, small amount of loans given to beneficiaries amongst others.

4.3.0 The contribution of the credit scheme to household welfare.

Under this, researcher investigated from the respondents interviewed how the presence of AGARU has contributed to the daily livelihood of their households, and circumstances where their household run storage of money or probably needs an extra money to run their household activities what could they do, it was also intended to investigate whether the presence of the credit scheme was a solution to their poverty household

4.3.1: The contribution of the scheme to the daily livelihood of its members.

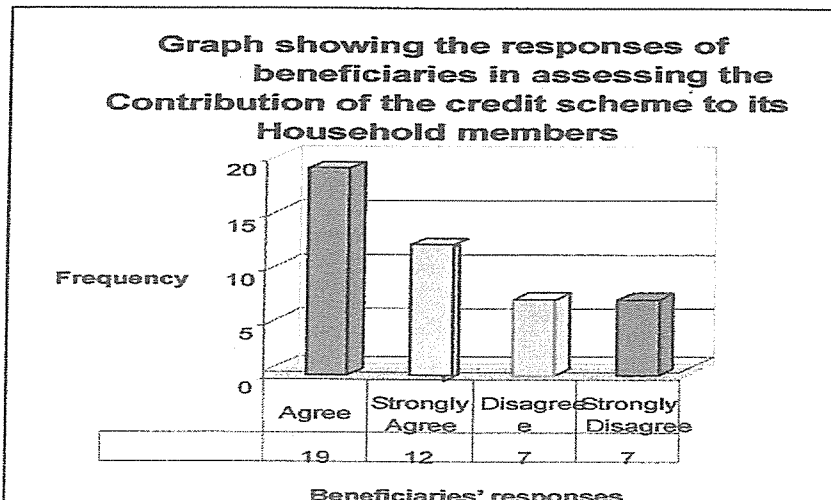
Table 4.2: Shows the contribution of credit scheme to the daily livelihood of tis members.

RESPONSES	FREQUENCY	PERCENTAGE %
Agree	19	42.2
Strongly agree	12	26.6
Disagree	07	15.5
Strongly disagree	07	15.5
Total	45	100

