

THE IMPACT OF THREE MICROFINANCE PROGRAMS IN UGANDA

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TABLE OF CONTENTS

ACKNOWLEDGMENTS	x
EXECUTIVE SUMMARY	xi
I. INTRODUCTION	1
A. Significance of Microfinance in Uganda	1
B. Objective and Scope of the Assessment	1
C. Assessment Framework	3
D. Overview of the Report.....	3
II. CONTEXT	5
A. Uganda Context	5
1. Macroeconomic Conditions	5
2. Financial Services	7
3. Demographic and Socioeconomic Context.....	7
4. The HIV/AIDS Epidemic.....	8
B. Profile of Study Sites: Kampala, Masaka, and Mbale Districts.....	9
1. Comparative Information	9
2. Kampala District	10
3. Masaka District	11
4. Mbale District.....	12
C. The Microfinance Programs Studied	13
1. Their Missions and Outreach	13
2. General Program Characteristics.....	14
3. Individual Program Distinctions	17
III. METHODOLOGY AND IMPACT ANALYSIS RESPONDENTS	21
A. Methodology	21
1. Sampling	21
2. Questionnaire Design	22
3. Field Teams.....	23
4. Data Coding, Entry, and Analysis.....	23
B. Relocation of 1997 Respondents	24
1. Strategies for Relocating 1997 Respondents.....	24
2. Outcome of Relocation Efforts	25
3. Relocation Problems Encountered	27
C. Characteristics of Survey Dropouts	27
D. Respondents Included in the Analysis	28
E. Statistical Testing.....	29
IV. PARTICIPATION IN THE MFI PROGRAMS	30
A. Who Joins MFI Programs?	30
1. Basic Characteristics of Respondents and Their Households in 1997	30
2. Sources of Household Income	32
3. Key Characteristics of Respondents' Enterprises	32

4.	Agricultural Sector Linkages	32
5.	Key Expenditures	33
6.	Unanticipated Events with Financial Repercussions	33
7.	Conclusions	34
B.	Program Continuation and Departures.....	34
C.	Clients' Assessments of Their Programs	37
1.	Problems Encountered	38
2.	Positive Results from MFI Participation.....	39
3.	Discussion and Conclusions.....	40
V.	FINDINGS AND ANALYSES	41
A.	Continuity and Change at the Microenterprise Level	42
1.	Stability of the 1997 Microenterprises	43
2.	Use of Loan Funds	45
3.	Transactional Patterns	46
4.	Enterprise Assets	48
5.	Enterprise Net Revenue.....	48
6.	Problems Faced by Microentrepreneurs.....	51
B.	Household Composition and Income Sources	53
1.	Basic Characteristics of Respondents and Their Households	53
2.	Sources of Household Income	56
3.	Use of Enterprise Revenue.....	57
C.	Household Financial Shocks and Assistance to Others	58
1.	Coping with Financial Shocks	58
2.	Remittances and Gifts	61
D.	Human and Physical Assets	63
1.	Education of Children	64
2.	Household Residence	65
3.	Ownership of Rental Units and Houses Elsewhere.....	67
4.	Ownership of Durable Assets.....	68
5.	Selling of Physical Assets	70
E.	Agricultural Sector Activities	71
1.	Land Cultivated and Income from Crops.....	71
2.	Respondents' Investments in Agricultural Inputs	73
3.	Land Cultivated by Respondent	73
4.	Crop Diversification by Respondents	74
5.	Agriculture-related Products and Services.....	75
F.	Individual-level Impacts	76
1.	Expansion of Income-generating Activities.....	76
2.	Decision-making	77
3.	Accumulation of Assets and Ability to Meet Family Needs	78
4.	Savings Behavior	80
5.	Skills Training, Leadership, and Social Networks.....	81
VI.	DISCUSSION, CONCLUSIONS, AND IMPLICATIONS	82
A.	Discussion	82
1.	Who Participates in the MFIs?.....	83

2.	Contextual Factors Influencing Impacts	84
3.	Factors Internal to Households Affecting Impacts.....	85
4.	The Impacts of Participation in the MFI Programs.....	86
5.	Locational Influences	88
B.	Conclusions and Implications	89
1.	Program Outreach	89
2.	Program Impacts	90
3.	Program Implications	91
4.	Implications for Future Assessments	92
ANNEX 1 FINANCIAL PORTFOLIOS OF PRIDE, FINCA, AND FOCCAS		93
ANNEX 2 ADDITIONAL TABLES		96
SELECT BIBLIOGRAPHY		134

LIST OF TABLES

Table II-1.	Performance of Key Macroeconomic Indicators for Fiscal Years 1990/91-1999/00	5
Table II-2.	Sector Contributions to GDP (Percentage).....	6
Table II-3.	Selected Welfare Indicators by Region (Percentage)	8
Table II-4.	Access to Services (Percentage)	8
Table II-5.	Demographic Information on Study Site Districts.....	10
Table II-6.	Cost of Living Index, 1996-1999 (1989=100).....	10
Table II-7.	Comparison of the Program Characteristics of FINCA, FOCCAS, and PRIDE.....	15
Table II-8.	FINCA: Loan Cycle and Savings Requirement.....	18
Table II-9.	FOCCAS: Maximum Increase in Size of Subsequent Loans	19
Table III-1.	Summary of Relocation and Data Collection Outcome (Based on 1997 Status)	26
Table III-2.	Summary of Relocation and Data Collection Outcome by District (Based on 1997 Status)	26
Table III-3.	Whether 1999 Respondent is the Same Person as 1997 Respondent Among Those Included in the Impact Analysis.....	28
Table IV-1.	Ownership of Specific Consumer Durables, by Location, 1997 (Percentage)	31
Table IV-2.	Distribution of Client Respondents Still Enrolled in the Same Program Branch Office in 1999, by District and Program	35
Table IV-3.	Comparing 1997 Survey Status with 1999 Survey Status: Number of Respondents	35
Table IV-4.	Reasons Why Clients Left MFI Program (N=197).....	36
Table IV-5.	First Most Important Reason Why Clients Left the MFI Program (N=188)	37
Table IV-6.	Problems Clients Experienced as a Result of Participating in FINCA/PRIDE/FOCCAS (N=553)	38
Table IV-7.	Two Most Important Positive Results of Participation in FINCA/PRIDE/FOCCAS (N=496)	39

Table V-1.	Distribution of Respondents Whose 1997 Enterprise One Was Still Operational in 1999.....	43
Table V-2.	Distribution of Respondents with 1999 Enterprise One in Same Sector as in 1997.....	44
Table V-3.	Distribution of Items on Which Client Respondents Spent Their Most Recent MFI Loans (Percentage)	46
Table V-4.	Changes in Transactional Patterns for Enterprise Ones that Were Operational Two Years Ago, 1999	47
Table V-5.	Trend in Enterprise One Profits Last Month Compared to the Same Month Last Year, 1999	49
Table V-6.	Two Most Important Reasons Why Overall Profits for Last Month Were Higher Compared with Profits for Same Month One Year Ago, 1999	50
Table V-7.	Single Most Important Problem Respondent Faced In Running Enterprise One, 1999	51
Table V-8.	Two Most Important Reasons Why Enterprise One Profits for Last Month Were Lower Compared with Profits for the Same Month One Year Ago, 1999.....	52
Table V-9.	Comparison of 1999 Household Size with 1997 Household Size	54
Table V-10.	Change in the Number of Sources of Household Income Between 1997 and 1999.....	56
Table V-11.	Among Those Reporting Financial Shocks Affecting Household, Types of Shock the Last Two Years, 1999 and 1997 (N=714).....	59
Table V-12.	Among Those Reporting on Financial Shocks Affecting Households, Change in the Types of Shocks Reported, 1999 Compared to 1997 (N=714)	59
Table V-13.	Assistance to Non-household Members in Last 3 Months, 1999 Compared to 1997	61
Table V-14.	Change in Value of Remittances Given the Last 3 Months, 1999 Compared to 1997 (US\$).....	62
Table V-15.	Remittance Behavior Related to AIDS, 1999	62
Table V-16.	Household Relationship of Recipients of AIDS-Related Remittances, 1999.....	62
Table V-17.	Value of Remittance to AIDS Victims or Their Dependents, 1999 (US\$).....	63
Table V-18.	Changes in Household's Source of School Charges Last Term When a Household Member Pays Fees, 1999 Compared to 1997	64
Table V-19.	Change in Household Tenure Status, 1999 Compared to 1997*	66
Table V-20.	Percentage Change in Household Tenure, 1999 Compared to 1997	66
Table V-21.	Condition of New Residence Compared to Former Residence, Among Respondents Who Moved During the Last 2 Years, 1999.....	66
Table V-22.	Change in Number of Rental Units Owned/Controlled During the Last Two Years by Those Households Owning Units in 1999	67
Table V-23.	Percentage of Households Acquiring Major Durable Assets in Last 2 Years, 1999.....	69
Table V-24.	Change in Ownership Status of Working Transport, 1999 Compared to 1997.....	69
Table V-25.	Change in Amount of Land Cultivated Over the Last Two Years, by Household, 1999	71

Table V-26.	Change in Amount of Land Cultivated by the Household Over the Last Two Years, by Location, 1999 (N=721)	72
Table V-27.	Change in Amount of Land the Household Cultivated Over the Last Two Years, by Gender of Respondent, 1999	72
Table V-28.	Gain Score in Amount of Money Spent on Agricultural Inputs by Client Status and District (Uganda shillings, N=887)*	73
Table V-29.	Change in Number of Crops Grown by Respondents, 1999 Compared to 1997.....	75
Table V-30.	Distribution of Top Three Enterprise One Products/Services, 1999 (Percentage) (N=811)	75
Table V-31.	Distribution of the Top Three Enterprise Two Products/Services, 1999 (N=350).....	76
Table V-32.	Loci of Decision-making Power Regarding Use of Married Respondents' Enterprise Income, 1999 Compared to 1997	77
Table V-33.	Respondents' Main Positive Results of Participating in Credit Programs, 1999 (N=555).....	79
Table VI-1.	Highlights of Impacts Found*	86

LIST OF FIGURES

Figure III-1	Geographic Distribution of 1999 Respondents Included in the Impact Analysis.....	28
Figure IV-1	Average Total Household Expenditures on Education, Enterprise and Household Assets, Remittances, and Agricultural Inputs, 1997.....	33
Figure V-1	Enterprise Sector	44
Figure V-2	Amount of Money Spent on Purchasing Enterprise Assets the Last Two Years 1999 (Uganda shillings, N=457)	48
Figure V-3	Two Most Frequently Cited Problems by Location.....	52
Figure V-4	1997 Average Age of Respondents Re-interviewed (N=886)	53
Figure V-5	Distribution of Respondents Whose Marital Status Remained Constant Between 1997 and 1999 (N=873)	54
Figure V-6	Comparison of 1999 Household Size With 1997 Household Size (N=894)	55
Figure V-7	Households With New Members in Last 2 Years, 1999 (N=888).....	55
Figure V-8	Change in Number of Economically Active Household Member, 1999 Compared to 1997.....	56
Figure V-9	Average Number of Enterprises Begun by Households in the Last 2 Years, 1999.....	57
Figure V-10	Average Change in Value of Durable Assets Purchased in Last 12 Months, 1999 Compared to 1997 (Uganda shillings)	68
Figure V-11	Gain Score in Amount of Money Spent on Agricultural Inputs by Client Status and Gender, (Uganda shillings, N=887)	74
Figure V-12	Change in Amount of Land Cultivated by Respondent Over Last Two Years by Client Status.....	74
Figure V-13	Gain Score Increase in Amount Female Respondents Spend on Durable Assets They Alone Own	79

ANNEX 1 TABLES

Table 1.	PRIDE Uganda.....	93
Table 2.	FINCA Uganda.....	94
Table 3.	FOCCAS Uganda.....	95

ANNEX 2 TABLES

Table 1.	Distribution of Number of MFIs to Which Respondents Belonged in 1999	96
Table 2.	Distribution of Clients Who Have Ever Stopped Borrowing From an MFI in the Last Two Years While Still in the Program Group, by District (N=559).....	96
Table 3.	Reasons Why Clients Stopped Borrowing From an MFI in the Last Two Years While Still in the Program Group, by District.....	96
Table 4.	Distribution of Clients Who Moved From One Program to Another, or From a Program to a Bank During the Last Two Years and Reasons Why, by District (N=565).....	97
Table 5	Distribution of Respondents Who Received Non-MFI/Bank Loans Over the Last Two Years, 1999 (N=34)	97
Table 6.	Two Most Important Problems Clients Experienced as a Result of Participating in FINCA/PRIDE/FOCCAS Program (N=333)	98
Table 7.	Two Most Important Positive Results of Participation in Credit Programs (N=496).....	98
Table 8.	Reasons Why 1997 Enterprise One No Longer Existed in 1999 (N=221).....	99
Table 9.	Respondents Whose 1999 Enterprise One is the Same as 1997 Enterprise One (N=894)	100
Table 10.	Distribution of Respondents with 1999 Enterprises One That Was Operating Two Years Ago, 1999 (N=811)	100
Table 11.	Respondents for Whom 1999 Enterprise Two is the Same as 1997 Enterprise Two (N=894).....	101
Table 12.	Distribution of Respondents Indicating That 1999 Enterprise Two is in the Same Sector as 1997 Enterprise Two (N=92)	101
Table 13.	Distribution of Client Respondents Who Acquired at Least One Fixed Asset With an MFI Loan (N=572).....	102
Table 14.	(Only Respondents with Enterprise Ones That Were Operational Two Years Ago) – Respondents Who Have Added New Products or Services to Enterprise One in the Last Two Years, 1999 (N=722)	102
Table 15	(Only Respondents with Enterprise Ones That Were Operational Two Years Ago) – Whether Enterprise One Premises Improved or Expanded (N=171)	102
Table 16.	(Only Respondents with Enterprise Ones That Were Operational Two Years Ago and Have Moved to New Premises or Sold in a New Market) – Respondents Who Indicated That Moving Enterprise One to a New Premise or Selling in New Market Locations Has Improved Profits in the Last Two Years, 1999 (N=91)	102
Table 17.	(Only Respondents With Enterprise Ones That Were Operational Two Years Ago) – Respondents Who Have Reduced Costs of Enterprise One by	

	Buying Inputs in Greater Volume or at Wholesale Prices in the Last Two Years, 1999 (N=718)	103
Table 18.	Change in Quantity of Enterprise One Stock Compared to Two Years Ago, Among Respondents with Enterprise Ones That Were Operational Two Years Ago, 1999 (N=717).....	103
Table 19.	(Only Respondents with Enterprise Ones That Were Operational Two Years Ago) –Change in Sales Volume of Enterprise One Compared to Two Years Ago, 1999 (N=715).....	104
Table 20.	Change in Enterprise One Total Costs Last Month Compared to the Same Month Last Year, 1999 (N=801)	105
Table 21.	Change in Enterprise One Total Sales Revenue Last Month Compared to the Same Month Last Year, 1999 (N=763).....	106
Table 22:	Distribution of Change in Net Revenues (Profits) by Enterprise One Sector.....	107
Table 23.	Change in Enterprise One Overall Profits for Whole of Last Year Compared to the Same Period Two Years Ago, 1999 (N=698).....	107
Table 24.	Two Most Important Reasons Why Overall Profits for Last Month Were Higher Compared with Profits for Same Month a Year Ago, 1999 (N=291)	108
Table 25.	Change in Enterprise Two Overall Profits Last Month Compared to the Same Month Last Year, 1999 (N=271).....	109
Table 26.	Single Most Important Problem Respondent Faced in Running Enterprise One, 1999 (N=810)	109
Table 27.	Two Most Important Reasons Why Enterprise One Profits for Last Month Were Lower Compared with Profits for the Same Month a Year Ago, 1999 (N=330).....	110
Table 28.	Average Education Level of Respondents Re-interviewed (N=889).	112
Table 29.	Distribution of Respondents Who Were Married in 1997 But Were No Longer Married in 1999 (N=584)	112
Table 30.	Distribution of Respondents Who Were Married in 1999 But Were Not Married in 1997 (N=305).....	112
Table 31.	Distribution of Respondents' Marital Status in 1997 and in 1999 (N=862).....	113
Table 32.	Distribution of Respondents Who Indicated That They Had Changed Households in the Last Two Years – Excluding Substitute Respondents, 1999 (N=866).....	113
Table 33.	Comparison of Average Household Size by District and Gender 1999	114
Table 34.	Comparison of 1999 Household Size with 1997 Household Size (N=894)	114
Table 35.	Average Number of New Members Who Joined Household in Last Two Years, 1999 (N=403)	114
Table 36.	Distribution of Responses as to Why New Members Joined Household in Last Two Years, 1999 (N=403)	115
Table 37.	Change in Number of Economically Active Household Members in 1999 Compared to 1997 (N=894).....	116
Table 38.	Respondents Reporting That Microenterprise(s) the First, Most Important Source of Household Cash Income, 1999.....	116
Table 39.	Distribution of Respondents in Households Where Number of Businesses Closed in Last Two Years Exceeds Number of Businesses Begun During the Same Period, 1999	116

