

**THE IMPACT OF MICROFINANCE INSTITUTIONS ON POVERTY  
ALLEVIATION IN UGANDA**

**CASE STUDY: BRAC MICROFINANCE BUGIRI BRANCH, UGANDA.**

**BY**

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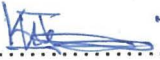
**A RESEARCH REPORT SUBMITTED TO THE SCHOOL OF BUSINESS  
AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF A  
BACHELORS DEGREE IN BUSINESS  
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INTERNATIONAL  
UNIVERSITY**

**JULY, 2012**

## DECLARATION

I **Kemigisha Jane**, declare that this report is my own effort and that it has not been submitted to any other university or higher learning institution.

Signature



.....

Date

30<sup>th</sup> / 7 / 2012

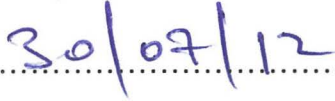
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**APPROVAL**

This research Dissertation has been done under my supervision as a University Supervisor and submitted to the School of Business and Management with my approval.

Signature.....

(Supervisor): **MR. RUTEGANDA MICHEAL**

Date:.....

## **DEDICATION**

This project is dedicated to my mother Mrs. Regina Akiiki for her effort that she put in up to the completion of my study.

## **ACKNOWLEDGEMENTS**

I thank the almighty God, for providing me the grace and opportunity to finish this academic milestone.

I would like to extend my sincere gratitude to all those who have contributed towards the successful completion of this report.

My special thanks go to my supervisor Mr. Ruteganda Michael for the time and patience he took to supervise this report, his valuable, tireless and intellectual guidance.

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I thank you all and God bless you.

## TABLE OF CONTENTS

|                                                                                          |     |
|------------------------------------------------------------------------------------------|-----|
| DECLARATION.....                                                                         | i   |
| APPROVAL.....                                                                            | ii  |
| DEDICATION .....                                                                         | iii |
| ACKNOWLEDGEMENTS.....                                                                    | iv  |
| TABLE OF CONTENTS .....                                                                  | v   |
| <br>                                                                                     |     |
| CHAPTER ONE: INTRODUCTION.....                                                           | 1   |
| 1.1 Background of the study. ....                                                        | 1   |
| 1.2. Statement of the Problem.....                                                       | 2   |
| 1.3. Purpose of the Study. ....                                                          | 3   |
| 1.4. Objectives of the Study. ....                                                       | 3   |
| 1.5. Significance of the Study.....                                                      | 3   |
| 1.6. Research Questions. ....                                                            | 4   |
| 1.7. Scope of the Study.....                                                             | 4   |
| 1.8. Conceptual Frame Work.....                                                          | 4   |
| <br>                                                                                     |     |
| CHAPTER TWO: LITERATURE REVIEW.....                                                      | 6   |
| 2.1. What is a Micro Finance Institutions?.....                                          | 6   |
| 2.2. Types of Microfinance Institutions.....                                             | 7   |
| 2.3 Features of Microfinance Institutions Village Banks.....                             | 8   |
| 2.4 The Relationship Between Micro Finance and Poverty Alleviation .....                 | 10  |
| 2.5 Contributions of Micro Finance institutions on Poverty Alleviation. ....             | 10  |
| 2.6 Challenges Faced By Microfinance Institutions In Achieving Their<br>Objectives. .... | 12  |
| 2.7 Failures/ Problems/ Criticisms Of Micro Finance.....                                 | 13  |
| <br>                                                                                     |     |
| CHAPTER THREE: METHODOLOGY.....                                                          | 17  |
| 3.1: Introduction. ....                                                                  | 17  |
| 3.2: Research Design.....                                                                | 17  |
| 3.3: Research Population. ....                                                           | 17  |
| 3.4: Sampling Procedure.....                                                             | 17  |
| 3.3: Data Collection Tools.....                                                          | 18  |
| 3.6: validity and reliability of instruments.....                                        | 19  |
| 3.7: Procedures for data collection. ....                                                | 19  |
| 3.8: Data management and analysis.....                                                   | 20  |
| <br>                                                                                     |     |
| CHAPTER FOUR.....                                                                        | 21  |
| PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS.....                                | 21  |

|                                                            |    |
|------------------------------------------------------------|----|
| 4.0 Introduction.....                                      | 21 |
| 4.1 Background of the information.....                     | 21 |
| 4.2 Section two: Verification of Research questions.....   | 25 |
| 4.3 Research questions one.....                            | 25 |
| <br>                                                       |    |
| CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS..... | 31 |
| 5.1 Summary.....                                           | 31 |
| 5.2 Conclusions.....                                       | 32 |
| 5.3 Recommendations.....                                   | 34 |
| <br>                                                       |    |
| REFERENCES.....                                            | 35 |
| APPENDICES.....                                            | 36 |
| APPENDIX 1: QUESTIONNAIRE.....                             | 36 |
| APPENDIX 2: INTERVIEW GUIDE.....                           | 39 |
| APPENDIX 3: BUDGET.....                                    | 40 |
| APPENDIX 4: TIME TABLE.....                                | 41 |

## CHAPTER ONE.

### INTRODUCTION

#### 1.1 Background of the study.

Micro finance banking to the poor is a recent global phenomenon introduced by noble price winner Dr Mohamed Yunus of Bangladesh in the 1970s. Before Dr Yunus the poor were not allowed access to credit and loans because of the wide spread belief that the poor could not pay loans. Dr. Yunus' project, Grameen bank began with loans of less than 50\$ to the poor basket weavers in Bangladesh. In the past 30 years Grameen has grown to over 3.7 million borrowers worldwide with a 98% repayment rate higher than any commercial bank. Dr Yunus has proved that the poor are indeed responsible enough to manage credit and repay loans.

Micro finance has also been globally acknowledged and recognized as an effective efficient and legitimate social and economic tool in the fight against poverty. Microfinance has proven to be significant intervention tool for poverty reduction particularly in densely populated urban slums / townships and rural areas especially in Africa and Asia.

In 2000 the United Nations drew up a list of millennium goals which aimed at globalization, development and eradicate extreme poverty.

The term extreme poverty can be defined as those leaving on less than \$1 a day (Simanow + 2 and Walter 2002) the un resolution adopted by the general assembly state" we will spare no effort to free our fellow men, women and children from the abject and dehumanizing condition of extreme poverty to which more than a billion of them are subjected".