Source: Primary data

Figure 4.7

AGARU

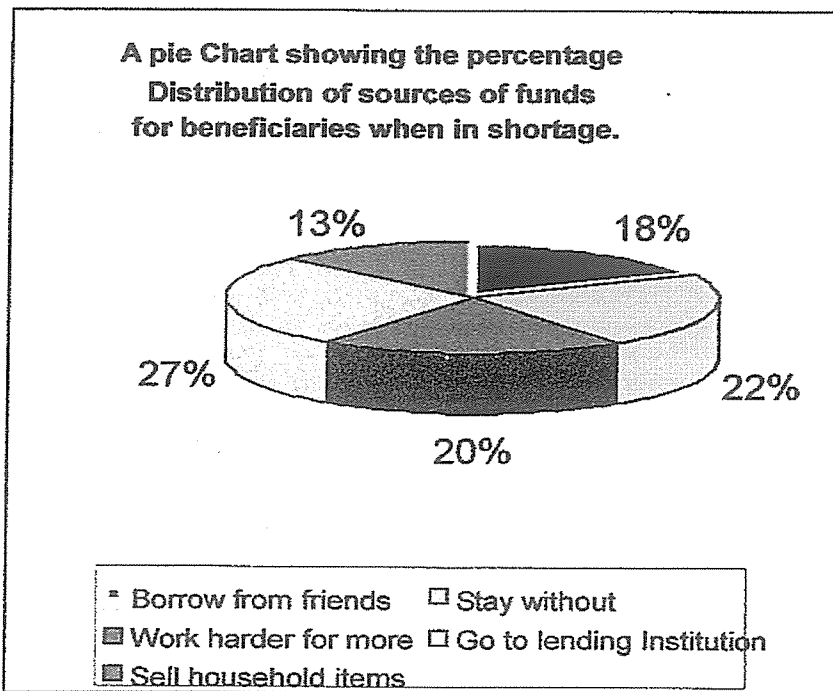


Source: Primary data

The above findings revealed that, out of 45 respondents in the sample, 31 which constituted 68.8% agreed that the credit scheme was contributing positively into their daily livelihood in their households given the number of services they are offering for example loan services, business advises, savings, trainings offered, sensitization of the communities about the activities being carried out by the scheme amongst many others which has greatly improved their standard of living, however it's also important to note that 14 other respondents (31.1%) advanced that the scheme was not contributing anything meaningful to their daily livelihood in their respective households due to factors such as inconsistencies in the services they offer for example delay in loan processing, high interest rates charged on borrowers, low interest given to depositors which to them, the presence of the credit scheme has made charge to their daily livelihood in their respective households.

4.3.2: Sources of fund in circumstanced of storage in beneficiaries households.

Figure 4.8:



Source: Primary data

From the above pie chart, we realize that through some few beneficiaries value the contribution of the scheme towards their household welfare, a greater percentage do not still believe in that, for example from the above findings, only 27% out of 100% (12 respondents out of 45) could afford to go to the lending institution when in shortage or in need of finances or money to run their household activities, whereas the other 73% (33 respondents out of 45) still go by borrowing money from friends, stay without, work harder to for money, and some even sell their household items as shown in the pie chart above, this would therefore help us to deduce that the presence of the credit scheme is not yet wholly a solution to the rampant poverty problems being experienced by the beneficiaries though to some extent it tries to solve poverty problems by offering a variety of services as earlier on seen.

4.4.0: The limitations and Problems of the credit scheme to rural development.

Here the researcher investigated the problems that the beneficiaries normally experience in accessing the services offered by the credit scheme, conditions governing joining the scheme, whether there is free entrance or exit and finally their suggestions or way forward into improving the services of AGARU.

4.4.1: Problems experienced by the beneficiaries of AGARU.

Table 4.3: Shows the problems experienced by the beneficiaries of AGARU.

Problems nature	Frequency	Percentage %
Delay in Loan Processing	14	31.1
High Interest Rates	09	20
Short payback period for loans	07	15.5
Lack of Sensitization	06	13.3
Inadequate personnel/Staff	09	20
Total	45	100

Source: Primary data

Looking at the problems experienced by the beneficiaries in accessing the services of AGARU as tabulated above, the findings revealed that delay in loan processing that

most people joined the scheme for purpose of acquiring loan and out of the 45 respondents interviewed, 14 (31.1%) advanced that delay in loan processing is their serious problem at AGARU, 9 other respondents (20%) also said they experience mostly the problem of high interest rates charged on borrowers, and also 9 other respondents (20%) advanced their problems as being lack of human resources or personnel to run the activities of AGARU effectively, meanwhile 6 respondents (13.3%) presented their complain as being lack of sensitization to the entire general public so that people could get to know more about the activities being undertaken by the scheme whereas the other 7 beneficiaries (15.5) said the problem they experience most with AGARU is the short pay back for the loans they acquire which is a hindrance to the rural development which has to take course.

4.4.2: Way forward for the above problems.

In advancing the way forward, out of the 45 respondents in the sample, 15 (33.3%) suggested the management of AGARU should enhance staff training to curb down related problems such as delay in loan processing amongst others, 13 other respondents (28.8) also suggested that the management of AGARU should improve on their system of processing loan to its members, in that it should take a improve on their system of processing loan to its members, in that it should take a faster move since members would always want to invest in the loans they acquire, meanwhile 11 other respondents (24.4) also suggested that AGARU should carry on more sensitization to the entire public so that their activities be known widely and this would also enable them realize more customers/clients which would allow them to expand to their services over time and also the other 6 respondents (13.3%) and AGARU should reduce on the interest rates the charge on borrowers, this would encourage more people to borrow from the scheme and this would enable them expand on their revenue base from the interest members pay back for servicing the loaned money.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0: Introduction.