Table 40.	Percentage of Households That Had Begun a New Enterprise in Last Two Years, 1999 (N=806)	117
Table 41	Change in Household Income from Non-Enterprise Sources Over the Last 12 months (Only Households Who Earn Type of Income Included)	117
Table 41a.	Change in Income From All Other Sources (Other Than Household Enterprises) in the Last 12 Months (N=894)	118
Table 42.	Two Main Uses of Enterprise Sales Revenue Last Month, 1999	119
Table 43.	Change in Reporting Illness/Medical Expenses (No Death of Household Member) in Last Two Years, 1999 Compared to 1997 (N=894)	119
Table 44.	Change in Reporting Household Member Death in Last Two Years, 1999 Compared to 1997 (N=894)	120
Table 45.	Main Ways Financial Demands Were Met When Major Unexpected Event That Had Financial Repercussions Occurred (N=721).....	120
Table 46.	Distribution of Respondents' Households in Which a Household Member Did Not Receive Health Care Services in the Last Six Months Because of Lack of Funds (N=879).....	121
Table 47.	Distribution of Respondents Households Who Pay School Charges for Pupils/Students Who Are Not Household Members, 1999 (N=891).....	121
Table 48.	Distribution of Respondents Who Pay School Charges for Pupils/Students Who Are Not Their Own Children and Are Not Household Members, 1999 (N=277).....	121
Table 49.	Average Total Amount Spent Last Term by the Respondent on School Charges for Students Who Are Not Household Members, 1999 (N=275).....	122
Table 50.	Distribution of Respondents Households That Had a Member of the Household Dropping Out of School at Least for One Term During the Last Two Years, 1999 (N=873)	122
Table 51.	Average Number of Drop-Outs per Household, Among Households with Students Dropping Out in Last Two Years, 1999 (N=175).....	122
Table 52.	Age Distribution of Students Who Dropped Out of School in Last Two Years, Among Respondents' Households With Dropouts, 1999 (N=175).....	123
Table 53.	Distribution of Households Where All Students Went Back to School After Dropping Out (N=175)	123
Table 54.	Distribution of Households Where All Female Students Went Back to School After Dropping Out (N=175).....	124
Table 55.	Change in Household Tenure Status, 1999 Compared to 1997 (N=894)	124
Table 56.	Respondents Who Changed From Renting to Owning, 1999 Compared with 1997 (N=41).....	124
Table 57.	Comparison of Average Number of Users Per Room in 1997 and in 1999 (N=864).....	125
Table 58.	Average Change in Number of Users Per Room, 1999 Compared to 1997 (N=864).....	125
Table 59.	Distribution of Respondents Whose Households Had Moved to a Different Residence in Last Two Years, 1999 (N=490).....	125
Table 60.	Condition of New Residence Compared to Former Residence, Among Respondents Who Moved to New Residence in Last Two Years, 1999 (N=136).....	126

Table 61.	Distribution of Respondents Who Indicated Their Household Owned Rental Units, 1997 Compared to 1999	126
Table 62.	Change in Household Ownership of Rental Units During the Last Two Years (N=885)	127
Table 63.	Distribution of Respondents Who Indicated Their Household Owned/Controlled Non-Rental Houses Located Elsewhere in 1997 and in 1999.....	127
Table 64.	Comparison of Percentage of Respondents Who Purchased Durable Assets in the 12 Months Prior to the Survey, 1997 and 1999	127
Table 65.	Average Value of Durable Assets Purchased by Respondent in Last 12 Months, 1999	127
Table 66.	Distribution of Households That Sold Consumer Durables or Transport in the Last 12 Months, 1999 (N=890).....	127
Table 67.	Reasons Why Households Sold One or More Assets in the Last 12 Months, 1999 (N=96).....	128
Table 68.	Distribution of Respondents With Loans Who Indicated That They Ever Had to Sell Assets to Make Loan Repayments in the Last Two Years, 1999 (N=574).....	129
Table 69.	Distribution of Top Three Enterprise One Products/Services, 1999 (N=811).....	129
Table 70.	Distribution of the Top Three Products/Services of Enterprise Two, 1999 (N=350).....	130
Table 71.	Loci of Decision Making on Use of Loan Funds, 1999 Compared to 1997 (N=560).....	131
Table 72.	Distribution of Items on Which Client Respondents Spent Their Most Recent MFI Loan	131
Table 73.	Assistance with Repayment of Most Recent Loan, 1999 Compared with 1997 (N=561).....	131
Table 74.	Gain Score on Amount of Money Female Respondents Spent on Assets That They Own, 1999 Compared to 1997 by District (Uganda shillings, N=262)	132
Table 75.	Savings Behaviors, 1997 Compared with 1999 (N=741)	132
Table 76.	Changes in Having Formal Bank Savings Accounts	132
Table 77	Trend in Level of Savings (Among Respondents Who Save) Last Year Compared to Year Before First Survey Interview (N=724)	133

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EXECUTIVE SUMMARY

This assessment of three USAID-financed microfinance programs in Uganda centers on the impacts of participation and whom the programs reach. The assessment focuses on the clients of FINCA (Foundation for International Community Assistance), FOCCAS (Foundation for Credit and Community Assistance), and PRIDE (Promotion of Rural Initiatives and Development Enterprises). It covers clients and a non-client comparison group in rural Mbale district, the capital city of Kampala, and Masaka town and its periphery. The results indicate that these programs are reaching their target groups. Moreover, the findings indicate that program participation leads to positive impacts.

Purpose of the Assessment

The primary objective of the assessment is to identify the impact of microfinance programs on clients, their households, and their enterprises. It examines whether participation in a microfinance program leads to improvements in the economic welfare of households, enterprise growth or stability, and greater empowerment of women. Also the assessment describes who accesses microfinance services and provides information on client satisfaction.

Microenterprises are significant within the Uganda economy. In 1995 it was estimated that nearly 30 percent of the working-age population were employed in microenterprises and small enterprises. Most were self-employed and lacked access to financial services. Since the mid-1990s, as part of its strategy to encourage broad-based economic growth, USAID has provided financial support to institutions to expand microfinancial services. USAID/Uganda contracted with Management Systems International (MSI) under the Assessing the Impact of Microenterprise Services (AIMS) Project to design and conduct a two-stage assessment in cooperation with the Makerere Institute of Social Research (MISR).

Coverage

The assessment centers on clients from three Ugandan microfinance organizations: FINCA, FOCCAS, and PRIDE. It covers clients from four program offices: FOCCAS clients in rural Mbale district, FINCA clients in the capital city of Kampala, and FINCA and PRIDE clients from Masaka town and its periphery. The loan strategies of these organizations involve lending to individuals who are members of a credit group; group guarantee of loans made to its members; a weekly repayment schedule with flat rates; clients having an enterprise that generates revenue weekly; a savings requirement; mandatory attendance at weekly group meetings; and loans at commercial interest rates. FINCA and FOCCAS loan to women, and PRIDE reaches men as well as women.

Interviews were conducted with a randomly selected sample of clients from Kampala, Masaka, and rural Mbale and a randomly chosen sample of non-client microentrepreneurs from the same areas. The two-staged survey was conducted in November and December 1997 and repeated the same months in 1999. In 1999, 72 percent of the 1,332 baseline respondents were relocated and

re-interviewed. Among them 14 percent of the non-clients had taken a loan for their enterprise between the baseline and follow-on surveys; they were excluded from the analysis since they no longer met the criteria for inclusion in the non-client comparison group. The results in this report are based on information gathered in 1999 compared to similar data collected in 1997 and respondents' recall of specific trends over the two-year period.

Select Findings on Clientele

The 1997 baseline study found that client respondents tended to be in their mid-30s with one year of secondary school. Approximately two-thirds of the clients were married, indicating a higher proportion of non-married clients than is found within the general population. Client households averaged 6.6 members of whom two were economically active. On average these households occupied three rooms. Nearly all of the Mbale clients lived on agricultural land and owned their homes. In contrast, most of the Kampala clients rented their residence. Approximately 60 percent of the Masaka clients owned their home.

The majority of client respondents ranked their enterprise as the household's most important source of cash income. More than two-thirds of their enterprises had business activities related to the marketing or production of natural resource and agricultural-based products. Only one-third of the client households had a member in wage or salaried employment. Fewer than 15 percent owned rental property; that is, rental units or houses elsewhere.

The baseline study found that the client households had some basic household durable assets. Two-thirds of the client respondents reported the purchase (solely or jointly with another household member) of one or more durable assets during the 12 months before the survey. Approximately 80 percent owned a radio and more than one-half had a cooker. Ownership of other assets was less common. Approximately 15 percent had a refrigerator and less than 5 percent owned a vehicle.

Findings on Client Satisfaction

On average the client respondents had taken nearly four loans that totaled approximately US\$544. The average total amount varied from US\$588 in Masaka and US\$560 in Kampala to US\$440 in Mbale. Approximately two-thirds of the client respondents had taken at least one loan from their 1997 microfinance organization since late 1997. In addition, 5 percent had taken a loan between 1997 and 1999 but from another program.

Nearly all of the client respondents reported to have benefited from participation in their microfinance program. When citing the two most important results, the most commonly reported results were learned savings skills, ability to meet basic family needs, and growth of the enterprise. Fully one-third of the clients reported no problems as a result of participating in their microfinance program. The difficulties most commonly reported by the clients were time lost to weekly meetings, the weekly loan repayment schedule, and lack of a grace period after receipt of the loan. Program dropouts also gave these challenges as reasons for leaving the programs.

Select Impact Findings

Identification of program impact involves making a case that participation in the program has led to the differences found between client and non-client respondents on key impact indicators. The results do not signify that the changes always occur among clients but that they are more likely to occur with program participation.

The assessment found that program participation was associated with clients making changes in their enterprises. The changes were:

- Added new products or services;
- Improved or expanded their enterprise premises;
- Moved to new premises or sold in new markets;
- Reduced costs by buying in bulk; and
- Increased their sales volume.

In addition, a significantly greater proportion of clients (43 percent) than non-clients (31 percent) had experienced an increase in their enterprise net revenue the month before the 1999 survey compared to the same month a year ago. Within Kampala and Masaka districts, but not in Mbale, clients were significantly more likely than non-clients to have had an increase in their enterprise net revenue. At the same time, approximately 45 percent of the clients had experienced lower rather than higher levels of enterprise net revenue the previous month. Thus, the results show that due to program participation, clients were more likely than non-clients to have increased their enterprise net revenue.

Impacts at the household level include the following:

- Began a new enterprise;
- Increased the amount spent on durable assets;
- Increased the amount of agricultural land the household cultivates; and
- Increased the amount of household income from crops.

Participation in the MFI programs has had a positive impact on client respondents, who are nearly all women. The positive changes found at the individual level are:

- Increased the amount of money they spent on agricultural inputs;
- Increased the number of crops they grow;
- Increased the number of ways they save; and
- Increased their knowledge and skill base.

Conclusions and Implications

The assessment found that the MFI program branches studied are primarily reaching low-income, moderately poor microentrepreneurs, who are their target group. This conclusion is based on the findings that show that more than three-fourths of the households of client

respondents had some basic durable assets, such as radios and cookers. Also, because they have an enterprise that generates cash on a biweekly basis and most have access to cultivatable land, they are not among the extremely poor or destitute. The findings also indicate that a small proportion of the clients may belong to households that are not poor, but that are vulnerable to slipping into poverty. These are the clients who belong to households with vehicles and a steady stream of income from wage or salaried employment and rental properties. Their households are vulnerable to falling into poverty as a result of financial shocks, particularly illness and death of the major income earners.

Positive impacts were found at the enterprise level. Program participation was strongly linked with clients adding new products or services, moving to new premises or selling in new markets, improving or expanding their enterprise premises, reducing costs by buying in bulk, and increasing the size of their stock and sales volume. These results suggest that access to lump sums of cash provides clients with a broader range of choices for managing their enterprises and for taking advantage of opportunities that require chunks of money. Loan funds or profits from use of the loans open up a range of choices that the microentrepreneur otherwise would be unlikely to have.

Moreover, the results suggest that increased enterprise net revenue is more likely to occur with program participation than without. The study found that clients were significantly more likely than non-clients to have increased their enterprise net revenues. Those experiencing an increase, however, were not in the majority. The general trend was for lower rather than higher levels of net revenue. The net difference between those with higher and those with lower net revenues suggests that clients were able to cope with the negative pressures on their enterprise than were non-clients.

The findings on the select impact indicators suggest that the MFI programs help client households reduce their financial vulnerability through diversification of income sources and accumulation of assets. Program participation was found to be strongly associated with client households establishing new enterprises and clients' increasing the number of crops they cultivate. Diversification is a strategy for spreading risk across a number of income sources. Also, the microfinance programs had an impact on the amount of money clients spent on durable assets and client households becoming owners of their residence. Durable assets and houses represent a store of wealth that can be divested, liquidated, or rented out to meet a financial crisis.

The assessment findings suggest that the strategies of the three MFI programs result in clients acquiring valued skills and knowledge. Also the assessment found that program participation was linked with increases in the number of ways microentrepreneurs save and their level of savings. In addition, on the average, clients spent more on agricultural inputs than did non-clients. In these ways, participation in the three MFI program branches studied has empowered clients who were primarily women.

Key findings from the assessment have programmatic implications. The reasons for exiting the program given by those who had dropped out of their MFI program tended to emphasize elements associated with the lending strategy. The data suggest that microfinance organizations

in Kampala and Masaka should consider the feasibility of providing individual loan products to participants who have been diligent in repaying their group loans, who would like to graduate to larger loans than the groups provide, and who have some collateral to secure the loans. This type of product should be for a niche market of entrepreneurs and may not be applicable to organizations that exclusively target microentrepreneurs from low-income households.

The findings on trends in the level of enterprise net revenue suggest that a steady increase in loan size with each loan cycle may not be appropriate for some continuing clients. The data on the direction of change in enterprise net revenues and problems faced in their enterprises indicate that a group of microentrepreneurs are working to stabilize their enterprises and that their profits are not increasing. The MFIs might want to review their policies and the practices within loan groups with a view toward ensuring that clients do not feel compelled or pressured to take larger loan amounts each cycle that are difficult for them to repay.

The low proportion of non-clients who have savings accounts with formal institutions suggests that there may be an unmet demand for savings accounts with formal institutions. If the regulations preventing nongovernmental organization (NGO) MFIs from providing savings services are changed, there may be a market for institutions that provide microentrepreneurs with access to services that enable them to deposit small amounts as frequently as possible and have easy access to their savings.

Households of microentrepreneurs often face financial shocks from illness and death. In addition, they are usually responsible for school-related expenditures. The experience gained by FINCA's insurance products should provide a better understanding of the financial viability of such products and their effectiveness. Other organizations might also consider developing and pilot-testing services that would address the need for access to lump sums of money for specific needs, such as expenses for medical needs, funerals, and education. Cost-efficient strategies that enable individuals to deposit small amounts of savings and to have easy access to their deposits might meet this demand.

The assessment also has implications for future impact studies in Uganda. It highlights a number of indicators of positive impacts of program participation at the enterprise, household, and individual levels that can help guide future impact studies in Uganda. It also shows that expenditure on household assets can be a good proxy indicator. The study indirectly suggests the importance of using a comparative non-client group to be able to associate changes with program participation. The value of the two-year interval, in spite of difficulties in relocating respondents, has been that the 24-month timeframe has permitted identification of impacts over time and has controlled for seasonal fluctuations by holding the baseline and follow-on interviews during the same months. Finally, the assessment confirms the value of including questions about client satisfaction in impact surveys.

I. INTRODUCTION

During the last decade there has been an upsurge in attention to the provision of microfinance services to microentrepreneurs, especially those from poor households. While the missions of the programs providing the services may vary, most center on improving the economic conditions of the poor. Also there has been attention to the establishment of viable and sustainable organizations that provide microfinance services. By covering their operational costs through interest and fee payments, these organizations have the potential to be sustaining.

The growth of microfinance organizations has been accompanied by expectations about the impact of these programs on clients. In the past few years the number of methodologically sound studies of the impact of microfinance programs has increased. These studies provide a better base for understanding the impacts of microfinance programs that take into account their strategies, products, and context.

This assessment of three microfinance programs in Uganda seeks to broaden an understanding of whom these programs reach and their impacts. In particular it looks at impacts on the enterprise, household, and client.

A. Significance of Microfinance in Uganda

Microentrepreneurs are a vibrant part of the Ugandan economy. Particularly for the working poor and those vulnerable to falling into poverty, microenterprises are often a vital source of income. An estimated 22 percent of all households are engaged in some kind of business activity, and 29 percent of the working-age population are estimated to be employed in micro and small enterprises (Impact Associates 1995). These enterprises usually are micro in scale and are operated from the owner's home.

Before the 1990s, microentrepreneurs in Uganda had limited access to financial services. Cooperative societies provided loans to members, and nongovernmental organizations (NGOs) operated revolving loan and small-grant funds. In the early 1990s, NGOs began providing small loans to microentrepreneurs based on commercial interest rates, which reflected attention to the sustainability of their programs. These programs focused especially on female microentrepreneurs, who did not have access to the formal financial sector. Since then, new programs have been established and existing programs have expanded to new geographic locations. Most microfinance institutions (MFIs) require mandatory savings or encourage savings, but regulations bar them from accepting deposits except for mandatory savings. A number of programs also offer non-financial services (Tomesen and Sabetta 1997). By the end of 1999, some organizations were exploring the feasibility of offering other types of financial products, and nearly a dozen MFIs each had more than 3,000 clients (Hulme 1999).

B. Objective and Scope of the Assessment

The objective of this assessment is to determine the impact of USAID-financed microfinance programs on Ugandan clients, their households, and their enterprises. Secondly,

the assessment sought to determine if microfinance programs have a positive effect on clients' linkages with the agricultural sector, and to obtain feedback on the program from former and continuing program participants. It should be noted that no attempt has been made to distinguish between use of USAID funds and other funds, since the microfinance programs are financed through a mix of sources and funds tend to be fungible.

The problems addressed by the assessment can be framed as a series of questions.

- Who do MFI programs reach?
- What are the nature, extent, and distribution of MFI program impacts?
- What is the relationship between support to microentrepreneurs and the agricultural sector?
- Have programs helped female microentrepreneurs gain more control over their resources?
- What are clients' perspectives of the program and why do some clients exit the program?