The seven millennium goals are as follows

- Eradicate extreme poverty and hunger as the major aim of concern
- Achieve universal al primary education (UPE)



- Promote gender equality and empower women
- Reduce child mortality rate
- Improve maternal health
- Combat HIV IAIDS malaria and other diseases
- Ensure environmental sustainability of which they all have to be achieved by 2015.

In 2002 Jonathan Murdoch and Barbra Haley leading experts in the study of microfinance and its effects on poverty alleviation were authorized to determine the impact that microfinance has on the realization of the seven millennium goals. In an extensive paper entitled, “microfinance and its effect6 on poverty alleviation”, Murdoch and Haley concluded that” there is ample evidence to support the positive impact of microfinance on poverty reduction as it relates to the first six of the seven millennium goals.

Microfinance can be used as a valuable means to eradicate poverty and indeed it has proven again and again to be an effective method of poverty alleviation (Murdoch and Haley 2002).

### **1.2. Statement of the Problem.**

Poverty continues to be the number one I major problem in Uganda and Africa at large (ministry of finance planning and economic development march 24th 2000 poverty in Uganda is considered to have increased for the majority of people in the present era of structural adjustment programs in terms of absolute members , poor people constitute 61 of the population while 30% constitute the absolutely poor it has also been asserted that women are the poorest “feminization of poverty”, there by highlighting the significance of the gender dimensions of poverty. Many reports and communication channels such as news papers, songs, programs on TVs and radios have given allot of information about poverty and how to be prevented. This has really been attributed to the fact that the majority of the affected population are located in

rural areas where by due to poverty many can't afford even to start up small businesses to sustain themselves. There is also a fact that most of the people are illiterate and are not in position to acquire good jobs. This implies that possibly the role of microfinance in the fight against poverty in Uganda has not been fully explored hence the need of the study.

### **1.3. Purpose of the Study.**

To establish the impact of micro finance on the alleviation of poverty in Uganda.

### **1.4. Objectives of the Study.**

1. To assess the roles of microfinance in the alleviation of poverty in Uganda.
2. To establish the challenges faced by the microfinance institutions in the fight against poverty alleviation in Uganda
3. To identify the ways in which microfinance has failed to fulfill the objective of poverty alleviation in Uganda.
4. To make recommendations on how best microfinance can fight poverty in Uganda.

### **1.5. Significance of the Study.**

The study helped in evaluation of microfinance institutions towards eradication of poverty in Uganda.

The study also helped in finding possible measures on how to fight poverty in society

It also enabled micro finance institutions to diversify their activities by Improving on their services mainly to help society out of poverty.

It also helped address the problem of poverty beyond borders which called for organizations (nongovernmental organizations) with new projects against poverty in the country which was of great importance to both government and society.

## **1.6. Research Questions.**

- 1 What roles has micro finance played to reduce poverty in Uganda?
- 2 What are the challenges faced by microfinance institutions in the fight against poverty in Uganda?
- 3 In which ways has microfinance failed to fulfill its objectives especially in the alleviation of poverty?
- 4 What could be the suggested solutions to problems or failures of microfinance in alleviation of poverty?

## **1.7. Scope of the Study**

The study covered areas of Bugiri district where BRAC microfinance operates. BRAC microfinance is located along Bukooli road in Bugiri town one kilometer away from Bugiri police station. The areas that BRAC micro finance operates and where the study was conducted in Bugiri district include Bugiri town council Ndifakulya, Ndeeba , Muyenga, Butanbula, Naluwerere, Kapyanga and Bugubo areas. The study or questions were answered or restricted to only members of BRAC microfinance in the above mentioned areas

## **1.8. Conceptual Frame Work**

The conceptual framework indicates the impact of microfinance in the alleviation of poverty. This can be achieved through; sensitization, low interest rate, encouraging the development of agriculture by offering the loans to the people and encouraging savings. I this is attained, this will encourage the reduction of poverty.

Poverty reduction is the dependent variable and microfinance institution the independent variable because poverty reduction will depend on the performance of microfinance institutions.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1. What is a Micro Finance Institutions?

Micro finance is a provision of a broad range of client responsive financial services to poor people through a wide variety of institutions. These financial services include working capital loans, consumer credit, salary, pension funds, and money transfer services which services can play a critical role in reducing poverty (Among Anita 2009).

Micro finance is a relatively new concept that has grown exponentially in the last decade as investors, donors and banks realize the potential of capital that can be made by banking to the poor. In the past it was assured that poor people were unbankable since they were only capable of taking out small loans and had no collateral (Brandsma and chaouli 1998, Simanowitz and Walter). Grameen bank in Bangladesh the first to start banking to the poor proved that not only are the poor bankable but micro finance in the informal sector can be quite profitable (Brandsma and Chaouli 1998). Since then micro finance institutions have sprung up all over the world and reached millions of the poor people (Simanowitz and Walter 2002).

In essence a micro finance institution acts as a bank for the poor. In most cases it's a bank or can become one but usually an NGO or Governmental program aimed at poverty alleviation. Its purpose is to provide financial loans to the poor that are not made available to them through the traditional banking system. (Brandsma and Chaouli 1998).

## **2.2. Types of Microfinance Institutions.**

There are basically three types of micro finance institutions which include:

- (a).Latin America solidarity groups.
- (b).The Grameen bank model.
- (c).The village banking model.

### **LATIN AMERICAN SOLIDARITY GROUPS.**

It consists of 4-7 self selected members who guarantee each other loans. In this type of micro finance members are usually required to deposit regular savings which acts as collateral and may be withdrawn at the end of the loan cycle. Group members work together to sort problems and pressure to collect loans and interest (Peace Corps, 2000). The disadvantage to this type of microfinance is that the poor themselves are not granted much autonomy. Loan officers and staff from micro finance institutions are decision makers. The microfinance institution staff is helping the villagers instead of empowering the villagers to help themselves.

### **THE GRAMEEN BANK MODEL.**

First developed in Bangladesh, is the most publicized MFI in the history of micro finance. Grameen bank lending program allows greater autonomy for the poor and creates less responsibility for the microfinance institution. Lending groups are self selected and have five members. Members are required to save together for four to eight weeks before becoming eligible for their first loan (Peace Corps, 2000). Groups are also required to deposit savings periodically throughout the duration of the loan. The Grameen bank model uses voluntary client savings accounts as an additional source of income.

