MICROFINANCE SUPPORT STRUCTURES OPERATING AT THE GRASS ROOTS SOME UGANDAN EXAMPLES

The Micro Finance Associations Program under Kabarole Research and Resource Centre (KRC), Rwenzori Region; Western Uganda

Presented by Mugisa Jared and Namusisi Maureen
The Rwenzori Region

The five districts

KRC Operational Area

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KRC VISION AND MISSION

- Equitable
- Empowered
- Enlightened
- Sustainable

MISSION
• Information
• Skills
• Resources
• Organizational support

VISION

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MFIs in the Region

Preamble

Services/Products
- Credit
- Savings
- Training
- Transfer payments
- Insurance

Entrepreneurial Poor

MFI : PEAP & MDGS
- Increase incomes
- Generate employment
- Reduce vulnerability to external shocks
- Livelihood improvement

Note:
Various MFIs & Varying( methodologies, client base, range of financial and non financial products, communication and governance...

KRC Model Targets the Poor Peasant Farmers

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# THE UGANDA FINANCIAL SECTOR ARENA

<table>
<thead>
<tr>
<th>Tier</th>
<th>Institutions</th>
<th>Number</th>
<th>Applicable Act/Law</th>
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<tbody>
<tr>
<td>1</td>
<td>Commercial Banks</td>
<td>15</td>
<td>Financial Institutions Act 2004</td>
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<tr>
<td>2</td>
<td>Credit Institutions</td>
<td>7</td>
<td>Financial Institutions Act 2004</td>
</tr>
<tr>
<td>3</td>
<td>Micro finance Deposit-Taking Institutions</td>
<td>4</td>
<td>MDI Act 2003</td>
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<tr>
<td>4</td>
<td>MFIs registered as NGOs, SACCOS, Companies</td>
<td>&gt; 1,000</td>
<td>Not under the purview of the central bank</td>
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</tbody>
</table>

Informal Institutions

- ROSCAs, ASCAs, VSLAs, etc

Several Thousands

No legal status

Adapted from Success through Micro finance: How to respond to the twin challenge of social and economic development, vol 1
The General Regional Financial Services Sector Situation

- Few bank branches, located in the main towns
- Majority of the population (92%) in the region live in rural areas/villages
- 90% are involved in agriculture activities *(Source: Report for the market potential study on Microfinance in the Rwenzori Region, 2003)*
- Huge demand for financial services
- A few formally registered SACCOs (< 20 by 2003)
- Development of copying mechanisms
The Poor Peasants’ Vulnerability

Outright theft of the peasants’ savings

Borrowing from Microfinance Institutions at unfavourable terms

- Income/financial drain (stolen savings, high interest rates etc)
- Neglect of the agricultural sector
- The loan syndrome effect
Cross cutting issues
Gender and Women Empowerment

%age of land ownership by gender

(source: Gender Inequality in Uganda, The Status, Causes and Effects, August 2006)

- Who works on the land?
  - Agriculture neglected

This situation has MUST be addressed

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Cross cutting issues: Gender and Women Empowerment

%ge of credit distribution by gender,
Uganda (Source: Gender Inequality in Uganda: The Status Causes and Effects, August 2006)

Intervention

• Agricultural loans.
• Women accessing loans
• Women gaining leadership roles
• Women acquiring high value assets.

9

Women

Men

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Being poor: Myths and Perceptions

- No money attitude.
- Lack of confidence and self esteem (capacities).
- Change attitudes towards work and development
- Develop capabilities for optimum harnessing and utilization of the available (abundant) resources
- Help/educate the so called poor people to save.
KRC’s Role: The MFA Model - Reducing Vulnerability

- Village ROSCAs groups
- Majority women
- Promoting women leadership (gender)
- Create sustainable organizations (MFAs)
- Conduit for Participatory Community Development

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PROGRESS
Local Savings Mobilization
Kyarusozzi MFA trend: Dec 2003 - June 2007

Overall loan portfolio Growth of the Contracted MFAs

Dec 2003 ------------------------------ 42 million
June 2007------------------------------- 380 million

- Built their own office building
- Average monthly income of 2 M Uganda Shs.
- Average monthly retained income of 1 M Uganda Shs
- Loan portfolio of 96 M Uganda Shs.

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PROGRESS

- 55 ROSCA groups / Cooperatives Societies.
- 20 MFAs (June 2007)-71% Women membership
- Increasing portfolio (s)
- Over 400 groups working with the 20 MFAs
- A Federation of the MFAs
- Over 15,000 members benefiting from MFAs

**Increased (individual/household) incomes and welfare (KRC Evaluation report 2005) -PEAP and MDGs**

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Lessons and Experiences

- Easy access to loans – effect on savings culture
- Loan Defaults- The major causes
- Lack of insurance services- effect on microfinance
- The Rationale for a Group Lending Methodology (serving the majority).
Supporting Rural Farmers to improve and increase their Agricultural Produce, incomes and livelihoods

- Savings from agro produce
- MFAs loans to support agriculture
- Middle Level Farmers Groups Concept
- Increased and improved agriculture production
- Value Addition
- Marketing Associations and processing
Marketing Associations/Cooperatives

- Processes for value addition
- 33 Middle Level Farmers’ Groups.
- 5 Marketing Associations/cooperatives
- 9 Processing plants (Five primary and 4 secondary)-on small scale
- Limited output capacity

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Organised Marketing and Value addition by members of Kyempara Farmers of Bwera MFA

Note

**Sunflower**
- 1 tone of unprocessed sunflower seed value: 300,000 Shs,
- Same tone processed: 561,000 Shs.

**Coffee**
- Sun dried coffee price per Kilogram: 1800 to 2000Shs
- Wet processed coffee price per Kilogram: 3000Shs.
The Federation of Rwenzori Micro finance Associations (FORMA)

- Empowering people to run their own affairs
- Umbrella organizations of all the MFAs
- A regional farmers bank
- Quality financial service to the rural poor
- Members’ enthusiasm and motivation-high.
- Challenges (Weak boards, skills, legal, portfolio...thus need concerted support.)

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CONCLUSION

- The rural people are starved of financial services
- Peasants exploitation and The coping mechanisms
- Effective regulation
- Need for appropriate financial products, approaches and systems
- Local savings mobilization is possible and Evolution of the farmers’ bank
- Integral approach is necessary
END

THANKS FOR YOUR VALUABLE TIME

HAVE FRUITFUL DELIBERATIONS