The impact assessment is based largely but not exclusively on a quantitative approach. Qualitative interviews were undertaken to help develop the survey questionnaire and to inform the baseline findings. The survey was based on studying a sample of microentrepreneurs who were clients of MFIs in 1997 and a sample of non-client microentrepreneurs, for comparison. The baseline survey was conducted in November and December 1997, and the second survey round was carried out in November and December 1999. The baseline report (Barnes, Morris, and Gaile 1998) centered on describing whom the MFI programs reach and exploring linkages with the agricultural sector. In this report, a comparison of the results of the first and second survey rounds and data on trends have enabled the researchers to identify changes that have occurred and to determine which changes are associated with program participation. The report also highlights reasons given for leaving an MFI program and clients' views on the positive and negative aspects of program participation.

Because geographic location can influence the impact of a program, three districts were purposefully surveyed to provide a range of socioeconomic contexts. The locations selected were Kampala, a vibrant metropolitan center; Masaka, a smaller urban center; and Mbale, a highly populated, good farming, rural area.

Branches of three Ugandan microfinance organizations were selected for inclusion in this study: (1) Foundation for International Community Assistance (FINCA) in Kampala, (2) Foundation for Credit and Community Assistance (FOCCAS) in rural Mbale, and (3) Promotion of Rural Initiatives and Development Enterprises (PRIDE) Uganda in Masaka. The three programs function in several common ways by:

- Lending to individuals who are members of a credit group;
- Providing loans to microentrepreneurs whose businesses generate a weekly cash flow;
- Requiring group guarantee of the loans made to its members;
- Loaning at commercial interest rates;
- Requiring members to save; and
- Requiring members to attend a weekly group meeting.

FINCA and FOCCAS provide services to women, and PRIDE reaches both women and men.

C. Assessment Framework

Identification of program impact involves making a case that participation in the program has led to the changes found. Changes among the non-client sample suggest those that would have occurred among the client group if they had not joined the MFI program. When the difference between the client and non-client comparison groups is statistically significant, the statistical test results highlight that the difference is unlikely to be due to chance. Those differences that can be linked with MFI participation are labeled as impacts. The results do not mean that the changes always occur among clients, however, but that they are more likely to occur with program participation.

The assessment takes a broad approach to detecting impacts at three levels: (1) the client level, (2) the household level, and (3) the enterprise level. The study covered a number of indicators since there was a dearth of similar assessments in Uganda to indicate where the impacts might occur. Because the Ugandan economy is largely agricultural based, attention was given to client households' linkages with the agricultural sector. Microentrepreneurs living in rural and urban areas may use their enterprise earnings for crop and livestock activities, and microenterprises may sell agricultural-based products.

A household economic portfolio approach is taken because microenterprises provide an individual with access to microfinance programs, but these individuals are also members of households. Households may have diverse sources of income and more than one income earner. Resources within a household are fungible and resources may flow between households. At the same time, particularly given the ramifications of gender, the household economic portfolio is likely to include individually controlled resources and activities. This approach also allows for an analysis of the economic vulnerability of households to financial shocks.

A fuller description of the assessment framework is provided in the baseline report (Barnes, Morris, and Gaile 1998). It sets forth the main elements of the household economic portfolio framework presented in an earlier AIMS publication (Chen and Dunn 1996).

D. Overview of the Report

This report centers on whom the three assessed MFI programs reach, clients' assessments of their programs, and the impacts of participation in the MFI programs. Following this introduction, Section II provides a brief profile of the country context and each of the three districts in which the impact assessment was conducted. Then it profiles the three assessed microfinance programs, including their missions, outreach, and key characteristics.

Section III describes the research methodology, including the sampling plan, questionnaire design, and data collection and processing. It explains the strategies employed in relocating the 1997 respondents and the results. The section then describes the core set of interviews that were used in the subsequent analyses. It concludes with an explanation of the statistical tests that were used to identify the impacts of the MFIs.

Section IV draws on the findings from the baseline to describe who is reached by the MFI program branches studied. Then it provides feedback from clients. In particular, it discusses continuation in the MFI programs, reasons for leaving and changing programs, and clients' views of the positive and negative results from participation.

Section V presents and analyzes the results of the survey interviews. It centers on a comparison of the 1999 and 1997 findings from a sample of microentrepreneurs who were clients of FINCA, FOCCAS, and PRIDE in 1997 and a comparative group of non-clients. The section begins by assessing changes that have occurred in the respondents' microenterprises. Then it focuses on changes in household composition, financial demands, and accumulation of assets, followed by changes among the microentrepreneurs. It identifies significant differences in the results for the client and non-client comparison groups.

Section VI contains a discussion of the key findings and provides a table highlighting the key impacts identified. It ends with conclusions and implications of the findings. Readers desiring more detailed information may consult the annexes at the end of the report: Annex 1 includes information about the three MFIs, and Annex 2 contains additional tables that support and amplify the information in the report.

II. CONTEXT

This section presents the context of the survey by profiling Uganda and the districts in which the survey respondents reside. It also describes the three microfinance institutions (MFIs) whose clients were selected to participate in the survey.

A. Uganda Context

To facilitate a better understanding of the socioeconomic environment of the survey respondents, this section provides the reader with a brief profile of Uganda's economic conditions and setting, and the availability of financial services. It then highlights key demographic and socioeconomic factors and the HIV/AIDS epidemic.

1. Macroeconomic Conditions

The assessment was carried out in a period of relatively strong economic times in Uganda. Since 1990/91, inflation has been kept in check, and the economy has been relatively stable (table II-1). During the fiscal years 1996/97 and 1997/98, however, the GDP growth rate was less than in the previous two years, in part because of the El Niño drought conditions that were followed by the El Niña floods in some parts of the country. These weather conditions in turn affected the per capita GDP growth rates. By 1998/99, the per capita growth rate, however, had risen to an estimated 5 percent.

Table II-1. Performance of Key Macroeconomic Indicators for Fiscal Years 1990/91-1999/00

Indicator	1990/91	1994/95	1995/96	1996/97	1997/98	1998/99	Projected 1999/2000
GDP % Growth Rate (1991 prices)	5%	11%	8%	5%	5%	8%	7%
Per Capita GDP % Growth Rate	2%	7%	5%	2%	3%	5%	NA
% Inflation Rate	30%	3%	7%	8%	6%	5%	9%
Domestic Savings Ratio to GDP	5%	9%	11%	NA	15%	15%	17%
Domestic Investment Ratio to GDP	10%	15%	16%	NA	17%	19%	21%

Sources: Ministry of Planning and Economic Development, Bank of Uganda, International Monetary Fund for 1990/91-1996/97 and IMF draft tables from Economic Structural Adjustment Fund Report for October 1999 (forthcoming).

Note: NA means not available.

Weather conditions affect Uganda's GDP growth rates since agriculture is the largest sector contributing to GDP (table II-2). The proportion of agriculture to total GDP has declined slightly: from 45 percent in 1996/97 to 43 percent in 1998/99 (table II-2). During this same

period, the proportion in trade and services has increased slightly. It should be noted that the sector data do not capture activities in the informal sector.

Table II-2. Sector Contributions to GDP (Percentage)

Sector (Monetary GDP)	1997/98	1998/99
Agriculture	45%	43%
Manufacturing	9%	10%
Construction	8%	9%
Trade/services*	13%	15%
Transport/communication	5%	5%
Community services	16%	16%
Other**	6%	2%

*Non-community services are lumped under the heading of trade.

**Includes items such as mining and public utilities.

Source: Republic of Uganda, Ministry of Planning and Economic Development, Statistics Department. 1999. *Background to the Budget 1999/2000*. Entebbe, Uganda: Republic of Uganda.

Approximately 85-90 percent of Uganda's population depends on subsistence and cash crop production and small agro-based industries. (For this reason, the assessment focuses on the impact of microfinance programs on clients' linkages with the agricultural sector.) Good soil and topography support a wide range of food crops, in addition to the major cash crops of coffee, tea, and tobacco.

Individual households own an estimated 5,291,000 hectares, and approximately three-fourths of this land is cultivatable. Agricultural output comes almost exclusively from smallholders, 80 percent of whom have fewer than five hectares of land. The average agricultural holding is estimated to be approximately 1.6 hectares (World Bank 1993).

During the study period (1997-1999), some changes in the coffee and fishing sectors of the economy had adverse effects on specific populations. The export value of coffee, one of the top commercial products grown by smallholders, declined from its peak in 1996. Coffee export volume also declined. Although the total value of exports in 1999/2000 increased by 12 percent over the previous year, the total value was still less than in 1996. Local coffee prices have increased slightly and have generally kept pace with the rate of inflation.

From March to June 1999, a ban on fishing and a ban on fish exports to the European Union negatively impacted the fishing sub-sector of the economy. The ban was imposed because some people had died because of the practice of fishing by poisoning the fish. The local ban was compounded by an European Economic Community (EEC) ban on Ugandan fish because of poor levels of sanitation at landing sites. The ban led to closure of a number of fish processing plants and negatively affected fishermen, fish processors, and fish traders. Since less than one percent of the impact assessment's sample in 1997 was engaged in trading fish, the ban had almost no direct effect on the enterprises covered by this survey.

2. Financial Services

In Uganda, most commercial banks are concentrated in Kampala, and fewer than 100 branches operate elsewhere in the country. The location of these banks and their requirements have tended to discourage the poor from using their services. Savings and credit cooperatives are more widespread, but some suffer from poor accounting and management systems (Mutesasira et al. 1999).

Between 1997 and 1999 the banking system experienced problems. In 1999, three banks including the popular Cooperative Bank unexpectedly closed because of internal financial problems. They fell short of capital requirements stemming from problems of poor loan documentation, inadequate provisioning, insufficient risk assessment capacity, internal fraud and other management weaknesses (USAID n.d.). The 24-branch Cooperative Bank had operated six agencies solely devoted to microfinance services. These six agencies were sold to Commercial Microfinance Ltd, and the branches were sold to the Standard Chartered Bank and Centenary Rural Development Bank. Before acquiring these branches, the Centenary Bank had 11 branches nationwide. It offers savings services to small depositors and small loans, usually using a group-lending methodology.

The growing number of non-bank financial institutions (for example, insurance companies and economic development agencies such as FINCA and PRIDE) has both broadened and deepened access to financial services in Uganda. Regulations prevent the NGOs from taking savings, with the exception of mandatory savings. This limitation on nongovernmental organizations (NGOs) providing microcredit has been receiving the attention of the microfinance community, which would like to change the regulations (MicroSave-Africa 1999). Through a German Technical Cooperation (GTZ)-supported program, the Bank of Uganda has been developing a financial services statute for the microfinance industry that categorizes MFIs into tiers and will allow one tier to take deposits.

3. Demographic and Socioeconomic Context

Uganda's 1999 population was estimated to be 21.5 million, with a growth rate of 3 percent. Life expectancy was 42 years. Uganda is among the world's poorest countries, with 77 percent of its population in 1992 living on less than two dollars a day, and 37 percent living on less than one dollar a day. In 1999 the estimated per capita income was US\$320, with a per capital purchasing power parity of US\$1,136 (World Bank 2000).

The standard of living in Uganda varies by region¹ (table II-3). Central Uganda, which includes Kampala, exhibits the highest level of welfare on nutritional and health care indicators, as well as on indicators of ownership of basic clothing. Ownership of houses, however, was lowest in Central Uganda since this indicator captures and reflects persons residing on their own agricultural land.

¹ Regarding the regions covered in this assessment, Kampala is in central Uganda, Masaka is in western Uganda, and Mbale is in eastern Uganda.

Table II-3. Selected Welfare Indicators by Region (Percentage)

Indicator	Central	East	North	West
Households purchasing meat or fish at least once a week	67%	42%	48%	45%
Households living in own houses	71%	86%	88%	90%
Households with any means of transport	38%	40%	34%	37%
Households that afforded health care they wanted the last time someone in the household was ill	69%	63%	35%	53%
Average number of meals per day	2%	2%	2%	2%
Household head has pair of shoes	83%	76%	50%	46%
All household members have at least two sets of clothes	90%	87%	77%	68%

Sources: Republic of Uganda, Ministry of Planning and Economic Development, Statistics Department. 1999. *Background to the Budget 1999/2000*. Entebbe, Uganda: Republic of Uganda; and Republic of Uganda, Ministry of Planning and Economic Development, Statistics Department. 1997d. *Uganda National Household Survey (1994-95), Second Monitoring Survey*. Main Report. Entebbe, Uganda: Republic of Uganda.

Most urban residents, like those in study areas of Kampala and Masaka town, rent their dwellings and have access to latrines and clean water (table II-4). Most urban dwellers also have access to electricity, which is normally used for lighting or as a source of power for radios and refrigerators. Like their rural counterparts, urban dwellers commonly use charcoal for cooking fuel. About 90 percent of Ugandans live in rural areas and normally own their own homes, but they are unlikely to have indoor plumbing or electricity. In the regions covered by this impact assessment, less than one-half of the rural households have access to clean water and none have flush latrines. In comparison, nearly all the urban households have access to clean water, but less than 15 percent have flush latrines.

Table II-4. Access to Services (Percentage)

Area	Rural Urban	Flush Latrine	Pit Latrine	Access to Clean Water
Central	Rural	0%	93%	32%
	Urban	11%	87%	90%
Eastern	Rural	0%	69%	41%
	Urban	12%	81%	91%
Western	Rural	0%	96%	46%
	Urban	7v	92%	88%

Source: Republic of Uganda, Ministry of Planning and Economic Development, Statistics Department. 1997d. *Uganda National Household Survey (1994-95), Second Monitoring Survey*. Main Report. Entebbe, Uganda: Republic of Uganda.

4. The HIV/AIDS Epidemic

AIDS has been at the epicenter of social, economic, and political life in Uganda over the past decade. It jeopardizes the advances Uganda has made in economic and social development, and it affects the rate of progress. The Government of Uganda has taken a proactive stance and is making strides in reducing the spread of AIDS and assisting those affected by it. Working with a number of organizations, notably USAID, a wide range of innovative projects has been

implemented to prevent new HIV infections and to respond to the social- and household-level impacts of HIV/AIDS.

Household-level impacts include increased financial expenditures on health and funerals, absorption of children who have lost one or both parents, and helping other households to cope with illness and death. In terms of one's own household, the impact may be loss of a source of income. The macro level impacts include a relatively high death rate among the educated elite, a shortage of drugs and hospital beds, and the allocation of scarce government revenue for HIV/AIDS-related programs. An unexplored implication is the loss of labor to the national economy. This assessment specifically looks at some of the household-level impacts of illness and death.

Recent evidence suggests that the prevalence of HIV/AIDS is declining, especially among young women. The declines are particularly evident among pregnant women aged 15 to 19. Data from one surveillance site show that in this age group, the HIV/AIDS prevalence rate of 26 percent in 1992 declined to 8 percent in 1997. Declines also are observed in women aged 20-24 (USAID 1998a; USAID 1998b). Nevertheless, the Uganda AIDS Commission estimates that the population of children orphaned because of HIV/AIDS is close to 1.5 million.

B. Profile of Study Sites: Kampala, Masaka, and Mbale Districts



The assessment study was conducted in three districts in Uganda: Kampala, Masaka, and Mbale. Study sites in Kampala were located in urban and periurban areas. In Masaka, respondents were interviewed in urban, periurban, and peripheral rural areas. All Mbale respondents were located in rural areas. The following sections present comparisons of the three districts and highlight each district's key features, including changes that occurred between 1997 and 1999 that may have affected the study results.

1. Comparative Information

Basic information about the districts in which the baseline study was conducted is presented in tables II-5 and II-6. Both Masaka and Mbale districts are composed largely of rural dwellers, whereas Kampala district is strictly urban. As might be expected, the average household size is larger in Mbale than in Kampala and Masaka districts. In both Kampala and Masaka districts, females head approximately 30 percent of the households, while the rate in Mbale is 24 percent.

Table II-5. Demographic Information on Study Site Districts

District	Population Size (in 000s)	Urban Population as % of District Population	Average Household Size	% Female Headed Households
Kampala	774	100%	4	31%
Masaka	839	9%	4	32%
Mbale	711	9%	5	24%

Source: Republic of Uganda, Ministry of Planning and Economic Development, Statistics Department. 1995. *The 1991 Population and Housing Census Analytical Report*. Entebbe, Uganda: Republic of Uganda.

In 1996/97 the cost of living index was higher for Kampala than for Masaka and Mbale, but the following year costs were highest in Mbale (table II-6). National-level data for 1998/99 indicate that these areas probably experienced lower rates of change than in the previous two years.

Table II-6. Cost of Living Index, 1996-1999 (1989=100)

	1996/97	% Change over previous year	1997/98	% Change over previous year	1998/99	% Change over previous year
National	308	7.5%	332	8%	351	6%
Kampala	332	8.9%	335	7%	-	-
Masaka	317	8.0%	340	7%	-	-
Mbale	309	0.9%	345	12%	-	-

Source: Central Intelligence Agency. 1999. *Uganda Handbook*. Key economic indicators, January 1999.

2. Kampala District

Situated on the northern shoreline of Lake Victoria, Kampala District is Uganda's major commercial center and serves as an important marketing, processing, and distribution center for agricultural products. Rural-urban migration is the major factor contributing to its population growth. According to the 1991 population census, the population of the district was 774,241 and was projected to be 902,900 by the year 2000. In 1991 Kampala had the highest population density among the districts of Uganda, at 4,581 people per square kilometer.

The 1991 population census also indicated that formal employment was the principal source of household income for 59 percent of Kampala households. The census found that almost one-fourth of Kampala households depended on trade as their principal source of income. It reported that the other principal sources of household income were remittances, subsistence farming, and small-scale commercial crop production.