## **VILLAGE BANKING SYSTEM**

It was developed by FINCA a well known and highly successful microfinance NGO.

Although the Grameen bank model grants a certain amount of autonomy to clients the village bank system allows villagers full responsibility. The microfinance institution or staff is barely involved at all the village bank literally function as its own enterprise its composed of 30 to 50 members who elect there own management committee. The FINCA village banking system is shown to be the most effective of the three methodologies because it allows maximum efficiency of the microfinance institution and the greatest autonomy of the poor.

### **2.3 Features of Microfinance Institutions Village Banks**

One innovative characteristic of microfinance institutions is the use of village banks the key function of village banks is mobility (Brandsma and Chaouli 1998) with village banks clients need only to travel a short distance to take out r make payments.

The unique feature of the staff in a village bank is the use of loan officers. There may be one to four loan officers per village bank depending on the population of the clients in the area.

In addition to unique staffing arrangements microfinance has developed a distinctive loan repayment system. Unlike in normal banking loans are repaid starting months or even years after the loan was taken.

A successful microfinance institution is one that maintains strict client repayments schedules and the local knowledge of the staff of village banks enable microfinance institutions to keep close track of who is repaying loans and who is not.

## **TRUST AND GROUP LENDING.**

The second innovative practice adopted by the microfinance institutions is group lending. The function of group lending is to make up for lack of collateral in impoverished communities (Murdoch 1999) it has since been demonstrated that group lending can be used in the place of concrete collateral (Brandsma and Chaouli 1998).

In group lending the loan is made to a self selected group of approximately five villagers who may not be involved in the same business enterprise. Group treasurer is elected among them and deposit them at the village bank. The group treasurer is responsible for repayment by the rest of the group which alleviates the burden of responsibility from the bank and puts it into the hands of the people.

The success of group lending is primarily due to the intimate settings of most third world villages for example late loan repayment means that the client either cannot pay or won't pay. If it is known that the person cannot pay, neighbors can be usually counted on to come to his or her aid. If the person will not pay, he or she is ashamed by the rest of the village. Fear of public humiliation provides high incentives for prompt repayments (Rhyne 2001).

Another important ingredient in the trust system is the personal relationship between microfinance institution staff and clients. The small staff at the village bank is encouraged to get to know clients on a friendly basis. Owing to the fact that clients do not put down collateral the loan is based entirely on trust. This approach helps to weed out potential problem clients (Murdoch 1999).

## **2.4 The Relationship Between Micro Finance and Poverty Alleviation**

The relationship between microfinance and poverty alleviation is simply the way in which microfinance has helped in reducing poverty in Uganda. It is the major body that has played a direct role in the alleviation of poverty in Uganda. A microfinance institution (MFI) acts as a bank for the poor and actually a bank which is an NGO or governmental program aimed at poverty alleviation. Its major purpose is to provide financial loans to the poor that are not available to them through the traditional banking system.

## **2.5 Contributions of Micro Finance institutions on Poverty Alleviation.**

### **Increase in income.**

There is over whelming evidence that the families that participate in micro finance programs enjoy an increase in household income(Murdoch and Haley 2002, Simanowitz and Walter 2002:20) With small sums of money ,they are able to purchase the inventory supplies and tools needed too start or expand micro businesses that range from weaving , sewing , grinding grain ,reselling produce , growing and selling vegetables to catching and selling fish , whole selling dry fish , raising chicken to sell eggs and breeding livestock (Among Anita microfinance management 2009).

Microfinance makes an impact on more than household income. Case studies indicate that microfinance has substantial effect on nutrition and health of the poor especially for children (Wright 2000, Khandker 1998) integrated micro finance are known for their direct involvement in nutrition and health through provision of education on AIDS awareness and classes on nutrition and hygiene.(year of micro credit 2005)Indirectly micro finance has a positive influence on nutrition and greater access to health care (Graham Wright, Microfinance systems, designing quality financial services for the poor).

Higher school attendance.



Microfinance by contributing to an increase in household income and better financial stability enables poor families to bear the cost of sending their children to school. Micro finance are known for encouraging families to keep children in school and in some cases school attendances is mandatory in order to participate in microfinance program (Murdoch and Haley 2002) This is because many poor children and adolescents do not have a chance to obtain an education because their parents cannot afford to send them to school. The costs of transportation and educational materials are too much for impoverished families which have affected them mostly especially the adolescents who drop out of school to find a job to supplement the family income.

### **Women empowerment.**

Microfinance has played a critical role in the realization of the third millennium goal to promote gender equality and empower women. Currently 70% of people in absolute poverty are women. In order to alleviate extreme poverty women who suffer the most must be empowered to break free from their marginalized status in society. Micro finance can provide the economic opportunities that women need to control their lives and lives of their children.

### **Lifts poor out of poverty.**

Microfinance clearly contributes to a greater economic stability and well being of poor families through increase in income, health, nutrition, education and empowerment but can micro finance actually lift the poor? The answer is yes. Micro finance is proven to improve the standards of living many families to such an extent that they are completely lifted out of their impoverished

### **Integrated programs**

In order for micro finance to reach its full potential countries must adopt a holistic approach to poverty alleviation. Microfinance alone can not lift the poor out of poverty although the benefits of increased income spill into other areas. MFIs programs should be coupled with other poverty alleviations such as business training medical care and hygiene education. The poorest households in particular benefit from the integrated microfinance approach since the

poorest are more vulnerable to economic shock and also suffer from deprivation of basic needs (reducing poverty 2004:64).

#### **Asset building.**

Due to increased income and ability to save and take on credit, microfinance can provide the means of poor people to acquire land construct or improve their home, purchase animals and customer durables or create or expand their business. Studies have shown that clients who take part in microfinance acquire more productive assets overtime than those who do not.

#### **Access to credit, savings and Insurance.**

Poor people are able to use their funds appropriately, avoid wastage and mismanagement of funds. People can cope with emergencies like death famine, political unrest and other unforeseen circumstances.

### **2.6 CHALLENGES FACED BY MICROFINANCE INSTITUTIONS IN ACHIEVING THEIR OBJECTIVES.**

According to Madam Among Anita below are the challenges faced by microfinance institutions.