This Chapter deals with the summary of the major findings on the overall objectives of the study. From the summary, conclusions are drawn from which recommendations and suggestion for further readings are made.

5.1.0: Summary of major findings.

This sub-section is concerned with brief analysis of the objectives of the study and summary of the findings that were made during the research.

5.1.1: The background characteristics of the respondents.

The study sought to find out the background characteristics of the respondents.

The majority of the respondents were aged between 21-30 years of age, most of the respondents had at least attained primary education, others dropped out in secondary level which means they were semi-illiterate and very few respondents had attained high level of education (tertiary);AGARU targets mainly married men and women who have stable relationships and homes most respondents are engaged in semi-skilled occupations.

5.1.2: Functioning and Performance of AGARU to rural development

This sub-section entails the ways AGARU managed to bring a difference in the beneficiaries' lives hence contribution towards rural development. From the study, AGARU got its funding from the self-generated funds like non-refundable registration fees and the pre-loan deposits per member. Also the findings revealed that awareness of the existence of AGARU was limited due to the lack of detailed information about the organization, however the majority of the respondents said they had accessed the services of the credit scheme and most of them confirm that they were satisfied with the services being provided by the institution though others thought that the loan officials needed to listen to clients' problems more.

5.2.3: The Contribution of the Credit scheme towards rural development.

This sub-section shown the way rural people have been empowered economically through the contribution of the credit institution. Majority of the respondents acquired loans from the institution between 50,000UgShs and 500,000 UgShs.

The respondents revealed that initial interest were high; and if AGARU wants to attract more clients then it should either increase the amount of loan size given to beneficiaries, or reduce on the interest rates on borrowers and increase on the interest rates on depositors and also the repayable period for the loan should be prolonged because this always affect their work since they are so much on pressure to pay back the loan within the short duration of time to them.

Respondents also revealed the contribution of the credit scheme has increased on their participation in productive activities like purchasing items for their businesses, encouraged decision making at home and it places of work and others revealed that they and acquired several benefits like acquisition of new knowledge and skills, self-confidence, emotional support, business advice, financial support and self-reliance that has increased their participation towards rural development.

5.2.0: Conclusion.

The study tried to investigate the performance of AGARU and its contribution to the economic, social and political lie of its beneficiaries towards rural development. The researcher however endeavoured to bring out the contributions made by AGARU towards rural development.

Basing on the findings from the study, it was concluded that different socio-economic variables have either directly or indirectly influenced the performance of AGARU. Most respondents particularly the married benefited from AGARU services through increased decision making and as a result increase in their income is reflected, therefore all the above would remain as long as the loans had positive impact on the families of the beneficiaries.

The performance of the credit institution depended on how much was attained from the membership fee collection and the pre-loan deposits of each member, not forgetting how the clients or beneficiaries manages their loans to both individual and

organizational interest or satisfaction; here economic empowerment is to be achieved through reduced interest rates and increased savings and also social development will highly depend on the participation of the clients to decision making at home, in their businesses as well as to the community at large.

It is therefore concluded that rural development with particular respect to those who have benefited from the credit scheme is still a big challenge for both government and non-governmental organization to achieve fully, however due credit should be given to the micro-finance institutions who have worked effectively in managing small deposits and savings especially in rural areas but these credit institutions need to move further into the villages to empower more rural dwellers as well.

5.3.0: Recommendations.

The following recommendations are to the government, non-governmental organization, individuals and the society as a whole especially people who belong and those who would like to join the credit institution.

The government should put in more efforts by laying bye-laws for the functioning of the credit institutions so that they can operate efficiently without exploiting the beneficiaries.

Policy makers in various sectors such as Ministries, credit institutions and the individual members of the society should focus mainly on education as an important factor for ensuring that the rural population are able to borrow loans and manage or maintain them well.