Kampala's informal sector activities are located both in commercial centers and in residential and trading areas. The rapid development of the informal economy is cited as a major challenge to the planning and administration of the district. A demographic survey undertaken in 1989 revealed that almost all households undertook informal activities and that those in the informal sector were primarily engaged in trade. These business activities tend to occur outside the formal market centers because of lack of space to accommodate demand, the prohibitive cost of market stalls for poor entrepreneurs, and women combining productive and reproductive roles by

working in close proximity to their homes or within their homes. While most households engage in informal activities, the census data indicate that for most households these are not usually their main source of income.

A couple key events that occurred between the 1997 and 1999 survey periods may have had a short-term negative affect on Kampala residents, including some of the survey respondents. In particular, the banking crisis in the first half of 1999 led to a period of some weeks when the banks' clients were unable to access their deposits. This situation temporarily affected the liquidity of some FINCA clients, particularly those whose loan guarantee groups deposited their mandatory and voluntary savings in one of the banks that closed temporarily.

Also during this period, the government increased its efforts at tax collection, including trading licenses, income tax, and value-added tax. The latter does not apply in general to respondents in this assessment, however, because it is a consumption tax collected by businesses with gross turnover of more than US\$ 50 million per annum. Enforcement of tax payment generally is done by periodic physical checks. If the taxes have not been paid within the stipulated time, the business must shut down until payments are made.

Between December 1996 and December 1998, the number of clinical AIDS cases reported increased from 12,135 to 12,528, according to the AIDS Surveillance Unit reports. The high rate for Kampala is attributed to the high concentration of residents. According to the recent National Strategic Framework for HIV/AIDS Activities in Uganda, more than 80 percent of the AIDS cases are among people aged 15 to 45.

3. Masaka District

Masaka District lies along Lake Victoria southwest of Kampala District. The rainfall pattern is bimodal having two rain seasons with dry spells between July and August and between January and March. The economy of Masaka District is based on farming, with *robusta* coffee and plantains (*matooke*) as the traditional cash and food crops, respectively. According to the 1991 census, subsistence farming was the main source of livelihood for 67 percent of the households. For the others, trade, employment, remittances, and small-scale commercial farming were normally the main sources of household income. During 1997/98 the farming sector was affected by shorter periods of rainfall than normal, which reduced the harvest of food crops and led to food shortages.

Masaka town was economically stagnant in the 1990s. In the 1950s and 1960s the town had a vibrant economy that coincided with the coffee boom. Thereafter, the economy declined. Factors that have contributed to the economic stagnation include the long-term migration of skilled people from Masaka to Kampala and improved transportation linkages with Kampala, which have enabled businesses to purchase goods directly from Kampala-based importers or industries.

The temporary closure of the Cooperative Bank in 1999 had some effect on FINCA and its clients. For two days FINCA was without access to loan capital. The Cooperative Bank had been FINCA's main bank, but within two days of the bank closing, FINCA was able to access reserve loan capital at the Standard Chartered Bank. FINCA clients fared less well. It took them almost three months (May to August 1999) to obtain access to their group savings account. Access to

group savings accounts meant that voluntary and mandatory savings were not accessible to the clients to make requisite expenditures. In contrast, PRIDE and its clients had not relied on the Cooperative Bank, so they were not directly affected by the closure. It is likely, however, that some customers of FINCA and PRIDE clients did not have access to their savings, thereby limiting their purchases from the microentrepreneurs.

According to the 1991 population census, the total population of Masaka District was 838,736. The population was projected to increase to 1,061,000 people by the year 2000. The population density in 1991 was 151.6 people per square kilometer.

Masaka District is one of the districts worst hit by the HIV/AIDS epidemic. According to the HIV/AIDS Surveillance Reports by the Ministry of Health, the number of AIDS cases reported for the district rose from 5,340 in December 1996 to 10,716 in December 1998. The data are based on information on pregnant mothers attending sentinel sites, so they are only indicative of the situation in the district.

4. Mbale District

Located in eastern Uganda, Mbale District borders Kenya to the east. The climate and soil are conducive to agricultural production with rainfall generally spread throughout the year, reaching up to 1,191 mm. per annum. In the higher elevations of the district, residents grow the mild coffee known as *Bugisu arabica*, which is the district's major foreign exchange earner. District residents also grow a wide range of other crops, including cotton, maize, beans, bananas, and horticultural crops. They also keep cattle and goats on the plains, but because of the growing shortage of land, zero grazing is becoming very important.²

According to the 1991 population census, 75 percent of the households depend on subsistence farming as their principal source of livelihood. Other principal sources of household income include formal employment, remittances, trade, and commercial farming. A network of relatively good roads links the district with Kampala, neighboring Kenya, and Lake Victoria, which facilitates the flow of goods and services. Trade with Kenya flourishes, but between the 1997 and 1999 survey periods, the government of Uganda put into place stringent measures to prevent the smuggling of goods. As a result, goods still flow into Uganda from Kenya, but the payment of duty means it costs more to bring them into the country, which implies that clients who had sold items from Kenya increased their sales price, lowered their profit margin, or ceased trading in items from Kenya.

FOCCAS and its clients in Mbale District were significantly impacted by the Cooperative Bank failure in 1999. Because the majority of FOCCAS's funds were with the Cooperative Bank, its operations were basically shut down for one month. In addition, clients in Mbale were unable to access their savings and some repayment funds for about three months, whereas in neighboring Tororo and Busia, clients were unable to access their savings for nearly six months.

² Zero grazing refers to animals that are tethered and hand fed; that is, keepers carry food to them.

In 1991 Mbale District had a population of 710,980 people (650,682 rural and 60,298 urban dwellers). With a density of 284 persons per square kilometer, the district ranks fourth in Uganda in terms of density after Kampala, Jinja, and Kisoro. According to the AIDS Surveillance Unit, the number of clinical AIDS cases reported in Mbale has increased from 440 in December 1996 to 466 in December 1998. These data are only indicative, since they are based on information collected from pregnant mothers attending sentinel sites in the district, and a relatively large proportion of women do not attend antenatal clinics.

C. The Microfinance Programs Studied

The study selected clients from three Ugandan microfinance organizations. This section describes the mission and outreach of these organizations, explains their general program characteristics, and highlights individual program distinctions.

1. Their Missions and Outreach

The three Ugandan microfinance institutions whose clients were selected for inclusion in this study are FINCA Uganda, affiliated with an international NGO; FOCCAS, allied with the international NGO Freedom from Hunger; and PRIDE Uganda, which is associated with PRIDE Africa.³ The missions of these nongovernmental organizations vary.

The FINCA program is committed to helping hard-working women microentrepreneurs who are willing to organize themselves into groups for economic development. FINCA offers a village banking credit and savings scheme that targets low-income women who are organized in groups. Since 1997 FINCA also has begun offering group accidental death and dismemberment insurance to borrowers, and has begun a health insurance program for borrowers in certain areas (NEXUS 2000). In 1997 FINCA had operations in nine districts, servicing about 9,000 individual clients. By late 1999 the number of participants had more than doubled to approximately 20,800. This assessment surveyed FINCA clients from Kampala and Masaka town and its periphery. At the time of the baseline survey, the FINCA branch office in Masaka had only recently opened.

Established in 1996, FOCCAS, which operates in eastern Uganda, promotes self-help solutions to poverty in an effort to enhance the economic productivity and family health and nutrition of the predominantly rural poor. It provides groups of women with credit and savings services for income-generating activities and provides non-formal education on the topics of health, nutrition, family planning, HIV/AIDS prevention, and better business management. Working with solidarity groups, FOCCAS/Uganda integrates education with its village banking methodology.

At the time of the baseline survey, FOCCAS operated almost exclusively in the rural areas of two adjacent districts, Mbale and Tororo. For this study, only Mbale rural residents were selected as survey respondents. Since 1997, to cover microentrepreneurs in Tororo and Busia, FOCCAS has opened branch offices in Tororo town. It has also opened a branch office in Mbale town to serve microentrepreneurs in Mbale and Kapchorwa districts. Between 1997 and 1999 the

³ All future references in the text are to the local organizations.

program doubled its number of participants, increasing from 3,297 in December 1997 to 6,671 by the end of 1999.

While the FINCA and FOCCAS programs serve women, PRIDE has the objective of providing financial services to both female and male microentrepreneurs who operate businesses in predominantly urban areas. As part of its programming focus, PRIDE seeks to integrate the individual borrower and saver into the formal financial system by requiring clients to have a savings account with a commercial bank. Like the other two MFIs, the PRIDE program lends to groups that guarantee the loans to its members.

PRIDE was established in 1996, and by the end of 1997, it operated in six districts and had around 3,700 borrowers. By October 1999 program outreach had mushroomed to 16,500 participants. At the time of the baseline survey, PRIDE's operation in Masaka was relatively new, with nearly all of its clients on their first loan.

The strategy employed by FINCA indicates that it is a 'promoter' of microfinance schemes since its mission is to establish self-financing, independently managed groups in local communities. In comparison, FOCCAS and PRIDE are service providers. All target low-income microentrepreneurs and, in varying degrees, offer some basic training in business management.

2. General Program Characteristics

Common strategies among these three MFIs are (1) the formation of a credit group consisting of individual members, each of whom owns and operates a business that produces at least a weekly cash flow; (2) the entire group's guarantee of the loan made to each member of the group; (3) the use of an interest rate that supports the administrative costs of the MFI; (4) a mandatory savings requirement; and (5) a mandatory weekly group meeting for loan repayment. Table II-7 summarizes some basic information about the three programs, which is drawn upon in the following discussion.

a. Client selection and group formation. The client selection and group formation processes differ somewhat among the three programs. FINCA operates on a 'village bank' model, seeking to register 30 or more women in each 'bank.' Each member of the group guarantees the repayment of all funds borrowed by their village bank. Particularly during its earlier years, FINCA's village banks were formed from existing women's groups, whose purposes may have been educational, economic, cultural, or social.

Following an evaluation of a local community's credit needs and health awareness standards, FOCCAS first meets with local leaders, then with the community at large, and finally, with interested women. Women who wish to participate organize themselves into 'solidarity groups,' which consist of four to seven women who know each other well enough to guarantee each other's loan payments. Solidarity groups are then organized into 'credit associations.' Membership in an association averages about 40 women. While the solidarity group guarantees the loans of its individual members, the credit association provides a second guarantee if the solidarity group fails to honor the loans.

Table II-7. Comparison of the Program Characteristics of FINCA, FOCCAS, and PRIDE

	FINCA	FOCCAS	PRIDE
Uganda Startup Date	1992	1996	1996
Size of initial loan (US\$)	\$44 rural \$66 periurban \$88 urban	Up to \$44	Up to \$132
Subsequent loans	Equal to first loan plus savings. Maximum of \$528	Maximum set as % of current loan, decreasing from 50% of current loans \$33 or less to 0% increase if last loan over \$433; savings must be least 5% of new loan	Progressive from 2nd through 6th, \$176 to \$704
Payment schedule	Weekly, beginning one week following receipt of funds	Weekly, beginning one week following receipt of funds	Weekly, beginning one week following receipt of funds
Savings program	Weekly. The group banks mandatory and voluntary savings. Mandatory savings held as security against loans. Groups have own account.	Weekly. The group banks mandatory and voluntary savings. Mandatory savings held as security against loans. Groups have own account.	Loan Insurance Funds collected by PRIDE, held as security against loans. Members place voluntary savings in own bank accounts
Gender	Women	Women	Women and men
Group structure	Village bank, ranging from 22 to 45 individuals	Credit Association (average of 42 persons) consisting of several-member (4-7) solidarity groups	50-member Market Enterprise Committee (MEC) consists of 10 5-person Economic Groups (EGs)

Source: Interviews with PRIDE, FOCCAS, FINCA personnel, July and November 1997, and February 1998; and PRESTO report to USAID/Uganda, March 1998.

Pre-site selection research by PRIDE personnel confirms that at least 2,500 microentrepreneurs, both men and women, reside within 5 kilometers of each PRIDE office. PRIDE clients self-select to form Economic Groups (EGs), which are composed of five microentrepreneurs who guarantee each other's loans. Ten EGs form a Market Enterprise Committee (MEC), which provides the second guarantee for each loan. If a member drops out of an EG, a replacement is sought to keep the EG membership at five and the MEC membership at fifty.

In both FINCA and FOCCAS the credit officer or field agent assigned to each client group travels to meet with the group at a location chosen for the group's convenience, providing access to those for whom distance might otherwise be an insurmountable obstacle. FOCCAS staff may travel up to 30 kilometers (the majority of the distance on unpaved roads) to meet with their clients. PRIDE clients meet at the PRIDE branch office.

b. Training. After a group's members are identified, all three programs conduct training for each credit group for up to eight weeks at mandatory weekly meetings. (FINCA and FOCCAS

train for five weeks; PRIDE trains for eight.) All three MFIs teach elementary banking, bookkeeping, and credit principles. In addition, they impart the rules that govern the program.

Each program expects self-management. Group members select group officers, such as chair, secretary, and treasurer. In FOCCAS and FINCA the solidarity group selects officers, and in PRIDE the MEC and EG choose officers. In all three programs the members are expected to identify and qualify the individual businesses that will generate the cash flow necessary to repay the loan. Each group establishes its own bylaws and disciplinary rules, usually imposing fines or restricting future borrowing privileges for those who do not comply.

During each week of training, FINCA and FOCCAS collect from each potential borrower a savings contribution, and PRIDE has a similar practice of collecting Loan Insurance Funds (LIFs) during the initial training period. Each FINCA and FOCCAS group establishes a savings account at a local bank. The savings collected are then deposited into the group's bank account. FOCCAS clients may access their savings that are more than the minimum 5 percent of the loan amount. For PRIDE clients, the LIF is forwarded to PRIDE's central office and is returned when the client leaves the program.

c. Loan terms and savings. All three programs require that the loans be used for existing businesses and that the borrower, to be eligible, must have an enterprise that generates weekly revenue. The latter requirement relates to the weekly loan repayment schedule. Clients of all three programs are required to repay the loans in flat weekly payments beginning one week after receiving the loan. At the time of the weekly meeting, all three programs require their clients to add a specified amount to their mandatory savings or LIF. FOCCAS requires that clients keep 5 percent of the loan amount in mandatory savings. In comparison, FINCA and PRIDE require a minimum of 25 percent of the first loan be held as compulsory savings, and for FINCA the proportion increases each cycle as the loan size increases. Members can withdraw mandatory savings and LIF only if all loans of all members of the group have been completely repaid (Hulme 1999).

FINCA and FOCCAS encourage clients to add voluntary savings to this payment, and each depositor can access their savings as needed. PRIDE clients are encouraged to save in their individual commercial bank accounts.

The initial loan size varies from US\$44 for FOCCAS clients to US\$132 for PRIDE clients.⁴ Depending on client location, FINCA initial loan sizes vary from US\$44 to US\$88. Stated interest rates and fees vary. FOCCAS charges 3 percent per month, which is equivalent to 36 percent per annum, and has no fee charges. PRIDE charges a 30 percent flat annual interest rate as well as fees. FINCA recently amalgamated its interest and fee charges, which are equivalent to 48 percent per annum. All three programs calculate the interest on the amount of the original loan, not on the declining balance.

⁴The initial loan amounts for each of the three programs were US\$50,000 for FOCCAS clients, US\$150,000 for PRIDE clients, and US\$50,000 to 100,000 for FINCA clients. When currency amounts have been converted to U.S. dollars, the exchange rate used was US\$1,137 per US\$1.00 in 1997 and US\$1,500 per US\$1.00 in 1999.

The repayment period for FINCA and FOCCAS loans is 16 weeks. In comparison, the period for PRIDE loans is 26 weeks for the first loan, building to a year for larger loans. FINCA and FOCCAS do not permit further loans to a group until the specified loan payback period expires and until the loans to all group members have been repaid. The maximum amount of subsequent loans is significantly higher under the PRIDE program (table II-7).

d. Financial characteristics. At the end of December 1998, FOCCAS was 60 percent operationally self-sufficient, down from 93 percent because of recent rapid expansion. In comparison, FINCA was 81 percent operationally self-sufficient and PRIDE planned to be fully self-sufficient by the end of 1999 (Hulme 1999). As of April 1999, the ratio of staff to clients varied from an average of one staff member to every 211 FOCCAS clients, 173 FINCA clients, and 160 PRIDE clients (Hulme 1999).

Because of the strategy employed by each of the three MFIs, the default rates appear to be low or nearly nonexistent. Although a complete data set is not available for the three organizations, information available to the assessment team indicates that the percentage of total principal in arrears most months tends to be under 10 percent. In the branch of one organization at the end of June 1999, about 9 percent of the principal outstanding was overdue more than 30 days. In another program, approximately 4 percent of the total principal due was in arrears (over 31 days late).

All three programs greatly increased their outreach and value of loans disbursed between 1997 and 1999. Financial data that were available to the assessment team are presented in Annex 1.

3. Individual Program Distinctions

While all three programs—FINCA, FOCCAS, and PRIDE—have common characteristics, each program includes distinctive features. Each has its own unique approaches and, in some cases, services.

a. FINCA. FINCA village banks receive a lump sum loan from FINCA/Uganda, which they distribute among themselves consistent with the rules governing loan size (table II-7). After 16 weeks (or when all individual loans and the group loan have been repaid), the village bank can receive and distribute another loan. Because no member can move to the next borrowing cycle until all members have repaid their respective loans, each woman's ability to borrow and the timing of her loans are a function of the entire group's conduct and creditworthiness.