- Poor saving culture among the poor people
- Limited outreach of micro finance institutions
- Lack of information about the services and products
- Commercialization of institutions
- Politicizing the institutions
- High corrupt officials
- Exploitations of clients
- Cost of providing services is too high
- Direct delivery of financial services by government
- Poor assessment and evaluation
- Lack of education of savings mobilization so as to strengthen self sufficiency and reduce loan dependency.
- Lack of support from government
- High requirement of loan security

- Inappropriate donor subsidies
- Poor regulation and supervision of deposited taking institution

## **2.7 FAILURES/ PROBLEMS/ CRITICISMS OF MICRO FINANCE.**

There are many criticisms to the microfinance approach to poverty alleviation indeed the critics have even questioned whether micro finance alleviates poverty at all.

There are basically five main arguments against microfinance in the third world as discussed below.

### **Microfinance does not reach the poorest.**

The first reason that microfinance does not reach the poorest of the poor is because of discrimination by the loan officers (Simanowitz 2000 and Walter 2006) as with all loan systems, the higher the loan, the greater the profits to be made by the lender. Consequently, loan officers often discriminate against very poor borrowers and instead favor the richer poor who can afford to take out larger loans (Wright 2000 and Simanowitz 2000).

### **Financial sustainability.**

The second criticism of microfinance is that financial sustainability is rarely achieved. There is over whelming evidence of the failure of microfinance institutions to achieve financial independence from subsidies even if the autonomy is pushed as the primary goal (Murdoch

1999). Advocates for microfinance institutions approach to poverty alleviation are continuously haunted by statistics such as only 1% of microfinance institutions are financially self sufficient (Murdoch 1999: 1587). Opponents of micro finance institution system use statistics as evidence for failure of microfinance and thus as proof that the practice should be discontinued.

**Potentially harmful to women.**

For most of history, women were excluded from public or income generating activities only recently they have started to speak up about gender equality and right to equal economic opportunity with men. Some men feel that women's independence is a direct threat to traditional patriarchal power (Murdoch and Haley 2002: 136). This can lead to power struggle as the man attempt to regain dominance over the house hold and in some cases; it escalates to domestic violence against women (Cheston and Kuhn 2002),

**Creates large debt.**

It becomes hard to some poor people who are unable to repay loans (Buss 1999). Small businesses in third world countries are subject to a great number of obstacles like lack of adequate infrastructure, inability to access supplies needed for the businesses, flooded markets if enterprises are to similar, difficulties with money management due to improper schooling and lack of training or skill and special vulnerability to crises such as a death in the family. Borrowing money is always a risk but particularly so for the poor who are already extremely vulnerable to economic shock.

**Not universal in application.**

It is said that microfinance cannot be utilized by the young, old, the sick, physically or mentally handicapped people (Versluysen 1999). Microfinance programs are also charged with excluding rural locations without infrastructure or access to market areas with a dispersed population, communities that depend on single economic activity (Parker and Pearce 2001). The most biting indictment against microfinance is that it requires the poor to be entrepreneurial (versluysen 1999). Even in our own country it is abundantly clear that most people are not entrepreneurial. It would be hard to assume that all poor people are dynamic.

## **SOLUTIONS TO THE PROBLEMS.**

The solution for microfinance not reaching the poorest is by providing micro financial services to the very poor by designing programs that suit the needs of the destitute families (Marcus, porter and Harper 1 999).Factors which enable development agencies to reach the poorest are building a sharing knowledge with the very poor, basing actions on the aspiration of the poor instead of their problems, recognizing the value of cultural action and training the poor (Wodon 2000).

### **Financial sustain ability.**

This can be solved by providing training for the poor and achieving financial sustainability precarious. Ideally microfinance would be financially sustainable and provide training to needy clients, however due to financial constraints, this is nearly impossible (Robinson 200

1).The necessity for microfinance institutions to choose between the two goals has led to the development of two methodologies thus the integrated approach and the minimalist approach(Bhatt and Tony 2001 ).Integrated approach argue that microfinance institutions should focus on poverty alleviation as their primary goal while minimalist approach argue that unless the microfinance institution is financially sustainable it will be un able to grow(Murdoch and Harley 2002).So microfinance should team up with non financial organizations in order to provide training to the poor.

### **Potentially harmful to the women.**

This can be dealt with by encouraging women to prove themselves as capable in the work force. If women were to gain greater access to markets and provided with training in order to enhance the economic opportunities available to them, they will have more control over loans and the use of loans. Although micro-credit may contribute to a greater work load for women, most women feel that the benefits of participation in micro-credit program by far out weigh the costs (Cheston and Kuhn).

**Creates large debt.**

Considering the difficulties faced by a poor entrepreneur who is trying to decide on a location of his or her business, the poor have two location options, the first is to move the business to the city and the second is to stay local. If they choose to run business from the city, the issue would be transportation to and from the city, difficult in gaining honest employees and competition, therefore business would require more than just credit, it will require management skills, education and knowledge of Marketing (Peace corps 71).

**Not universal in application.**

Though it is true that not all poor can benefit directly from microfinance, they can benefit indirectly for example if one woman has the skills and entrepreneurial spirit, to start a business, her entire family can profit from her success. Microfinance does not exclude the young, the old, the sick and the handicapped because all these are members of the family.

## **CHAPTER THREE**

### **METHODOLOGY.**

#### **3.1: Introduction.**

In this chapter, the focus was on the way to use various methodologies in the study. The chapter covered the process through which the study evolved and covered the research design, study area, the sampling procedure, data collection and management process.

#### **3.2: Research Design.**

The study adopted a case study design that was an intensive, descriptive and holistic analysis of a single entity, the bounded case. This approach enabled the researcher understand phenomenon in its entity, therefore qualitative and quantitative method were utilized to grasp data on process and reasons for the particular outcomes which was both useful for providing adequate information on the study.

#### **3.3: Research Population.**

The research population comprised of full time employees and members of BRAC microfinance where a sample size was 50 people, 20 people were interviewed for the study, 30 responded through questionnaires, 20 members and 10 employees of BRAC microfinance.

#### **3.4: Sampling Procedure.**

After deciding on the sample size, the researcher formulated a procedure of selecting the subject to be included in the sample. The goal of probability sampling was to select a reasonable number of subjects, objects or cases that represented the target population. This provided the researcher with accurate information about groups that were too large to study in their entity. It provided the researcher with an efficient system of capturing in a small group, the variations or heterogeneity that existed in the target population.

### **3.3: Data Collection Tools.**

Data collection refers to the gathering of information to serve or prove some facts. The researcher has a clear vision of the instruments used, by the respondents and the selected area. The procedure used to collect data was influenced by the research instruments used. For example, Questionnaires, interviewing, sampling, reviewing the related literature and data analysis.