The loan size should be increased especially for the first loan in order to attract more clients/customers; and the interest rates charged should be revised downwards to enable existing clients get more loan at a later time.

The management of credit institutions should introduce other financial services such as small scale emergency loans and agricultural loans given to farmers and they should also stop pegging the size of the loan to the knowledge and experience of the

borrower, instead trainings should be given to all borrowers before getting loan on how to manage loan project.

The loan officials should make the loan application process short and fast enough to prevent potential clients from losing moral. Quick responses should always be given to the applicants if it is positive or negative and if it is negative, reasons why their applications were turned down should be made known to them; lists of the successful applicants should be available to the concerned applicants.

Repayable period for loans should be made uniform i.e. shorter ones should be at least six (6) months for business loans and longer ones be at least one (1) year to enable the borrowers pay back reasonably on monthly instalments as per the requirements of the loan. The loan officials should conduct frequent visits to ascertain their client's ability and the business performance so as to reduce the problems that normally arise with the group management of loans.

Bank of Uganda should come up with regulatory framework lending institutions should be made to charge uniform interest rates. The 1991 Investment Code should be reviewed to cater for credit institution so that they have a smooth policy in order to invest in rural areas.

The beneficiaries should use the loan for the actual purpose for which they were obtained for. They should not divert the loans to other activities like paying school fees, health care if the loan was not meant for that.

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APPENDIX II

Interview Scheduled for the beneficiaries.

Credit Schemes and Rural Development: A Case Study Agago Cooperative Saving and Credit Society (AGARU), Kalongo Town Council.

respondents,

I am Labeja John, a student of Kampala international University currently pursuing a course leading a ward of a bachelor degree in business administration. Kindly requesting you to spare a few minutes of your time to answer the questions below by either ticking or filling in the space provided after the question.

The information you will give/provide is strictly for study purpose(s) and will be treated with confidentiality; you are requested NOT to write your names on the questionnaire.

Your assistance towards the completion of the questionnaire will be highly appreciated with lots of thanks for your help.

SECTION I: Identification/Bio-Data.

1. Age of respondent.

.....

2. What is the marital status of the household head?.

Single Married Widowed Separated

3. What is the occupation of the household?.

.....

4. Educational Level

(i) Primary

(ii) Secondary

(iii) Tertiary

(iv) Others specify.....

SECTION II: Functioning and Performance of the Scheme to rural development.

5. What services did you expect to get when you join AGARU.

(i) Saving

(ii) Loan

(iii) Shares

(iv) Get business advice

(v) Others specify.....

6. For about how long did the credit scheme start in this area?

(i) In the past three (3) months.

(ii) 4-6 months ago

(iii) 7-12 months ago

(iv) Between 1 & 2 years ago

(v) More than 2 years ago.

(vi) Don't know/remember.

7. How do you rate the performance of Credit Schemes to rural development?.

(i) Very positive

- (ii) Positive
- (iii) Negative
- (iv) Very Negative
- (v) Others Specify.....

8. Is the credit Scheme functioning well?.

- (i) Yes
- (ii) No

If no, why?

.....

SECTION III: The Contribution of Credit Schemes to household welfare.

9. The presence of AGARU has contributed greatly to the daily livelihood of its household members.

- (i) Agree
- (ii) Strongly agree
- (iii) Disagree
- (iv) Strongly disagree

10. If your household runs out of money, or needs extra money, what do you do?

- (i) Borrow from your friends
- (ii) Stay without
- (iii) Work hard and look for money
- (iv) Go to lending Institution/bodies
- (v) Sell a house item
- (vi) Others specify.....

11. Is the presence of this Scheme a solution to the rampant poverty in your household?

(i) Yes

(ii) No

If no, give reason.....

12. Are people able to use their saving adequately to sustain their families?

(i) Yes

(ii) No

If no, give reasons;

.....