In FINCA the size of second and subsequent loans is a function of each individual's ability to save. Currently each repeat borrower is eligible to borrow an amount equal to her first loan plus the amount of her mandatory savings (table II-8). The proportion of the subsequent loan that must be in the compulsory savings account increases to 40 percent for the second round when borrowing USh 250,000 and increases to 75 percent for the 9th cycle when borrowing USh 600,000 (Hulme 1999).

Table II-8. FINCA: Loan Cycle and Savings Requirement

Cycle	Total Loan (USh)	Compulsory Savings (USh)	Savings as % of Loan
1	200,000	50,000	25%
2	250,000	100,000	40%
3	300,000	150,000	50%
4	350,000	200,000	63%
5	400,000	250,000	67%
6	450,000	300,000	70%
7	500,000	350,000	73%
8	550,000	4000	

Source: David Hulme. 1999. Client Exits (Dropouts) from East African Micro-Finance Institutions. Kampala: MicroSave-Africa.

Weekly, the group's chosen officials conduct the village bank's business, logging loan payments and savings in the 'bank's' ledgers and in each woman's individual passbook. Mandatory and voluntary savings are to be recorded separately, but in late 1999, in some groups the contributions of each individual were recorded together under the heading of savings. The mandatory savings are held in the name of the group and may be used to pay for members who default on their loans. Group officers keep records on individual members.

The group sets the remainder of the weekly meeting's agenda, which usually focuses on disciplinary problems encountered (such as tardiness, absence, nonpayment). Members can be excused from the weekly meetings for personal or family illness or funeral attendance, but they are expected to send their weekly payment with another member. In its training, FINCA stresses the importance of voluntary savings, the investment of loan proceeds in each client's business, and the group's responsibility for all repayments.

In addition to providing loans, FINCA provides an insurance product. Its accidental death and disability insurance for clients and their spouses operates as described below.

'In return for a 1% premium.....in case of death resulting from an accident AIG (the insurers) pay US\$1.2 million which is used a) to offset the outstanding balances and interest owed to the group on the FINCA loan; b) the balance to be passed to the identified beneficiaries of the deceased.' In addition in case of permanent total or partial disability due to accident as determined by three doctors in a government hospital the insurers shall pay either the full or the amount of the weekly contributions missed during the period of disability. The insurer 'shall give a medical benefit in case of hospitalization due to accidents (admission to Government hospital only) of up to US\$100,000/-based on receipts and proof of hospitalization' (MicroSave-Africa 1999).

At the end of 1999, some 20,769 individuals were insured, and for that year 54 claims and claim expenses totaled US\$6,658 or 21 percent of the premium revenues. At that time all borrowing clients received insurance and paid for it through an interest premium. Before 1999 the scheme had been voluntary (FINCA n.d.).

b. FOCCAS. While all three MFIs in this survey train their credit groups in the banking skills necessary for credit association management, FOCCAS also provides participatory education in microenterprise business management and a weekly learning session on health, nutrition, and family planning. These educational opportunities follow formal training modules. At the weekly meeting of the credit association, the women are expected to demonstrate the lesson learned the previous week through participation in a skit, song, or discussion.

As with FINCA, the selected officers conduct the banking business of the group. They log in the savings payments and the weekly loan payments into the association’s ledger and into each member’s individual passbook. In both FOCCAS and FINCA some of the women are neither literate nor numerate, and in spite of the training received about the passbooks, their understanding of the content and meaning of the columns in their books may be minimal.

Similar to FINCA, the group’s cumulative loan and savings payments are deposited in the group’s account at a local bank. Principal and interest are repaid to FOCCAS via bank transfer on a monthly basis. Currently, after the first loan cycle, each member may increase the size of her loan based on the amount of the current loan, assuming that her savings are equal to 5 percent of the loan request, the group’s aggregate request is supported by cumulative savings of 5 percent, and the group as a whole approves the new loan (table II-9). Field agents are available to assist during the business portion of the weekly meetings, and they also are responsible for delivering the health and business training.

Table II-9. FOCCAS: Maximum Increase in Size of Subsequent Loans

If the current individual loan size is between US\$	Then the maximum loan increase is
0 and 50,000	50%
50,001 and 75,000	45%
75,001 and 108,750	40%
108,751 and 152,250	35%
152,251 and 205,538	30%
205,539 and up	20%
650,000	0%

Source: FOCCAS Uganda.

c. PRIDE. PRIDE differs from FINCA and FOCCAS in several respects. While PRIDE groups review and confirm the viability of the businesses of their members, guarantee each member’s loan, and participate in mandatory weekly group meetings for banking purposes, PRIDE otherwise fosters individual, rather than group, reliance. During the training period each client is required to open a bank account with a local commercial bank if they do not already have one. Members’ loans are distributed directly into these accounts. Neither the EG nor the MEC maintains a bank account.

Distribution of loans within the EG is staggered: following the training period, two members of each EG receive their first loans; four weeks later two more receive loans; and finally, the chairperson receives his/her loan. The repayment period for the first loan of approximately US\$132 is 25 weeks. After the initial loan is repaid, PRIDE has a progressive schedule for

second and subsequent loans (for example, US\$176 over 30 weeks; US\$308 over 40 weeks). Any client may prepay a loan at any time and then secure a larger loan, assuming the group, and ultimately the credit officer, approves. Prepayment, however, includes all interest as originally calculated and all LIF payments. Thus, the only motive for prepayment is the acquisition of a larger loan.

Each PRIDE client deposits approximately US\$1.35 weekly into the LIF, both before receiving a loan and during the repayment period. This deposit assures that, by the time of the second loan and thereafter, PRIDE will have at least 25 percent of the loan amount in the LIF. The LIF is returned to the client when she/he leaves PRIDE. A 10 percent 'bonus' is paid when the LIF is returned if the client has been with PRIDE for more than one year. PRIDE strongly encourages its members to build up savings in their individual commercial bank savings accounts, but it does not require the reporting of these savings to PRIDE.

Weekly PRIDE meetings focus on banking activities. One officer from each EG conducts the EG's weekly transactions with the MEC officers. This procedure forces the EG to keep all members current. Delinquencies are not allowed at the MEC level.

III. METHODOLOGY AND IMPACT ANALYSIS RESPONDENTS

This section presents information on the methods used for the selection of respondents; for developing and finalizing the questionnaire; field work; and data coding, entry, and analysis. It explains the strategies followed, challenges encountered, and results of the efforts to relocate the 1997 respondents. This section also gives basic information on those included in the final data analysis presented in this report. It ends with an explanation of the statistical tests used to identify program impacts.

A. Methodology

A random selection method was used to identify a sample of clients from the four microfinance program branches that were assessed and a comparison group of non-client microentrepreneurs. The design of the questionnaire followed a series of important steps that included initial qualitative interviews and pre-testing of the survey instrument. The questionnaire was also pilot-tested. Care was taken in training the field enumerators and in providing oversight as they carried out their work. The data coding and entry were carefully supervised and the data cleaned.

1. Sampling

The sampling plan called for surveying clients of FINCA, FOCCAS, and PRIDE and three comparison groups of non-clients.⁵ Further, to provide information from rural, urban, and metropolitan areas, the plan called for sampling in three different geographic areas of Uganda—Kampala, Masaka, and Mbale. In Masaka, clients from two programs were surveyed, whereas in Kampala and Mbale the client samples were drawn from one program in each area. Hence, clients were drawn from four specific branch offices.

The sampling methodology varied by area and client status; however, in all cases, a form of random sampling was undertaken in 1997. For clients, random samples were taken from the client records from the four branch offices. The Mbale sample was randomly selected from the membership lists of groups that had received a loan in the previous four months. Time of the most recent loan was used as a sampling factor to achieve consistency in Mbale. In Masaka, because both lending programs were new to the area, a random sample of new clients was surveyed. In Kampala, the sampling frame was guided by selecting only current clients from Kampala District and for whom maps of the group meeting site were available. Time of the most recent loan was also used as a sampling factor to achieve consistency in Kampala. In all client samples, a large group of alternates was selected in case initially selected clients could not be interviewed.

⁵ The detailed sampling plan is contained in the research plan in volume 2 of the baseline report by Barnes, Morris, and Gaile, 1998.

Two selection methods were used to help identify the non-client sample. In both Kampala and Masaka, a ‘random walking method,’ which used spatial matching with randomized components, was used to draw the non-client sample. In rural Mbale, a clustered, stratified random sample was used: it was based on a random sample of geographic sites where FOCCAS did not operate, and then within each site a trisect walking method was used to identify a random sample of microentrepreneurs. Three key factors were used to help ensure similarity between the non-clients and clients. First, because all clients in Mbale and Kampala are women, the non-client sample was also female. In Masaka, the aim was to have the same proportion of males in the client and non-client samples. Second, the respondents needed to own a microenterprise that generates a weekly or biweekly flow of revenue. Third, the enterprise had to be open for operation during the previous two months. To help ensure that non-clients selected were appropriate as a control group, only microentrepreneurs meeting the three criteria above who had not received a loan for their enterprise from a formal institution were selected for the non-client sample.

During the execution of the sample, adjustments were required because of a number of complicating factors, including errors in the lending institutions’ client records and severe flooding in Mbale. Due largely to the hard work of the field team and the flexibility built into the sampling design (many alternates), the resultant sample retained the qualities of high rigor based on random selection.

At the time of the baseline survey, the Kampala client respondents, who operated businesses in urban or periurban areas, had been borrowing or saving with FINCA for at least three months, and some for more than a year. The rural Mbale client respondents had been with FOCCAS for four to eight months when surveyed, and thus had received at least two loans before the interview. Virtually all of the PRIDE and FINCA respondents in Masaka were on their first program loan. Both groups’ clients were spread throughout Masaka town; FINCA clients were also found in the periurban and contiguous rural areas.

2. Questionnaire Design

The design of the baseline questionnaire involved a series of steps. First, an initial set of hypotheses, variables, and measures was drawn up based on the results of previous assessments of the impacts of microfinance programs. Second, exploratory interviews were conducted with microentrepreneurs in Masaka, Mbale, and Kampala, and with the leaders of two loan groups in Kampala. Key informant discussions were held with a USAID Women in Development (WID) Fellow and microfinance program officers and staff. In addition, information was gathered on the strategies of the microfinance programs to be studied and from key documents and reports. Third, a pilot-test of the instrument and the conduct of focus groups and discussions among the Makerere Institute of Social Research (MISR) team, the USAID WID Fellow, and the Management Systems International/Assessing the Impact of Microenterprises Services (MSI/AIMS) consultant led to further questionnaire revisions. Fourth, during the enumerator training session, the questionnaire translated into Luganda was pilot-tested, which led to further refinements in the questionnaire.

In preparation for the second survey round, the original questionnaire was modified. Questions proven unreliable or unessential were eliminated. A couple of questions found difficult for

respondents were clarified. Also a few questions were added that centered on illness, new household members, and schooling. A series of questions about program participation were also included to learn about the benefits, problems, and client status. Drafts of the modified questionnaire were pre-tested and then pilot-tested. Finally, the questionnaire was translated and then back-translated into Luganda and Lugisu.

3. Field Teams

For both the baseline and follow-on surveys, MISR retained 15 enumerators. Eight persons who had participated in the baseline survey were part of the 1999 enumeration team. Before each survey the enumerators attended a one-week training session conducted by the MISR core team and an MSI team member. The training included information about microfinance and the programs involved in the survey, a careful study of the questionnaire, mock interviews, and pilot-testing of the questionnaire. Thereafter, the enumerators worked in three teams, each headed by an MISR supervisor.

The enumerators working in Mbale were native to that district and spoke the local language, Lugisu. All other enumerators were fluent in Luganda, the language most commonly spoken in Kampala and Masaka.

Field work for the baseline study began the week of November 3, 1997, and field work for the second round began between October 27 and October 29, 1999, in the three geographical areas. The follow-on survey team, like the baseline survey team, was provided transport at their data-collection sites. Each field team was assigned an MISR field supervisor who, in addition to providing professional guidance, was responsible for final checking of the questionnaires and for record keeping. During the baseline survey the USAID WID Fellow provided general oversight and coordination between the field teams and MSI. During the follow-on survey, a locally hired consultant carried out this role.

4. Data Coding, Entry, and Analysis

The MISR statistician began developing a coding sheet about one week after field work had begun. To maintain comparability between the baseline and the follow-on survey, the 1999 coding sheet was developed by modifying the 1997 coding sheet, adding codes for new questions, deleting codes for questions that had been dropped, and adding new response categories—where necessary—for questions that were common to both questionnaires. Great care was taken to keep codes of common questions in both questionnaires exactly the same. Coding progressed as more questionnaires came in and new response categories were given unique codes and continuously added to the coding sheet. This exercise, lasting about three weeks, was carried out by two experienced data coders, who had participated in the 1997 exercise, under the close supervision of the MISR statistician.

For comparability purposes, the 1997 Epi Info software data entry structure was used and necessary modifications made. Variables common to both the baseline and the follow-on survey were given similar names. A symbol was appended at the end of each of the 1999 variables to enable easy distinction between the two datasets.

Four experienced data clerks, who had participated in the 1997 exercise, undertook the 1999 data entry. They were trained and involved in pre-testing the data, capturing templates before they embarked on the actual data entry exercise. Again, for purposes of quality control, the MISR statistician was on hand to supervise the process from the beginning to the end. After entry, the data were exported to the SPSS software package for cleaning and eventual analysis.

In both 1997 and 1999, printouts of the raw data were made and the data clerks, working in pairs, compared the raw data with the questionnaire entries (question by question and questionnaire by questionnaire). Then the MISR statistician checked and corrected the wrong entries identified by the data clerks. The statistician made consistency and validity checks, did frequency runs on all variables to check for any unusual outliers, and made all necessary corrections.

The baseline and follow-on datasets were then merged through a common unique identification number that had been pre-assigned to all the 1997 respondents. A printout of names of all the respondents (1997 and 1999) was then made to ensure that all records were matching. The merged dataset was then sent to the MSI statistician for final checking.

B. Relocation of 1997 Respondents

Since the assessment is based on a baseline survey and follow-on survey of the same microentrepreneurs, it was essential to relocate the baseline respondents in 1999. Several strategies were used to find these respondents. The challenges that this presented are explained and information on those not re-interviewed are presented.

1. Strategies for Relocating 1997 Respondents

A fundamental prerequisite for the successful conduct of the follow-on survey was locating and interviewing the 1997 sample. Several strategies were pursued, usually sequentially, to find the 1997 respondents, or a knowledgeable household member if the original respondent was unavailable during the survey period.

First and foremost, a computer list of all 1,332 respondents in 1997 divided among the three study sites was used to cluster respondents by their areas of residence (villages/local council units). Second, armed with this information, the respective field team visited each area of residence. In the few cases in which an identifiable street address had been recorded on the 1997 questionnaire, this address was used to track down the respondent. Otherwise, members of the local administrative units and other knowledgeable key informants were asked the whereabouts of the individuals listed. This approach enabled the field teams to locate people to be interviewed, identify persons unknown, and gather follow-up information on those no longer living or operating their enterprises within the area. For those reported as having shifted their residence to another place, their names were transferred to the lists containing names for those particular areas. This approach was the primary one used in Masaka District up to the end of the data collection exercise. In Mbale, too, this proved to be an effective approach; the strategy relied heavily on Credit Association leaders to identify the location of FOCCAS clients. This relocation strategy, however, was of little help in Kampala District.

When the above method was found to be ineffective in Kampala, the team resorted to locating some of the FINCA sample at their group meeting places and enlisting them in identifying the location of other clients in the sample. This approach ended up being the primary method for relocating the Kampala client sample. It was successful in capturing those clients who were still in the program, but it was unsuccessful in locating clients who had dropped out of their MFI program and non-clients. This relocation strategy was used exclusively in Kampala. In Mbale it was not necessary, and in Masaka the interviews revealed a high percent of program leavers and thus the method was deemed not worth the effort.

Another strategy was employed in Masaka. Using the 1997 computer list, both client and non-client respondents were grouped by their business locations. Specifically, this method applied to respondents whose enterprises were located in downtown Masaka, including the main market. Those not found were noted for alternative tracking techniques.

For those respondents not found using any of the above methods, the team tried to locate the persons that respondents in 1997 had provided as contacts who would know their whereabouts if they moved during the two-year period. This method proved somewhat useful in providing information in Masaka and Kampala, but it was the least successful relocation technique used in Masaka.

The fifth relocation strategy particularly targeted female respondents who were unknown using any of the above strategies. A list of the unfound respondents plus the names of their spouses and children/other relatives/household members was computer-generated to help identify women who might be locally known by the name of their spouse, children, or other household members. These lists again were clustered by areas of residence for a follow-up. This approach, though unsuccessful in Masaka, proved to be successful in locating a few more of the Kampala sample.

In a last effort strategy to locate Kampala respondents, the MSI consultant sought to relocate some of the respondents through parish voters' registers. This approach, however, was not fruitful, because most of the names on the computer list did not appear in the registers.

2. Outcome of Relocation Efforts

The relocation strategies resulted in relocating and interviewing 965 persons or 72 percent of the 1997 respondents. This result includes 21 cases in which the 1997 respondent was not available and a knowledgeable household member was interviewed as a substitute. The re-interview rate was lower than the normal 80-85 percent rate, which is common in longitudinal studies. Table III-1 shows that the re-interview rate was higher in the client sample than in the non-client sample. Most of those not re-interviewed were persons whose names were unknown to members of their community and hence were not traceable. This group, especially in Masaka and Kampala, was composed largely of non-clients. Shifting or moving was the second-most common reason for the non-finds. Shifting means that they had moved either to a different district or location within the district but out of reach for follow-up by the field team. Four percent were not interviewed either because they had died or were seriously ill. Other reasons for not re-interviewing the 1997 respondent or a substitute were that the 1997 respondent was out of the area and nobody in the household was well-informed about their enterprise, and that the respondent refused to participate.