#### **The questionnaire.**

The semi structured questionnaire was the main instrument of the study that was administered to the staff of BRAC. The questionnaire was designed according to Likert scale so as to explore key variables of factors affecting public relations and crisis management. The researcher preferred to use this method because of its ability to solicit information from several respondents within a short time as supported by Gupta (1999). The respondents were given time to consult records for sensitive questions and truthfully answered (Proctor 1997).

#### **Review of relevant documents.**

A number of documents relevant to the impact of microfinance on poverty alleviation in Uganda were reviewed and also surfing on the net was relevant to get the required literature. The other methods to get the required literature included library research, published and unpublished literature, statutes, official reports and other policy documents and position papers.

#### **Observation.**

The choice of strategy was to derive the benefits of producing the data based on the real world observation; this was possible in accordance with the way in which the researcher would not get the idea of carrying out the research in this particular.



### **Data analysis.**

Data was analyzed so as to give a clear presentation of the various responses and the significance of each response depending on the magnitude of the corresponding number and frequency percentage of total responses and conclusions was drawn on the basis of those frequencies.

### **Structured interviews.**

Interviews were administered to the department heads and management officials concerning microfinance and poverty alleviation. Structured interviews were designed in such a way that more specific and truthfully answers relating to the topic were got. Interviews were preferred according to Amin (2003), interviews give an opportunity to probe detailed information on an issue.

### **3.6: validity and reliability of instruments.**

After constructing the questionnaire, the researcher contacted the supervisor and two other experts. To establish the validity, the researcher used expert judgment method that is suggested by Gay (1996).

### **3.7: Procedures for data collection.**

The researcher started by obtaining a letter from Kampala International University to enable her visit the head office of BRAC Microfinance to inform them about the forthcoming study. Key information was purposively selected during the administering of the questionnaire. The research instruments used was designed to capture quantitative data. The questionnaire was administered to 50 respondents. The structured questions therein were expected to solicit answers that would enable discernment of the quantifications of various aspects of microfinance institutions. The open ended questions are expected to capture perception and explanation to the quantitative aspects.

The interview schedule for 20 informants was expected to enable narration and free expression of informants' and to facilitate deeper probing into microfinance and poverty alleviation in Uganda.

The technique also enabled the researcher to learn new information relevant to the study which had not been incorporated in the design of the instruments.

### **3.8: Data management and analysis.**

Data analysis was the process of bringing order, structure and meaning to the mass of information collected. Quantitative data analysis sought to make general statements on how categories or themes of data were related. The data was in form of texts and materials which described occurrences. The researcher then established relationship among these categories. Generating themes and categories was done using codes, which was assigned manually or by use of computer software known as SPSS Text Editor.

## CHAPTER FOUR

### PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS.

#### 4.0 Introduction

The findings of this chapter are based on the research carried out at BRAC Micro Finance Bugiri. A Micro finance Institution that provides loans, saving services, accepting deposits and other non banking services like health services, today goods like soap, salt, pads, pampers commonly known as (Brac huiry goods) and also provide advisory services to its clients.

This chapter shows the impact of micro finance institutions on poverty reduction/ alleviation in Uganda.

The presentation of the study is guided by the research questions and face to face interviews that guided the study.

#### 4.1 Background of the information

The first part of chapter four (4) presents the background information of the respondents. The researcher has information that was important because the respondents' background determines their ability to possess the required information and subsequently determined the necessity of the researcher to probe for any detail and established efficiency report with respondents.

On the respondents' gender distribution, the researcher established the situation as presented in the table (1)

**Table 12: Gender distribution of respondents**

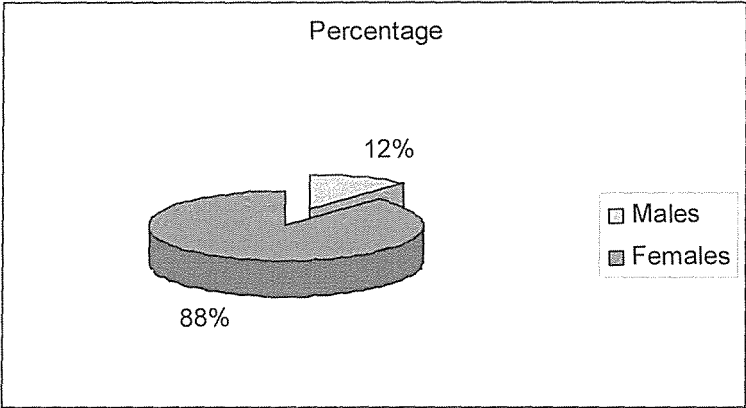
|              | <b>Respondents</b> | <b>Percentage</b> |
|--------------|--------------------|-------------------|
| Males        | 6                  | 12%               |
| Females      | 44                 | 88%               |
| <b>Total</b> | <b>50</b>          | <b>100</b>        |

**Source: Primary Data**

As observed from table (1) the majority of the respondents as compared to 6 (12%) who were the Males. The results involved that during the survey, the females were more accessible males and on the other hand, microfinance mainly emphasizes the females than males and also Brac Microfinance mainly target the females. In the first place. This made it possible for the researcher to interact with more females than he could with males. The distribution however indicates that there was adequate participation of both females ad males in the study which gave the researcher the opportunity to solicit varying from gender settings.

The researcher also endeavored to explorer the level of education of the respondents. This variable was worth establishing by the researcher because the education level of the individual determines his/her ability to possess adequate information. The results on the level of education of the respondents are presented in the pie chart below.

**Pie chart showing Gender Distribution of Respondents**



The pie chart basically indicates that the majority of the respondents 18 (36%) ended in primary school of the researcher inquired details from the respondents it was revealed that the majority of the respondents ended in primary school. These were mainly the members who own and were operating small businesses of their own and were not in position to acquire office jobs or government jobs hence operating small businesses. Also according to the pie

chart 15 (30%) and 5 (10%) ended n O and A level respectively most of them operating retail shops, Bookshops, Secretarial bureaus, Boutiques and among these we have some few employees of Brac Microfinance. And lastly are those who had other awards like certificates on top of A level and O level some are diploma holders and some few employees of Brac are those who went up to degree level.

The researcher also found it relevant to know the age groups of the respondents.

The information was important by the researcher because it would be necessary to know which age group mostly participate and receive the services of microfinance.