.....

SECTION IV: Limitations and Problems of AGARU to Rural Development.

13. Is there any condition that may limit a person from joining AGARU?

(i) Yes

(ii) No

If no, given reasons.....

14. What problem do you see with AGARU extending their services to the poor?

(i) Delay in loan processing

(ii) High interest rate

(iii) Short payback period for loan

(iv) Lack of Sensitisation.

(v) Inadequate personnel/staff.

(vi) Others Specify.....

15. Is there free choice of entrance and exit?

(i) Yes

(ii) No

If no,
why?.....

16. What suggestion do you give in order to improve on the services of AGARU?.

(i) Reduce on the interest rates.

(ii) Enhance staff training

(iii) Sensitise the beneficiaries.

(iv) Quick processing of loan schemes

(v) Other specify.....

I am very grateful for your cooperation in answering this questionnaire; the information given above will be treated with confidentiality and will be useful to the people of Kalongo Town Council and other areas as well.

THANK YOU

APPENDIX III:

Interview Scheduled for Key In-formats (Employees of AGARU)

Credit Scheme and Rural Development; A case study of AGARUSACCO, Kalongo Town Council.

The researcher to carry out the above mentioned research in your Parish, any assistance would be put of great use and appreciated; the data collected will be treated with confidentiality.

Respondent`s number.....

Date of Interview.....

Sub County/Division.....

Village.....

Parish.....

SECTION I: Identification/Bio-data

1. How old are you?

.....

2. What is your marital status?

Single Married Widowed Divorced

3. What is the highest level of education you have attained?.

Primary Secondary Tertiary None

4. What is your occupation?

.....

SECTION II: Functioning and Performance of AGARU –SACCO to Rural Development.

5. What are the sources of funding for AGARU

- (i) Share Holders
- (ii) Local Community
- (iii) Government
- (iv) External Donors
- (v) Others specify.....

6. What type of training does AGARU gives to beneficiaries?

- (i) Micro enterprises business skills
- (ii) Agro-base farming skills
- (iii) Marketing skills
- (iv) Saving and Borrowing skills
- (v) Others specify.....

7. The training provided by AGARU is adequate to enable or help members make good decision for rural development.

- (i) Agree
- (ii) Strongly agree
- (iii) Disagree
- (iv) Strongly disagree

8. Are you satisfied with the performance of AGARU?.

- (i) Yes
- (ii) No

If no, why.....

9. What suggestions do you give for improvement in services provided by AGARU?

- (i) Enhancement of Staff Training
- (ii) More Sensitisation to members
- (iii) Improvement in the banking system
- (iv) Infrastructure development
- (v) Other specify.....

SECTION III: Contribution of Credit Schemes to household welfare.

10. The loan size provided by AGARU is sufficient enough to enable its household members to fight poverty.

- (i) Agree
- (ii) Strongly agree
- (iii) Disagree
- (iv) Strongly disagree

11. The interest rate charged by AGARU is appropriate to enable members expand their saving and borrowing capacity.

- (i) Agree
- (ii) Strongly agree
- (iii) Disagree
- (iv) Strongly disagree

12. Are beneficiaries able to use their saving adequately to sustain their families?

- (i) Yes
- (ii) No

If no, why?

.....
.....

SECTION IV: Laminations and problems of AGARU to Rural Development

13. What problems do you experience when extending the services of AGARU to the beneficiaries?

i. Poor Saving habit

ii. Poverty in Communities

iii. Lack of Security for Loan

iv. Lack of information about AGARU

v. Others specify.....

14. What strategies has AGARU used so far to overcome these problems

i. Sensitization of the communities on activities of AGARU

ii. Improved on the processing of the loan scheme

iii. Others specify

.....
.....

I am very grateful for your cooperation in answering this questionnaire; the information given above will be treated with utmost confidentiality and will be useful to the people of Kalongo Town council and other areas as well.

THANK YOU.