**Table III-1. Summary of Relocation and Data Collection Outcome
(Based on 1997 Status)**

Category	Number of Clients			Number of Non-clients	Total Number	Percentage
	FINCA	PRIDE	FOCCAS			
Successful Interviews	283	143	150	389	965	72
Unsuccessful interviews:						
Dead/seriously ill	17	9	8	21	55	4
Shifted	40	19	9	63	131	10
Unknown	10	3	16	117	146	11
Other reasons	9	6	8	12	35	3
Total	359	180	191	602	1332	100

Table III-2 provides the relocation and re-interview data by district. As implied in the previous section, the re-interview rate was lowest in Kampala and highest in Mbale. The re-interview rate of non-clients as well as clients was highest in Mbale, largely because most rural residents own their homes and because people are more known by members of their community since social networks tend to be stronger in rural than urban areas.

**Table III-2. Summary of Relocation and Data Collection Outcome by District
(Based on 1997 Status)**

MASAKA DISTRICT	Number of Clients		Number of Non-clients	Total Number	Percentage
	FINCA	PRIDE			
Successful Interviews	148	143	156	447	75
Unsuccessful Interviews:					
Dead/seriously ill	8	9	10	27	4
Shifted	18	19	20	57	9
Unknown	3	3	53	59	10
Other reasons	2	6	2	10	2
Total	179	180	241	600	100
KAMPALA DISTRICT					
	FINCA				
Successful Interviews	135		92	227	63
Unsuccessful Interviews:					
Dead/seriously ill	9		5	14	4
Shifted	22		32	54	15
Unknown	7		46	53	15
Others (special cases)	7		5	12	3
Total	180		180	360	100
MBALE DISTRICT					
	FOCCAS				
Successful Interviews	150		141	291	78
Unsuccessful Interviews:					
Dead	8		6	14	4
Shifted	9		11	20	6
Unknown	16		18	34	9
Others (special cases)	3		2	5	1
Misplaced questionnaires	5		3	8	2
Total	191		181	372	100

3. Relocation Problems Encountered

Various challenges led to the field team's not re-interviewing 28 percent of the 1997 sample. First, lack of a permanent residence contributed to difficulties in relocating respondents. Most of the 1997 sample in Kampala and almost 50 percent in Masaka rented their residence. This factor contributes to a high mobility rate and hence greater difficulty in relocating these persons. In contrast, in Mbale most of the 1997 respondents lived in their own houses and were easier to relocate.

Second, the use of names in 1997 that were not known by the local councils or communities was the most critical problem in all three study sites. Women, particularly in urban and periurban areas, tend to change their names depending on the prevailing circumstances. For example, when their marital status changes, there is a tendency to change their names. Thus, female respondents who were single during the 1997 survey were captured by their maiden names; when their marital status changed, their names accordingly changed, making it difficult for them to be traced using the names captured in 1997. The reverse is also true for those who were married in 1997 but who had become separated/divorced or widowed by the time of the follow-on survey in 1999. Also, after a woman gives birth, she may be referred to by the name of her child. In some cases it is likely that the 1997 respondents provided misleading or false names because of fears about how the data might be used. This situation is most likely true among the non-client sample.

In Kampala, those who had dropped out of FINCA were more difficult to relocate and re-interview than were continuing clients. In a few cases, group members refused to give addresses of persons who had defaulted and dropped out, and a few dropouts, even after relocation, outrightly denied their identity. Also in Kampala, a few women (especially non-clients) refused to be interviewed, claiming that they did not perceive any value in the exercise because nothing had been done to help them since the baseline survey of 1997. In contrast, in Masaka and Mbale, there were no refusals of the type experienced in Kampala.

Lastly, it is important to note that only one of the Kampala enumerators had participated in the 1997 survey; the rest were all new. Fortunately, the driver had participated in the 1997 survey, so he was extremely helpful.

C. Characteristics of Survey Dropouts

Those not re-interviewed in 1999 appear to be slightly different from those who were re-interviewed. An analysis of the survey dropouts, based on the 1997 data, reveals that they are somewhat different and cannot be considered a random population of the 1997 sample. The survey dropouts tended to be younger (approximately five years on average than those re-interviewed in 1999), were more likely to be single (12 percent compared to 9 percent, respectively), and tended to belong to households that rented their residence (52 percent compared to 31 percent, respectively). Clients and non-clients not re-interviewed were similar in terms of these characteristics. This analysis suggests that they characterize a more mobile part of the population. Therefore, the data suggest that the findings are indicative rather than definitive when generalizing from the impact findings to the larger population of clients in the program branches studied.

D. Respondents Included in the Analysis

To increase the rigor of the impact analysis, those who were part of the 1997 non-client sample who had subsequently taken a loan from an MFI or bank for their microenterprise were identified and then excluded from the analyses for this report. This action was taken because, having had a loan for their microenterprise, these persons were no longer valid members of the control group.

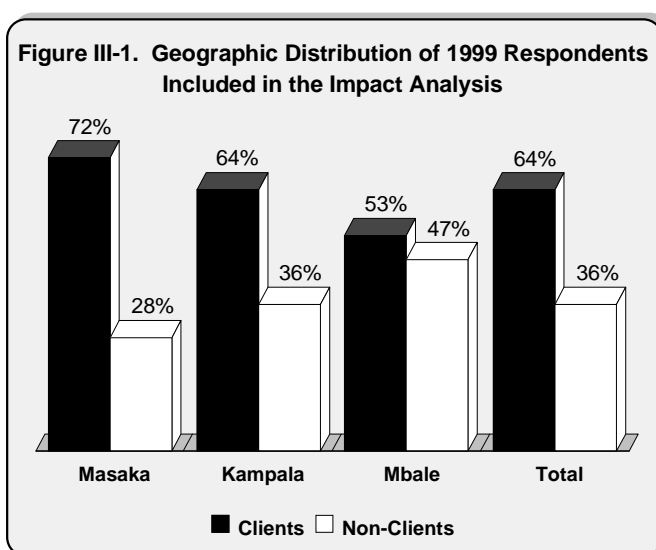
Also, before analysis for this report, the data were reviewed to identify cases in which the 1999 respondent differed from the 1997 respondent. Twenty-four were identified. In the three cases in which the 1997 respondent was deceased but a household member had been interviewed, these respondents were dropped from the analysis. The other substitute respondent cases were kept in the database because enumerators had been instructed to have them respond to the ‘you’ questions with respect to the 1997 respondent, not in regards to himself or herself. Because the substitutes were unlikely to be able to provide reliable information on the financial transactions of the 1997 respondent, however, these cases were excluded from analysis of specific questions. As a result, the analysis in this report is based on 894 respondents, 64 percent of whom are clients. In 98 percent of the cases, the respondent in 1999 was the same person who responded to the questions in 1997 (table III-3). Substitute respondents were slightly more common in the non-client sample than in the client sample.

Table III-3. Whether 1999 Respondent is the Same Person as 1997 Respondent Among Those Included in the Impact Analysis

Relationship between 1999 Respondent and 1997 Respondent	Clients		Non-clients		Total	
	Frequency	%	Frequency	%	Frequency	%
Same Person	565	99	308	96	873	98
Spouse	2	0	5	1	7	1
Other	5	1	9	3	17	1
Total	572	100	322	100	894	100

Among those included in the analysis for this report, 64 percent are clients and 36 percent are non-clients. The geographic distribution of this core group is shown in figure III-1.

Since FINCA and FOCCAS serve women, all of the respondents from Kampala and Mbale were women. In Masaka, since PRIDE reaches men and women, some men were part of the client sample and a similar portion sampled in the non-client group. Included in the analysis are 38 male clients and 32 male non-clients who were from Masaka.



E. Statistical Testing

A number of statistical tests were conducted. Statistical tests of significance were conducted to determine if the findings on the comparison groups differed significantly. The results of these tests indicate whether the findings between the comparison groups are the result of mere, chance coincidence, or whether the findings differ significantly between the groups. When the statistical test gives a .05 or below answer, it indicates that the observed case is not just a chance coincidence and hence indicates that the dependent variable (client/non-client status or district status) is positively correlated with the independent variable (for example, amount spent on assets). The test means that there is only a 5 in 100 probability that the apparent difference would have occurred due to chance. A result between .06 and .10 indicate that the results are marginally significant. When the data analysis revealed statistically significant results, these are highlighted in the text.

In specific instances a gain score test was performed. These analyses were undertaken because respondents had not been randomly assigned to the client and non-client groups and then sampled. With non-random assignment, the client respondents represent those who 'self-selected' to join the MFI programs, leading to the possibility that the client and non-client samples were likely to differ on one or more characteristics. Therefore, to determine the effect of MFI program participation, the gain score analysis takes into account the effect of initial differences.

An analysis using gain scores examines the amount of change from the baseline survey to the follow-on survey. It looks at the difference between two scores, that is the 1999 findings minus the 1997 findings. The method centers on analyzing the value or percentage difference between the comparison groups on a particular variable, rather than on the absolute values or levels in each group. As such, it does not assume that the two groups were similar in 1997. A similar technique was used for trend data; the net difference between advances and declines was calculated.

When distinctions between districts were analyzed, a simple one-way analysis of variance (ANOVA) test was used. This ANOVA is the analogy of a t-test when three (districts) versus two (client or non-client) categories were used. For categorical (nominal) data, chi-square analyses were used, but disaggregated so that locational effects were kept separate from client or non-client effects. Chi-square tests were appropriate for analyzing either a client or non-client variable (a nominal or categorical variable) or a district variable (a nominal variable) against another variable for which only a frequency (versus an interval statistic such as a mean) was provided.

IV. PARTICIPATION IN THE MFI PROGRAMS

This section addresses whom the microfinance programs reach. It describes key characteristics of the clients, their households, and their enterprises. Attention is given to the poverty level of client households. Information is then presented on program continuation and departure and on clients' views on program participation.

A. Who Joins MFI Programs?

Who decides to join a microfinance program? Who is attracted by the services provided? These interrelated questions are at the heart of identifying whom the programs serve, and the extent to which programs reach their target group. As noted in the previous sections, the three programs studied vary in terms of their target group: Foundation for International Community Assistance (FINCA) targets women from low-income households; Foundation for Credit and Community Assistance (FOCCAS) centers predominately on the rural poor; and Promotion of Rural Initiatives and Development Enterprises (PRIDE) seeks to serve microentrepreneurs from a range of low-income to lower middle-income households.

The information in this section is derived from the 1997 baseline survey, which covered 730 clients and 602 non-clients. Comparative information is provided to illuminate the extent to which clients are similar to non-client microentrepreneurs in their geographic location. Data are provided that suggest the households' relative level of poverty. The baseline data provide an overview of the respondents, their households, and their enterprises when the clients were relatively new to their MFI program. A more complete profile is contained in the baseline report (Barnes, Morris, and Gaile 1998).

1. Basic Characteristics of Respondents and Their Households in 1997

Clients differed significantly from non-clients in average age and highest level of education, but not in terms of marital status. The average age of clients was 36 compared to 33 for non-clients. Clients averaged one year of secondary school, while non-clients averaged seven years of primary school. Most of the respondents were married: 67 percent of the clients and 61 percent of the non-clients.

On average, client households were significantly larger (6.57 members) than those of non-clients (5.48 members). Nevertheless, both groups tended to have two household members who were economically active, indicating a higher economic dependency ratio among client households. A high proportion of the households resided on farms: 46 percent of the client households compared to 36 percent of the non-client households, and the difference is statistically significant. Those residing on farms were primarily from Mbale and Masaka. Related to this, a greater proportion of client households than non-client households owned or were purchasing the place in which they live: 61 percent and 53 percent, respectively. Clients and non-clients from the same district, however, lived in dwellings with similar features and access to utilities. On average, households used three rooms. Taking into account the average size of the household, this indicates a slightly higher number of people per room among client households.

Ownership of consumer durables indicates the standard of living of households and may serve as a proxy indicator of relative wealth. More than 95 percent of the respondent households in all districts reported owning mattresses, an indicator of extreme poverty used by the Uganda Central Statistics Bureau. The ratio of number of mattresses owned to household members over the age of nine revealed that Mbale respondents had a ratio of less than one, but the difference between clients and non-clients was not significant. Households of clients were significantly more likely than those of non-clients to own a bicycle or radio (table IV-1). Fewer than 15 percent of the respondent households owned rental property; that is, units or houses elsewhere.

Data on clients from each location reveal some variations between the clients based on geographic location, suggesting that geographic location influences the results. Table IV-1 shows that only about one-half of the Mbale clients owned a cooker, indicating that the others cooked with charcoal or wood. Nearly one-third of the Mbale clients did not own a hurricane lamp, a better and more reliable source of lighting than alternative sources, such as candles and open fire, when electricity is not an option. Also the rate of bicycle ownership was less among clients in Mbale than in Masaka; the low rate in Kampala was due more to the inappropriate environment for bicycling than to access to money to purchase one.

Table IV-1. Ownership of Specific Consumer Durables, by Location, 1997 (Percentage)

	Masaka		Kampala		Mbale	
	Clients	Non-clients	Clients	Non-clients	Clients	Non-clients
Paraffin/gas cooker or electric hot plate	86%	76%	75%	69%	53%	43%
Radio	86%	81%	89%	82%	70%	63%
Hurricane lamp	NI	NI	NI	NI	70%	59%
Bicycle	52%	36%	16%	12%	37%	35%
Vehicle	6%	6%	9%	8%	-	1%

Source: Barnes, Morris and Gaile 1998.

Note: Percentages shown for within districts.

NI=no information gathered.

Data on individual savings accounts suggest that more than one-third of the clients in Masaka and Kampala had financial assets in a formal banking institution. Since PRIDE clients are required to have an established bank account before receiving their first loan, in Masaka more than 92 percent of the PRIDE clients had an account compared to 43 percent of the FINCA program clients and 24 percent of the non-clients. In Kampala, FINCA clients were much more likely than non-clients to have an individual savings account, 32 percent and 18 percent, respectively. The lack of access to banks in rural areas contributes to the low proportion of Mbale clients (10 percent) and non-clients (8 percent) with individual savings accounts with a financial institution.

The data on residence and ownership of consumer durables suggest that clients are not among the extremely poor and neither are they among the wealthier segment of society. Rather, they appear to be among a broad class of low-income households. The data on ownership of mattresses, radios, and homes suggest that they are not extremely poor. The low level of

ownership of cars and the relatively high number of persons per room in the home suggest that they are not wealthy. The data also suggest that clients come from households that are slightly better off in asset accumulation than non-client households.

2. Sources of Household Income

Households can obtain income from a variety of sources. All respondents in the 1997 assessment owned microenterprises that generated a cash flow on a regular basis. A significantly higher proportion of client households (32 percent) than non-client households (22 percent) had a member in wage or salaried employment. Geographic location influenced the likelihood, with Kampala having the highest rate of households with wage or salaried members. Other sources included remittances, rental income, and crops and/or livestock. Client households were much more likely than non-client households to have cash income from crops and/or livestock: 54 percent and 40 percent, respectively. In 1997, the total number of income sources averaged 3.2 for client households and 2.5 for non-client households.

3. Key Characteristics of Respondents' Enterprises

In 1997 the most common type of enterprise was one based mainly on sale of agricultural products, such as fruits, vegetables, grains, and legumes. A shop or kiosk was the second most common type of enterprise for both clients and non-clients. The results were similar between the districts on the types of enterprises that were mentioned most frequently. The enterprises tended to be five years old. Less than one-fourth of the respondents had enterprises less than one year old.

Enterprise location can influence the effective demand, and hence sales revenue. The most common site was the same location as the respondents' residence; this includes living in rooms adjacent to a shop. Residential-based enterprises were more frequent among Mbale respondents (58 percent) than Masaka (35 percent) and Kampala (46 percent) respondents.

Employment within the enterprise was assessed to determine if these activities absorbed unpaid labor or generated paid jobs. The average number of workers in addition to the respondent owner was slightly higher in enterprises of clients compared to non-clients: 0.87 and 0.54, respectively.

Informal borrowing for the enterprise was very limited. Among the respondents, less than 10 percent reported having borrowed money from informal sources in the six months before the interview. Most common was borrowing from friends and those outside the household, rather than borrowing from extended family or household members. Borrowing from informal sources was more common among non-clients than clients.

4. Agricultural Sector Linkages

Microfinance programs lend to individuals engaged in activities not primarily linked with the sale of crops produced by their households. Yet, these individuals or household members may be engaged in crop production and livestock rearing. In 1997 slightly more than half of the Mbale respondents reported their main activity to be farming, indicating that their enterprises helped smooth the flow of cash income. Approximately 30 percent of all respondents cited crops,

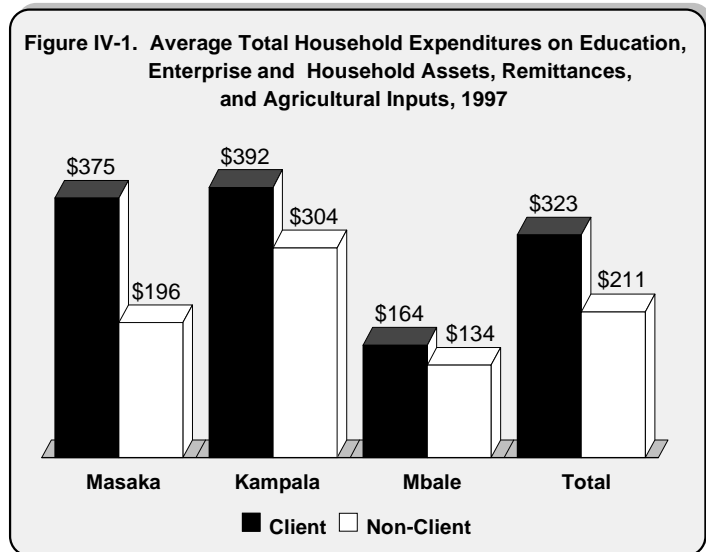
livestock, yeast production, or fuel wood sales among the top two contributors to household cash income. As expected, these sources of income were more common in Mbale than in the other geographic locations.