**Table 2: Age presentation of the members and employees of Brac microfinance.**

| <b>AGE</b>   | <b>FREQUENCY</b> | <b>PERCENTAGE</b> |
|--------------|------------------|-------------------|
| 18-25        | 4                | 8                 |
| 26-35        | 20               | 40                |
| 36-45        | 16               | 32                |
| 46-above     | 10               | 20                |
| <b>Total</b> | <b>50</b>        | <b>100</b>        |

**Source: Primary Data**

From the table above, it's evident that most of the participants in the activities or the beneficiaries of microfinance services are mainly in the age group of 26-35 (20) or 40% which means that the very young below 25 rarely participate in Micro finance services. This means that most of these are still pursuing their education and business and also the table indicates that as people keeps on aging, the participation in micro finance begin to reduce this can mean that they may not be in position to work hard and pay back the loans offered by micro finance institutions.

**Table 3: Migration distribution of the respondents.**

| <b>MIGRATIONS</b> | <b>FREQUENCY</b> | <b>PERCENTAGE</b> |
|-------------------|------------------|-------------------|
| Single            | 12               | 24                |
| Married           | 20               | 40                |
| Widow/Widower     | 18               | 36                |
| <b>TOTAL</b>      | <b>50</b>        | <b>100</b>        |

**Source: Primary Data.**

Here the marital status is majority but then the differences between the married and the widows/Widowers are relatively high. The single participants are still low. Having a big number of widows/widowers indicates that the majority of the widows are members of microfinance since statistics has it that they are the poorest; they relatively need the microfinance services to improve their status.

The researcher also investigated the time the researcher had spent as members and employees of the institution of BRAC microfinance. This information was regarded important by the researcher because the time spent in the organization would incidentally relax to the respondents in the organization would incidentally adequate information. The results are presented in table 4 of the study.

**Table 4: Distribution of the respondents experience with the organization.**

| <b>Years of experience</b> | <b>Respondents</b> | <b>Percentage</b> |
|----------------------------|--------------------|-------------------|
| Below 1 year               | 4                  | 8                 |
| 1-3 years                  | 22                 | 44                |
| 4-7 years                  | 22                 | 44                |
| 8-10                       | 2                  | 4                 |
| Over 10 years              | 0                  | 0                 |
| <b>Total</b>               | <b>50</b>          | <b>100</b>        |

**Source: Primary Data**

As expressed in table 4 the respondents experience with Brac microfinance was evenly distributed. That is 4 (8%) had spent less than one year in Brac microfinance, 22(44%) had spent 1-3 years like wise 22(44%) had spent 4-7 years, 2 (4%) had spent 8-10 years and over ten years we had none. This may mean the organization itself had not taken over 10 years in place. The 22 people who had spent 1-3 years and the 22 ho had spent 4-7 years means that the services of this organization may be favorable which has encouraged many people to join the institution or consolidated them selves or stay in the organization for such a long time.

#### **4.2 Section two: Verification of Research questions.**

This study was basically guided by four research questions and an interview guide. The verifications of the research question were guide by the conditions that described the data. After presentations of results of the result question the face to face interviews are also presented for clarity.

#### **4.3 Research questions one.**

The first research question of this study was derived from the first research objective. The question sought to investigate the roles played by microfinance in the reduction of poverty in Uganda. In order to ascertain this research question, the researcher inquired from the respondents their perceptions a number of issues. These issues included: What was the role of microfinance institutions in the reduction of poverty, whether the role of microfinance department in effectual in reduction of poverty at Brac microfinance.

Descriptive statistics of the study were also analyzed and indicated results for example the researcher was interested in investigating the roles of microfinance in poverty alleviation and the results are presented in the following discussion. On whether the role of microfinance has done any thing in the reduction of poverty reduction. The results are presented in table 5.

**Table 5: what roles has Microfinance played to reduce poverty in Uganda?**

|                                                 | <b>Respondents</b> | <b>Percentage</b> |
|-------------------------------------------------|--------------------|-------------------|
| MFI has really helped the public out of poverty | 5                  | 10                |
| MFI has helped the members out of poverty       | 32                 | 64                |
| MFI has done worse than good                    | 3                  | 6                 |
| MFI has helped the employee out of poverty      | 8                  | 16                |
| Had no idea                                     | 0                  | 0                 |
| Has nothing to do with the reduction of poverty | 7                  | 4                 |
| <b>Total</b>                                    | <b>50</b>          | <b>100</b>        |

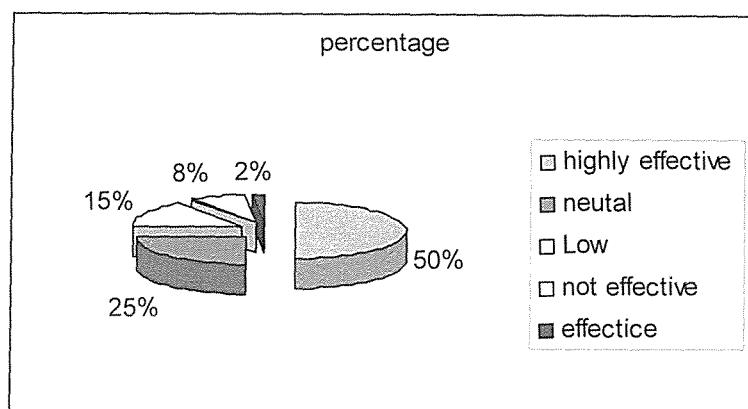
**Source: Primary Data**

According to the expressions of the members and employees in table 5, it can be observed that there was satisfaction with the role played by microfinance (Brac microfinance). There is 32 (64%) of the total respondents strongly has really helped mostly its members out of poverty. On addition to that 5 (10%) and 8(16%) also agreed that it has helped the public and its employees out of poverty. On addition 32 which makes it 45 of the total respondents which is 50 highly believe microfinance has done a good job in reducing poverty in Uganda. Otherwise on the other hand some respondents where 3 (6%) aid MFI has nothing to do with the reduction of poverty in other words that they have their own intentions say maximal profits other than reducing poverty. They are right because in every situation no one is perspective cannot say that Brac Microfinance is perfect in its duties but according to statistics above it has done relatively well in the alleviation of poverty among establish its members and employees. There fore to benefit from its services one must be a member of Brac or an employee.

The researcher also saw it relevant to know or investigate whether microfinance is effectual in poverty reduction considering Brac microfinance and the results are presented in the pie chart below.



**Pie chart 2: examining whether MFI is effectual in poverty alleviation at Brac Microfinance.**



**Source: Primary Data**

According to the expression of members and employees of Brac microfinance, in pie chart 2, it can be seen that half of the total population agree (high) or 50% testify that the role of MFI is highly effectual in poverty alleviation yet 25% say its role is neither high nor low which implies that it neutral which is also a good achievement of microfinance institutionary. On the other hand 15% of the total research population says that the level at which microfinance is effectual in reducing or alleviation poverty is still low and also think they are right in one way or another.

When the researcher contacted the respondent during the face to face interviews more interesting issues about whether microfinance is effectual in poverty Alleviation.

Some of these participants urged that its role is still too low because in the fight to achievement more profits as one of their major objectives to develop the institution and also fulfill the day today obligations, they tend to raise the interests rates where by the burden is directly transferred to the members where by incase they credit officers tend to take and also sell their property which make them even poorer. Some also said that their small capital just disappear slowly in the replay backing activity.

And lastly 8% who claim microfinance highly no effectual in reducing poverty then the 2% also claim MFI activities are very highly effectual.

## Research question two

From the second objective of the study, the researcher derived a research question which guided the study. In order to get appropriate answers to this research question, a number of elements were subject to the respondents to find out the challenges especially the employees of Brac microfinance face in fulfilling the challenges of poverty reduction. There were many challenges put forward by both members the management and employees of Brac microfinance. The frequencies of the challenges faced by management employees and members in the reduction of poverty id presented in the table below.

**Table 6: examining the challenges faced by microfinance in the reduction of poverty in Uganda.**

|                                     | Employees |            | Management |            | Members   |            |
|-------------------------------------|-----------|------------|------------|------------|-----------|------------|
|                                     | Frequency | Percentage | Frequency  | percentage | Frequency | Percentage |
| Total of individuals                | 7         |            | 3          |            | 40        |            |
| Poor saving culture                 |           |            | 2          | 90         |           |            |
| Limited outbreak                    | 7         | 100        | 3          | 100        | 20        |            |
| Commercialization of institutions   |           | 0          |            |            |           |            |
| Corruption                          |           | 0          |            |            | 17        |            |
| High requirements of loans security |           | 0          |            |            | 8         |            |
| Lack of support from government     |           | 0          | 3          | 100        |           |            |
| Poor assessment and valuation       |           | 0          | 2          | 90         |           |            |
| Poor attitude towards MFI           | 0         |            |            |            | 15        |            |
| High cost of proving services       | 6         | 90         | 2          | 90         |           |            |
| Poor loan repayment.                | 7         | 100        | 3          | 100        |           |            |

**Source: Primary Data**

According to table 6 the respondents face a lot of challenges which limit/hinder their objectives of reducing poverty in Uganda. This ranges from top management employees up to these members. Each of these has his/her own challenges as individuals. As shown in table 6 above the challenges range from one individual to another. All these challenges all affect the activities of microfinance in trying to reduce poverty in Uganda. According to the table the challenges of limited out reach tend too affect all the groups highly that is 7 (100%) of the employees 3 (100%) of the management and 50% of the challenges and others lie poor loan repayments which takes 7(100%) of the employees and 3 (100%) of the members.

#### **Research questions four:**

From the fourth objective of the study, the researcher derived research question number four. It is this research question that guided the study in the bid to get answers towards getting solutions. The research question sought top find out if there is any relationship between microfinance and poverty reduction alleviation at Brac microfinance in Uganda. To get the answers to this question, a number of elements were placed to the respondents among which the following highlights are important. For instance the researcher solicited respondents, views on whether microfinance has a relationship with the reduction of poverty at Brac. The results to this study were analyzed by generating tables and percentages which were used to make comparisons of the perceptions as the following presentation depicts. The descriptions statistics of the study were also analyzed and indicated similar results. The results that were expressed are indicated in table 7.

**Table 7: Whether microfinance had a relationship with poverty reduction/alleviation in Uganda.**

|              | <b>No of respondents</b> | <b>Percentages</b> |
|--------------|--------------------------|--------------------|
| Highly agree | 06                       | 12                 |
| Agree        | 25                       | 50                 |
| Neutral      | 15                       | 30                 |
| Disagree     | 04                       | 8                  |
| <b>Total</b> | <b>560</b>               | <b>100</b>         |

**Source: Primary Data**

According to table 7, the majority of the respondents 25 (50%) were in agreement that microfinance had a relationship with poverty alleviation in addition to 06 (12%) who highly agree totally to 31 (62%). However 15 (30%) were not sure whether microfinance had a relationship with poverty alleviation or not.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

**5.0** This chapter summarizes the research findings, draws conclusions arising from the research findings and shows recommendations that have been suggested as a way of improving on poverty alleviation in Uganda.

#### **5.1 Summary**

In summary the population targeted has the information under microfinance and poverty alleviation. This is because it was just part of them, there was no need of thinking about what microfinance had done to reduce on poverty everybody was able to express his/hers view about what she/he think about microfinance.

The justification of this study which was to analyze the impact of microfinance on poverty reduction, the findings show that microfinance is an effective measure in the reduction of poverty in Uganda especially through encouraging saving and giving out loans to those with small and medium businesses. However the researcher found out that microfinance has not been the best instrument to reduce poverty in Uganda.

This is because through the majority had done to reduce poverty they claim that the major aim of these microfinance institutions was maximizing of profits through the high interest rates and the way they force people to pay in time however much they may be making losses the members also claimed they go ahead selling their property put across as collateral in order to recover their money making their members poor and poorer leaving them with nothing including the little capital they had in the beginning. In other wards they mind about their interest only.

## 5.2 Conclusions

Based on the research findings microfinance is an effective method of poverty alleviation. Microfinance institutions have developed many unique and innovative practices to account for the difficulties of providing credit to the poor. The use of village banks has enabled microfinance programmes to reach areas with restricted mobility and lack of infrastructure. In mutual trust and friendship and to offer support for community loans and small businesses. Focus on female entrepreneurs allows marginalized women to again access to the economic opportunities that they need to empower themselves.

Qualified leadership ensures that microfinance will continue its success and innovation in the critical year to come. Research has shown that MFI can and will reach the poorest of poorest of the poor by implementing integrated programmes that address the diversified needs of destitute families. Increasing numbers of microfinance institutions are achieving financial sustainability and widen their outreach while still focusing on the neediest in society.