Significantly more client households than non-client households owned or used cultivatable land. Virtually all Mbale respondent households had cultivatable land. In Masaka 89 percent of the client households and 65 percent of the non-client households had cultivatable land. And despite their urban or periurban residence, in Kampala 62 percent of the client households and 45 percent of the non-client households had cultivatable land. The estimated size of the land was 6.15 acres for client households, compared to 3.68 acres for non-client households. Most entrepreneurs with access to cultivatable land produced crops for household consumption or sale.

The data reveal that residence is not an indicator of whether or not the household has cultivatable land and engages in crop production. The land inheritance system, customary rights to use land controlled by the natal household, and a market for rental of crop land all account for the high proportion of households with cultivatable land in rural areas.

5. Key Expenditures

Total expenditures on education, enterprise and household assets, remittances to rural households, and agricultural inputs indicate the relative wealth level of respondents' households (figure IV-1). On average, clients spent an amount equivalent to approximately US\$323 compared to US\$211 among non-clients. Client households on average spent 35 percent more than the comparison group. When analyzed on a per capita basis, the difference is 22 percent. In both cases statistically significant differences were found between client and non-client households. The differences were also significant between districts. The lowest levels were found in Mbale and the highest in Kampala. The 1997 data suggest that client households on average had a higher level of income than did non-client households.



Source: Barnes, Morris and Gaile, 1998.

6. Unanticipated Events with Financial Repercussions

Nearly two-thirds of the respondents reported on one or more financial shocks in their household during the 24 months before the 1997 interview. Nearly one-half of them reported that serious illness of a household member or medical expenses for a member caused a financial shock. Death of a household member was the second most-reported event (13 percent of clients and 15 percent of non-clients). Most respondent households were able to cope without having to

sell an income-generating asset. Approximately 15 percent of the households sold crops, livestock, or as a last resort, land, to deal with the financial demands.

7. Conclusions

The baseline data suggest that the microfinance program branches studied tend to reach microentrepreneurs who are from households that are not extremely poor, nor very wealthy. Client households tend to have an asset base including cultivatable land and tend to earn income from more than one source. The expenditure and consumer durable asset data indicate that the rural Mbale clients are poorer than clients from Masaka and Kampala. The asset data also suggest that FOCCAS reaches some very poor households.

The data on clients compared to non-clients from the same geographic area suggest that clients tend to belong to households that are slightly better off than those of non-clients. Such information implies a self-selection bias: certain people are more likely than others to become clients of the programs studied. The selectivity bias is likely to be the result of two interrelated factors. First, persons with certain individual and household characteristics are more likely than others to be motivated to participate in the microfinance programs. Second, because the programs operate with the requirement that individuals have to agree on who is part of their credit group, the groups are likely to select individuals who they feel are most likely to be diligent in meeting their loan repayments in a timely manner.

B. Program Continuation and Departures

The assessment obtained information on client continuation in the MFI programs, as well as reasons for leaving and changing programs. It also captured data about those who remained in the program but did not take additional loans. The information was acquired to help the MFI programs and others to better understand the dynamics of participation.

Among the 572 client respondents who were re-interviewed, they had averaged four loans each, and the total amount of the loans each received averaged US\$ 815,438. The average amount borrowed was equivalent to US\$544 in September 1999. In general, those from Masaka had larger loans than those from the other areas. The average total amount varied from US\$588 in Masaka and US\$560 in Kampala to US\$440 in Mbale.

Nearly two-thirds of the client respondents were still participating in the same MFI program two years later, including those who were 'resting' between loans. In addition, 5 percent had taken a loan in the interim but from another program. During the two-year period, 30 percent had stopped participating in an MFI program. It should be remembered, however, that a number of 1997 clients were not re-interviewed and included in the analysis, and as discussed in section III, part B, the evidence supports the conclusion that they no longer participate in their 1997 MFI program branch (table III-1). When these clients are factored in as persons who have left their MFI program, the data show a lower continuation rate: 43 percent in Masaka, 48 percent in Kampala, and 61 percent in Mbale (table IV-2). It is conceivable that some joined a branch of the same program in another location.

Table IV-2. Distribution of Client Respondents Still Enrolled in the Same Program Branch Office in 1999, by District and Program

	Number of Clients Still Enrolled in Same Program at Time of 1999 Interview	% of all clients who were re-interviewed N=561	% of all clients interviewed in 1997 (N=725)*
By District			
Masaka	155	54%	43%
Kampala	87	67%	48%
Mbale	117	81%	61%
Total	359	64%	50%
By Program			
FINCA	177	64%	49%
PRIDE	65	47%	36%
FOCCAS	117	81%	61%
Total	359	64%	50%

*Assumes that those who had moved, were unknown, or otherwise were not interviewed, were not currently enrolled in the same program branch. The number excludes five persons located in Mbale but whose questionnaires were misplaced.

Table IV-2 provides the breakdown on continuation by program branch office among those re-interviewed in 1999. FOCCAS had the highest continuation rate. In comparison, PRIDE's continuation rate was almost half as much as the FOCCAS rate. The high rate of continuation in Mbale among FOCCAS clients is likely to be related to the lack of competition in rural Mbale, whereas urban Kampala and Masaka clients have greater access to competing MFI programs and banks. The data indicate that PRIDE in Masaka experienced the highest rate of dropouts; some of these clients joined FINCA (table IV-3). The lower retention rate in PRIDE's Masaka branch may be due to a number of reasons, such as PRIDE's enforcement of regulations, its costs, and the staggered disbursement of loans within a loan group. It may also reflect clients not being able to stay in the program without borrowing. It should be noted that PRIDE also gained as clients a number of the assessment's non-clients as well as some FINCA clients. This suggests that microentrepreneurs operating in an environment with competing MFIs will shop around to find a program that suits them.

Table IV-3. Comparing 1997 Survey Status with 1999 Survey Status: Number of Respondents

	Non-client 97	FINCA 97	PRIDE 97	FOCCAS 97	Other* 97	TOTAL
Non-client 99	332	88	62	23	3	507
FINCA 99	22	184	12	0	0	218
PRIDE 99	17	11	66	0	0	94
FOCCAS 99	8	1	0	120	0	129
Other MFI 99	6	5	3	0	0	14
Dead**	1	2	0	0	0	3
Total	386	291	142	143	3	965

*Other MFI or bank.

**In these cases another member of the household was interviewed.

Clients were asked if they had ever stopped borrowing in the last 24 months but remained a participant in their MFI program. Approximately one-fourth replied in the affirmative, and the differences among the districts were significant. Fully 40 percent of the Kampala clients had taken a reprieve from borrowing, compared to only 16 percent of the rural Mbale clients and one-fourth of the Masaka clients (A2, tables 2-3). The main reasons cited for ‘resting’ were: problems with the repayment schedule, enterprise difficulties, and family problems. These clients probably remained in the program because they intend to borrow again later and because they want to maintain social contacts.

Clients who had departed their 1997 MFI program tended to give the following reasons: unable to repay loan due to enterprise reasons, did not like having to attend mandatory weekly meetings, lack of a grace period, and group problems. The most commonly given reasons differed, however, among the districts (table IV-4). FINCA clients in Kampala complained the most about lack of a grace period and mandatory weekly meetings, and they did not like the program savings requirement. More than one-half of the FOCCAS clients in Mbale cited problems with their group, whereas this problem was cited much less in the other districts. Masaka clients tended to state that enterprise problems made them unable to repay their loan, and they did not like attending weekly mandatory meetings.

Table IV-4. Reasons Why Clients Left MFI Program (N=197)

Reason for Leaving MFI Program	Masaka		Kampala		Mbale		Total	
Unable to repay my loan for enterprise reasons	35	27%	9	21%	6	24%	50	25%
Lack of grace period	25	19%	14	33%	3	12%	42	21%
Didn't like the weekly attendance requirement	27	21%	11	26%	1	4%	39	20%
Had problems with my group	19	15%	7	17%	13	52%	39	20%
Interest rate too high	20	15%	8	19%	4	16%	32	16%
Unable to repay my loan for family reasons	15	12%	5	12%	8	32%	28	14%
Was made to pay for defaulters	17	13%	3	7%	3	12%	23	12%
Didn't like program savings requirement	8	6%	11	26%	3	12%	22	11%
Loan size too small	8	6%	10	24%	1	4%	19	10%
Didn't need loan anymore	7	5%	3	7%	0	0%	10	5%
Didn't like weekly repayment of the loan	9	7%	0	0%	1	4%	10	5%
Bank with group savings closed	3	2%	1	2%	1	4%	5	3%
Others (e.g., rude officials, sickness)	16	12%	2	5%	2	8%	20	10%

Note: Multiple responses possible.

When identifying the first most important reason for leaving their 1997 MFI program, the most frequently given reasons were: inability to repay loan due to enterprise reasons, problems with their group, and not liking to pay for defaulters (table IV-5). But the most important reasons for departing varied among the districts. In Mbale the leavers most often cited problems with their group and an inability to repay the loan due to family reasons. In comparison, Masaka respondents cited an inability to repay the loan due to enterprise reasons as the most important, followed by the lack of a grace period. Kampala respondents were more vocal about not liking to attend mandatory weekly meetings, followed by an inability to repay their loan due to enterprise and family reasons.

Table IV-5. First Most Important Reason Why Clients Left the MFI Program (N=188)

Reason for Leaving MFI Program	Masaka		Kampala		Mbale		Total	
Unable to repay my loan for enterprise reasons	24	19%	5	12%	2	9%	31	17%
Was made to pay for defaulters	18	15%	3	7%	2	9%	23	12%
Had problems with my group	12	10%	5	12%	6	26%	23	12%
Unable to repay my loan for family reasons	9	7%	5	12%	5	22%	19	10%
Didn't like the weekly attendance requirement	10	8%	8	20%	1	4%	19	10%
Lack of grace period	14	11%	3	7%	0	0%	17	9%
Interest rate too high	10	8%	2	5%	2	9%	14	7%
Didn't like program savings requirement	3	2%	4	10%	2	9%	9	5%
Didn't like weekly repayment of the loan	7	6%	0	0%	2	9%	9	5%
Loan size too small	3	4%	3	7%	0	0%	8	4%
Bank with group savings closed	3	2%	0	0%	1	4%	4	2%
Didn't need loan anymore	2	2%	2	5%	0	0%	4	2%
Others (e.g., rude officials, sickness)	7	6%	1	2%	0	0%	8	4%
Total	124	100%	41	100%	23	100%	188	100%

As noted by Wright et al. (1999a), the reason why clients drop out is likely to be linked to their wealth/poverty level and participation in programs that require or encourage clients to take a larger amount each cycle. Their study in Uganda suggests that the poor are apt to have problems repaying their loans because of cash flow difficulties in the enterprise or household, and hence may be pushed out by the MFI or their loan group. The not-so-poor may depart after a few loan cycles as the size of the loan, and hence weekly repayment amount, increases. In comparison, people who are relatively well off drop out to seek larger loans on an individual basis and to escape the time-consuming weekly meetings. Also requirements related to higher rates of mandatory savings levels vis-à-vis loan size discourage clients from remaining in the program (Wright et al. 1999a).

Between 1997 and 1999, approximately 10 percent of the 1997 clients moved from one program to another, or from a program to a bank. The differences between the districts were significant: 11 percent and 12 percent, respectively for Masaka and Kampala, and only 1 percent for Mbale (A2, tables 4-5). The differences are most likely due to the lack of competition among MFIs and lack of banks in rural Mbale. The reasons given for switching to another loan program or bank tended to vary. Those in Kampala tended to report that the loan period was more suitable and the loan size was better, whereas the reasons given in Masaka were more diverse.

C. Clients' Assessments of Their Programs

Clients were asked if they experienced problems as a result of participating in their MFI program. They also were asked their views about the positive results they experienced from program participation. The responses provide their assessment of the negative and positive

results of their participation. Views of former and continuing clients were sought in order to better understand the dynamics of participation, with a view toward identifying factors that might be addressed by the MFIs to improve and strengthen their outreach.

1. Problems Encountered

Two-thirds of the clients cited at least one problem resulting from participation. One-half of the Mbale clients cited no problems. Among the other FOCCAS clients, the most commonly cited problem was the requirement of having to pay for group members who were in arrears or who defaulted (table IV-6). This problem also was cited by one-fourth of the Kampala clients. Kampala as well as Masaka clients, however, were more likely to cite time lost to weekly meetings and no grace period as problems. Also, about one-fourth of the Masaka clients thought that the weekly loan repayment schedule was too demanding. A similar pattern was found in Kampala and Masaka when clients had to report on the two most important problems. A slightly different pattern, however, was found among the FOCCAS clients in Mbale (A2, table 6). One-fourth of the Mbale clients reported that their diversion of the loan resulted in repayment problems, and an almost equal amount mentioned having to pay for others in their group.

Table IV-6. Problems Clients Experienced as a Result of Participating in FINCA/PRIDE/FOCCAS (N=553)

Type of Problem	Masaka		Kampala		Mbale		Total	
None	83	29%	35	28%	74	51%	192	35%
Lost time to weekly meetings	57	20%	38	30%	9	6%	104	19%
Weekly loan repayments are too demanding	62	22%	8	6%	6	4%	76	14%
Had to pay for others in my group	20	7%	22	18%	18	13%	60	11%
Short (no) grace period	46	16%	24	19%	0	0%	70	13%
Loan too small	29	10%	12	10%	1	1%	42	8%
Interest on loan too high	35	12%	6	5%	0	0%	41	7%
Diversion of loan by others (not spouse) resulting in payment problems	10	4%	2	2%	9	6%	21	4%
Diversion of loan by respondent resulting in repayment problems	5	2%	2	2%	9	6%	21	4%
Got further in debt trying to repay loan	5	2%	10	8%	9	6%	24	4%
Lost access to savings by being member of a group	8	3%	9	7%	7	5%	24	4%
Theft of loan proceeds	3	1%	8	6%	6	4%	17	3%
Interest on savings too low	6	2%	8	6%	5	4%	19	3%
Problem with (rude) credit officers	8	3%	7	6%	1	1%	16	3%
Unfair rules/fines	10	4%	7	6%	0	0%	17	3%
Domestic quarrels/marriage break-up	5	2%	1	1%	6	4%	12	2%
Others (e.g., lost access to savings when bank closed, mandatory savings too high, don't like to be paid in groups)	18	6%	6	5%	3	2%	27	5%

Note: Multiple responses possible.

2. Positive Results from MFI Participation

On the other side of the coin, participation may lead to positive results. Only 10 percent of the clients claimed that they gained no benefits from participation. After clients explained the positive results, they were asked to prioritize these and state the two most important benefits. They tended to report gaining knowledge and skills, and the opportunity for socializing, as well as more tangible results. The most commonly mentioned positive results from program participation were savings skills, the ability to meet basic family needs, business-related training, and socializing with friends at weekly meetings (table IV-7). The ability to meet basic family needs was mainly stated by Mbale clients. The responses were more diverse in the other districts. In Kampala, the most-frequent responses, in descending order, were savings skills, ability to meet basic family needs, business-related training, and growth of the business. In Masaka, the most frequent responses were savings skills, growth of their business, and socializing with friends at weekly meetings.

The frequency with which clients mentioned elements of financial management supports the findings of two focus group discussions among FINCA clients in Kampala in 1997. When asked the reasons for joining the FINCA program, learning how to plan and save money was identified as the primary reason by participants in one focus group, and the third most important reason by those in a second group. These reasons underscore the importance clients attach to financial discipline.

Table IV-7. Two Most Important Positive Results of Participation in FINCA/PRIDE/FOCCAS (N=496)

Most Positive Result	Masaka		Kampala		Mbale		Total	
Learned savings skills	101	39%	48	42%	18	15%	167	34%
Able to meet basic family needs	47	18%	30	26%	71	60%	148	30%
Business has grown (more assets, greater sales, etc.)	91	35%	25	21%	21	18%	137	28%
Business-related training was helpful	34	13%	25	22%	27	23%	86	17%
Enjoy the weekly meetings because I socialize with friends	57	22%	21	18%	7	6%	85	17%
Able to pay school expenses	41	16%	20	17%	11	9%	72	15%
Have access to a loan facility/Can use sales revenue for other things	36	14%	10	9%	5	4%	51	10%
Have more household assets now		23%		2%	25	21%	49	10%
Have gained confidence and self-esteem		7%		11%	9	8%	26	5%
Now able to use money more optimally in household and business		16%		10%	2	2%	26	5%
Gained leadership experience		5%		11%	3	3%	18	4%
Health-related training was useful		----NA----		----NA----	15	13%	15	3%
Other skills training was helpful	4	2%	10	9%	3	3%	17	3%
Have a place to put my savings	8	3%	7	6%	1	1%	16	3%
Others (upright policies in MFI, taught to be hard working)	6	2%	0	0%	1	1%	7	1%

Note: NA means not applicable.

In summary, although participation carries requirements that clients do not like and cause some of them to depart, it also leads to accumulation of knowledge and skills, as well as enhanced ability to meet family needs and the opportunity to exchange information with other microentrepreneurs.