Microfinance allows women to gain autonomy and control over their lives and to enter the public sphere with skill and confidence. The benefits of microfinance are not only felt by those who directly participate but by their families and entire communities as well. Some of these benefits are increased household income, consumption smoothing capacity to sustain gain over time better nutrition and health higher education and school attendances, female empowerment and the ability to completely break free from the bonds of extreme poverty.

Microfinance has achieved its success and popularity through its recognition of the poor as agents of change. Microfinance does not aid packages they present the poor with the opportunities to advance themselves.

A true poverty alleviation program fights poverty by addressing the social, political and economic constraints that keep the poor in an oppressed condition and by implementing tactics specified to overcome those constraints, in most parts of the world the poor are not given a voice in a voice in any sphere whether political social or economic. They are deferred from holding political office, segregated to partial status in society and restricted from access to economic opportunity.

Any poverty pursuing strategy that aims for market reforms needs to recognize that the poor know how to help themselves for better than aid agencies and social organizations. Microfinance gives the power to the people. Clients are given opportunities for economic advancement that wick eventually leading to empowerment in social and political spheres.

Living conditions are markedly improved along with self esteem and sense of control impoverished people with credit are not dependent on aid the responsibility rests with each individual family to work hard and to enjoy the overwhelming pride that comes with well deserved success.

Microfinance is nor a miracle solution. It is not for every one and is not solely responsible for poverty alleviation. Microfinance's must also be coupled with other social programs that are flexible to meet the diverse needs of destitute families. Microfinance institutions should also be sure to incorporate the customs and practices of the people into its programs but through a holistic approach to fighting poverty and a recognition of the importance of the poor as agents of change the battle against extreme poverty can be fought and won.

### **5.3 Recommendations**

Following the analysis of the above findings the study reaches the recommendations below:

The findings towards the impact of microfinance on poverty alleviation should invest in relevant technologies after thorough and careful assessment of their requirements. The requirement should be addressed in perspective of current need and future plans.

Other than improving on technology, I think microfinance should try to balance between their objectives of profit maximization and also putting emphasis on poverty alleviation by reducing on the interest rates charged from the loans offered so that they can encourage more people to borrow and also work.

Government should withdraw from direct delivery of credit and concentrate on regulation of the industry with appropriate frameworks. It should not do the regulations as well as the delivery of microfinance due to conflict of interest leading to inefficiency.

Government should also strengthen savings mobilization through SACCOs to ensure a sustainable source of funds at a lower cost.

There should also be mass sensitization (education programmes) to empower microfinance consumers to make informed decisions guided by the market mechanism.

Necessary infrastructures like electricity, meters, roads and regional facilities for quality control should be put in place.



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## APPENDICES

### APPENDIX 1: QUESTIONNAIRE

Dear respondent as part of my requirements for the award of Bachelors degree in business administration at Kampala International University. I am administering this questionnaire on the research titled the impact of microfinance on poverty reduction/alleviation on Uganda. Please kindly answer as honestly as possible.

Part 1: respondent background (tick where appropriate)

1.1 Gender

Male

Female

1.2 Age

20-29

30-39

40-49

50-59

60-above

1.3 Number of years in the organization

2-5

5-10

10-above

1.4 Education Background

Primary

O-Level

A-Level

Other

1.5 Occupation

**Part 2: Examining whether MFI is effectual in poverty alleviation/reduction at BRAC MF**

Guide: Very high (4)

High (3)

Low (2)

Very low (1)

**Part 3: is there any knowledge of MFI as a form of poverty alleviation**

Strongly agree

Agree

Disagree

Strongly disagree

3.1 Does MFI play a big role in poverty alleviation at BRAC MFI Bugiri?

Strongly agree

Agree

Disagree

Strongly disagree

3.2 How does BRAC MF balance poverty reduction with other values such as customer care, quality of work, employees commitment/hard work?

Guide:

25%

50%

75%

100%

As an employee of BRAC, do you find a lot of hardships in matching the firm's objectives and customer's needs especially reducing on poverty?

Yes

No

Give reasons why.....

.....  
.....

**Part 4: is there any relationship between MFI and poverty reduction/ alleviation in BRAC MF**

4.1 MF has no impact on poverty alleviation 1 BRAC Bugiri.

- Highly agree
- Agree
- Disagree
- Strongly Disagree

4.2 How far has MF contributed to poverty reduction/alleviation?

- Very high
- High \fairly
- Never

4.3 To good performance and attainment or organizational goods.

- Always
- Frequently
- Occasionally
- Never

4.4 how can you rate do good performance above

- 25%
- 50%
- 75%
- 100%

**APPENDIX 2: INTERVIEW GUIDE**

1. What do you understand by the term microfinance (in your own words)4566666?

.....  
.....

2. How can you relate microfinance and poverty reduction/alleviation?

3. Briefly explain the roles microfinance has played in reducing poverty in Uganda.

.....  
.....

4. What challenges does MFI face in the fight to reduce poverty in Uganda?

.....  
.....

5. What are some existing measures taken to improve the work of MR in the reduction of poverty in BRAC MF?

.....  
.....  
.....

**Thank you**

### APPENDIX 3: BUDGET

| <b>ACTIVITY BUDGET</b>                                                  |                                                                                |                        |                        |
|-------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------|------------------------|
| <b>CORE ACTIVITY</b>                                                    | <b>ITEMS/PARTICIPANTS</b>                                                      | <b>COST IN (UGSHS)</b> | <b>SUBCOST (UGSHS)</b> |
| Consolidate of literature assigning and developing research instruments | Library search<br>Typing and photocopying of research instruments              | 7,600<br>16,000        | 23,600                 |
| Pilot survey                                                            | Transport for research for 18 days from home to the company and the vice versa | 21,000                 |                        |
| Breakfast                                                               | Research                                                                       | 90,000                 | 111,600                |
| Finalizing research instrument                                          | 75 questionnaires @200 UGshs                                                   | 15,000                 | 15,000                 |
| Data processing and report writing                                      | Research                                                                       | 80,000                 | 80,000                 |
| 10% contingency and institutional costs                                 |                                                                                | 20,000                 | 20,000                 |
| <b>Grand total</b>                                                      |                                                                                | <b>250,200Ugshs</b>    | <b>250,200Ugshs</b>    |