3. Discussion and Conclusions

The feedback from clients on program features they dislike and reasons for departing suggests that some clients are ready for a different type of loan product. Those who have been good re-payers and have grown their business appear ready for a different repayment schedule that includes a grace period, fewer required meetings, and possibly individual loans. For others, the discipline of regular weekly meetings and repayments, plus training related to financial planning and business management, appears suitable. For them, it is questionable whether the policy or practice of increasing the loan size each cycle is appropriate.

The feedback from clients on the positive aspects of participation also are revealing in terms of what they do not say. A place to put their savings is mentioned by less than 3 percent of all client respondents; it was not applicable to PRIDE clients. The reason for the low response rate may be related to the compulsory savings, which may make clients wary of depositing voluntary savings with their loan group. Indeed, in Kampala, the enumeration team found a few cases in which savings were not recorded according to whether or not they were voluntary or mandatory deposits.

Socializing with friends at meetings was cited by nearly 20 percent of the Masaka and Kampala respondents, although outsiders often overlook the social interaction dynamic. Group meetings give the women a legitimate reason to set aside other responsibilities and to gather with friends for formal and informal conversations. This interaction often leads to exchange of useful business tips and helps strengthen the women's social and business networks. Being part of something larger than their individual world of household responsibilities and challenges often provides an uplifting, social experience for these women.

The data on continuation/departure rates reveal that in Masaka between 46 and 57 percent of the clients dropped out over the two-year period. Similarly, in Kampala the dropout rate was between 43 and 52 percent over approximately six loan cycles. In comparison, in Mbale, the rate was between 20 and 40 percent over approximately six loan cycles. When annualized, the rates varied from between 10 percent to 23 percent for those relocated and re-interviewed, and higher when taking into account the original client sample.

The following section sets forth the findings on changes between 1997 and 1999 and identifies specific impacts from program participation.

V. FINDINGS AND ANALYSES

The AIMS household economic portfolio approach takes into account the fungibility of resources within the household. It acknowledges that microfinance institution (MFI) loans are extended to microentrepreneurs based on criteria associated with their enterprise activity, but the loan funds may not always be directly and fully expended on the enterprise. Loan funds might substitute for funds otherwise destined for enterprise use, and the additional net revenue generated may be spent outside the enterprise. The approach used in the Uganda survey also takes into account that respondents are unlikely to know about the financial patterns of other adult household members, and data on expenditures on assets are good proxy indicators for income and poverty/wealth levels of households (Sherraden 1991; Barnes 1996; Sebstad and Cohen 2000). At times, to avoid problems associated with recall, trend information was gathered.⁶

This section presents and analyzes the changes associated with improvements in household well-being, stability and growth of the microenterprise, agricultural linkages, and empowerment of clients. Since people's lives are not static, a number of changes occurred over the two-year assessment period. The challenge is to determine the changes that are a result of MFI program participation. As evaluation specialists Rossi and Freeman (1989) explain:

Establishing impact essentially is making a case that the program led to the observed or stated changes. This means that the changes are more likely to occur with program participation than without program participation. It does not imply that the changes always occur from program participation. Rather, it increases the probability that the changes will occur.

Changes among the non-client comparison group represent those that would have occurred among the client group if they had not joined an MFI program. When the differences between the client and non-client comparison groups are statistically significant, it means that the apparent differences are unlikely to be due to chance. Hence, the findings among the client group are linked to program participation and thus strongly suggest program impact. In other instances, when a much greater proportion of clients than non-clients show positive changes, but the difference is not statistically significant due to outliers, these are treated cautiously as possibly indicating program impacts. Changes in key factors that are not shown to be linked to program participation are also discussed, particularly when these changes are intricately linked to the household economy.

Respondents live in three districts in Uganda: Masaka, Kampala, and Mbale. Throughout this section the place names of *Masaka* and *Kampala* are used to refer to the urban area or its periphery where the respondents reside. In contrast, the place name *Mbale* refers specifically to *rural* Mbale, because the rural area is where the respondents reside, not in the town or its

⁶ See A. Inserra (1996) for a discussion of approaches for measurement of microenterprise and household income and M. A. Chen and E. Dunn (1996) on challenges due to gender.

periphery. Unless otherwise noted, the years 1997 and 1999 are used to refer specifically to the baseline survey time period and the follow-on survey period, respectively.

Overall, clients had taken, on average, four loans from their MFI program. The average total amount of the MFI loans was US\$ 815,438 or approximately US\$544. The assessment seeks to determine the impact of participation in the branches of the three microfinance programs studied: FINCA (Foundation for International Community Assistance), FOCCAS (Foundation for Credit and Community Assistance), and PRIDE (Promotion of Rural Initiatives and Development Enterprises).

A. Continuity and Change at the Microenterprise Level

All three MFI programs require borrowers to have an enterprise that generates revenue on a regular basis. This requirement on the flow of enterprise money is related to the availability of funds to meet weekly loan repayments and savings requirements. Loan officers strongly encourage clients to invest their loan funds in their enterprise, with a view to increasing net revenue to enable clients to repay their loans, meet savings requirements, and generate increased net revenue that can be used for other purposes. The missions of FOCCAS and FINCA regard increased net revenue as a means to improving the well-being of the client and her household.

The assessment results indicate that program loans impact on clients by providing them greater opportunity (a) to make changes in their enterprises as a means to stabilizing or increasing their net revenues and (b) to purchase enterprise assets. In these ways the MFI programs empower clients to actively manage their enterprises to reduce their vulnerability to negative economic pressures and take advantage of opportunities.⁷

Because clients may own more than one microenterprise, the survey gathered information on up to two enterprises. The baseline assessment collected information about the enterprise for which the client had received a loan. This enterprise was classified as Enterprise One. Because the MFI selection criteria requires that the enterprise generate a regular flow of income, the criteria for selection of the non-client sample also included having an enterprise that generates a flow of income on a biweekly basis, at the minimum.⁸ In addition, the baseline interviews included questions about a second enterprise that the respondent might have, designating it Enterprise Two. This was done because the qualitative interviews had revealed that the second enterprise might be more profitable than the one that secured the loan, but may have an uneven flow of

⁷ Information was sought on paid and unpaid employment in the enterprise. Recording problems were identified, however, so this discussion has been excluded. In general, more than three-fourths of the respondents operated their enterprises without paid, non-household workers.

⁸ The programs' stated policies require that the enterprise generate income weekly because loan repayments have to be made on a weekly basis. During the pre-survey exploratory interviews, however, it was found that a number of the enterprises for which loans were secured did not rigidly fit this criterion; but they did generate revenue every two weeks. Therefore, the criteria for selection of the non-client sample included 'generates a regular flow of revenue on a weekly or biweekly basis.'

revenue.⁹ Enterprise Two is potentially important because the loan or profits from Enterprise One may have been used for this second enterprise.

In 1999, for those Enterprise Ones that had closed, another enterprise owned by the respondent was used as a substitute.¹⁰ However, the substitute enterprise was excluded from specific analyses if it was not in operation the last two years or the last one year. In both 1997 and 1999, if the respondent owned more than two enterprises, the enterprise that generated the most profit and was open the previous two months was selected as Enterprise Two.

1. Stability of the 1997 Microenterprises

Over a two-year period an enterprise may continue to operate, but changes take place within it, such as changes in the mix of products and services or in the location of the business premises. Or the owner may have closed the enterprise and started a new one with different products or services. Nearly three-fourths of the microenterprises studied in 1997 that generate cash on a regular basis were in operation at the time of the follow-on survey (table V-1). The differences between clients and non-clients and among districts were not significant. When analyzing district level data, however, a significantly greater proportion of Masaka clients than non-clients had closed Enterprise Ones. Approximately one-half of those Masaka clients reported closing the business because it became unprofitable, whereas most of the others reported closing the enterprises to start a better business or due to theft. Among the 221 respondents from the three districts who had closed their enterprise, the most common reason for closing the enterprise was because it became unprofitable (46 percent), and the second most common answer (30 percent) was theft. Ten clients reported closing their business because of loan problems (A2, table 8).

Table V-1. Distribution of Respondents Whose 1997 Enterprise One Was Still Operational in 1999

District	Clients (N = 571)		Non-clients (N = 322)		Total (N=893)	
Masaka	206	71%	93	81%	299	74%
Kampala	102	77%	59	79%	161	77%
Mbale	109	74%	94	71%	203	73%
Total	417	73%	246	76%	663	74%

Note: The difference between clients and non-clients in Masaka is statistically significant (p=0.04).

When considering both the 1997 Enterprise Ones that were still in operation and the substitute Enterprise Ones, 89 percent of the enterprises were at least two years old (A2, tables 9-10). These enterprises form the basis of the analysis of change in the Enterprise One over the last 24 months, referred to as the last two years. The data reveal that among the districts, Masaka respondents were most likely, and Mbale respondents least likely, to have an Enterprise One that was in operation two years ago. Mbale respondents were more likely than those in the other

⁹ Poultry rearing is an example.

¹⁰ If the respondent owned more than one enterprise, the substitute Enterprise One was selected according to the following descending priorities: the enterprise for which the respondent obtained the latest loan, the most profitable enterprise that generates income on a regular basis, or the most profitable enterprise.

districts to have closed their 1997 Enterprise Ones and to have begun a new enterprise, which may be linked to their ability to move into a less-competitive, more-profitable line of business. In comparison, a number of Masaka respondents had closed their 1997 Enterprise Ones to focus on another enterprise that was already in operation.

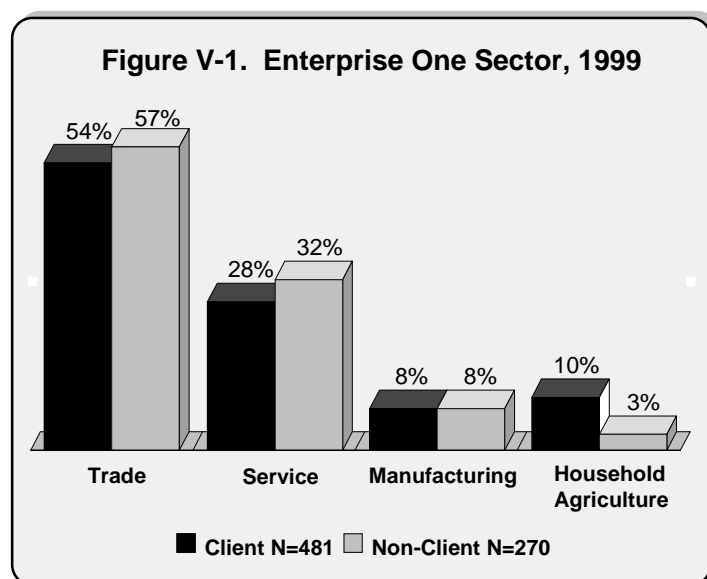
Even though an enterprise may have remained in operation over the last two years, the focus of its main income-earning activities may have switched. Tables V-1 and V-2 indicate that there was less continuity in the sector of the activities that generated a profit in the past two months than in continuation of the enterprise. Clients were significantly more likely than non-clients to have reported a change in the sector of their main products or services. This difference is particularly noticeable between the comparison groups in Masaka district, with the clients being more likely than the non-clients to have changed the focus of their enterprises, which is partially linked to a number of closures of the 1997 Enterprise Ones. The findings suggest that clients are in a better position than non-clients to take advantage of opportunities and to take risks.

Table V-2. Distribution of Respondents with 1999 Enterprise One in Same Sector as in 1997

District	Clients (N=526)		Non-clients (N=285)		Total (N=811)	
Masaka	200	74%	94	87%	294	78%
Kampala	89	73%	59	84%	148	77%
Mbale	107	79%	81	76%	188	78%
Total	396	75%	234	82%	630	78%

Note: The difference between clients and non-clients is significant ($p=0.02$). Also, within Masaka District, the difference between clients and non-clients is statistically significant ($p=0.01$).

In 1999 respondents specified whether their enterprise in the last 12 months had been engaged in trade; selling agricultural products produced by their household, or self; services; or manufacturing. Then they specified the type of activity that generated the most income in the two months before the interview; this specification served as a basis for identifying the enterprise sector. The most common sector was trade, with more than one-half of the respondents engaged



in buying and selling. The second most common sector was services, such as tailoring, selling locally prepared food and beverages, and operating hair salons (figure V-1). The qualitative studies found that it was common for a microenterprise to be engaged in activities across a range of sectors and that the most profitable activity might vary with the seasons.

When asked to list the top three products or services of their Enterprise One, nearly three-fourths of the respondents cited at least one agricultural or natural resource-based product or service. In

each district, client enterprises are more likely than non-client enterprises to include agricultural and natural resource-based activities among their top products or services. The most common activity is sale of locally prepared or processed foods and beverages, followed by sale of crops. (See the section on agricultural activities for a more thorough discussion.) For example, common activities are selling fruits, vegetables, and legumes and owning a small shop or kiosk with a variety of processed foods and beverages.

Ownership of a second enterprise in 1999 was much more common among clients (48 percent) than non-clients (25 percent). The data reflect a larger proportion of clients than non-clients starting a new enterprise between 1997 and 1999: 31 percent compared to 21 percent, respectively. Overall, 12 percent of the respondents were still operating an enterprise that was at least two years old, and only 5 percent who once had a second enterprise had just one by 1999. Thus, there was a net increase in new enterprises among respondents, particularly among clients. Among those Enterprise Twos that were operational in 1997, 60 percent were still focused on the same sector (A2, tables 11-12). More than three-fourths of the Enterprise Twos had at least one agricultural and natural resource-based product or service among their primary income-generating activities. (See the section on agricultural activities.)

Thus the findings reveal continuity between 1997 and 1999 in approximately three-fourths of the 1999 Enterprise Ones. These enterprises remained in operation and tended to continue to have the same main sector focus. Clients were much more likely than non-clients to have begun a new Enterprise Two between 1997 and 1999, indicating greater diversification of enterprises among the client group. The data suggest that MFI program participation gives clients the opportunity to diversify their activities, which implies taking a risk.

2. Use of Loan Funds

The three MFI programs emphasize the use of loan funds in the enterprise. Clients may use part or all of the loan funds outside their enterprise, however, and set aside a portion to enable them to make their first loan repayments. The latter is important since there is no grace period, and repayment begins the week following receipt of the loan. The responses from those who have remained in the MFI programs indicate that the loan funds tend to be used on Enterprise One or another enterprise. Some funds also are used for household needs, and the use of the funds varied across a range of needs such as school expenditures, food, and loan repayments (table V-3).

The expenditure of loan funds on an enterprise usually is allocated toward building up stock and supplies. In 1999 only 4 percent of the respondents reported having bought one or more fixed assets directly with their loan funds, up from 1 percent in 1997 (A2, table 13). The low proportion of clients using their loans to purchase an enterprise asset is probably related to the most viable investment opportunity, the length of the loan cycle and the loan amount.

Table V-3. Distribution of Items on Which Client Respondents Spent Their Most Recent MFI Loans (Percentage)

MFI Loan Expenditure	Masaka (N=284)		Kampala (N=128)		Mbale (N=141)		Total (N=553)	
	1997	1999	1997	1999	1997	1999	1997	1999
Enterprise One	98%	71%	96%	89%	100%	93%	98%	81%
Other enterprise	10%	32%	5%	20%	15%	44%	10%	33%
Food for household	2%	8%	2%	13%	16%	11%	6%	10%
School expenditures	5%	20%	10%	16%	9%	12%	7%	17%
Medical care	3%	5%	5%	7%	2%	12%	3%	7%
Savings	15%	8%	6%	10%	17%	4%	14%	7%
Debts/loan repayment	8%	11%	9%	13%	11%	10%	9%	11%
Obligations to non-household member	1%	5%	1%	2%	1%	5%	1%	4%
Other (bought land, building, etc.)	6%	21%	6%	5%	12%	8%	8%	14%

Note: Multiple responses possible.

3. Transactional Patterns

Changes may be made in an enterprise with a view to consolidation and stabilization, or to increasing profits. A number of factors were studied by asking respondents whether or not they had made specific changes in Enterprise One in the two years before the 1999 interview. The results suggest that MFI program loans empower clients to make choices about the way they manage their enterprise.

The clients were significantly more likely than non-clients to have added new products or services, moved to new premises or sold in a new market location, reduced costs by buying inputs in greater volume or at wholesale prices, and increased stock. Within districts, Kampala clients were significantly more likely than Kampala non-clients to have reduced costs by buying inputs in greater volume or at wholesale prices, and to have increased the size of their stock over the last two years (A2, tables 14-19). Table V-4 reveals a strong association between participation in an MFI program and changes in transactional patterns. The data suggests that participation in MFIs enables clients to be more flexible and to make changes within their enterprise with the use of their loan funds or increased sales revenue.

Geographic location was closely associated with changes in transactional relations. Microentrepreneurs in Masaka were more likely than those in Kampala and Mbale to have added new products or services, moved to new premises or sold in a new market location, reduced costs by buying inputs in greater volume or at wholesale prices, and increased their enterprise stock. On all these factors, Mbale microentrepreneurs were the least likely to have made changes (A2, tables 14-19). Mbale microentrepreneurs, however, were slightly more likely to have increased their sales volume than those in Masaka and Kampala: 46 percent, 44 percent, and 35 percent, respectively. Because the data are on those who had an Enterprise One that was in operation the last two years, the changes in transactional relations are not associated with starting a new business.

Table V-4. Changes in Transactional Patterns for Enterprise Ones that Were Operational Two Years Ago, 1999

Changes	Clients		Non-clients		Statistical Significance
Added new products or services in last 2 years (N=722)	144	30%	53	21%	p=0.01 between clients - non-clients and p=0.03 among districts
Improved or expanded premises (N=717)	114	25%	37	15%	p=0.01 between clients-non-clients and p=0.01 among districts
Moved to new premises or sold in new market locations in last 2 years (N=710)	71	16%	24	10%	p=0.03 between clients - non-clients, and p=0.01 among districts
Reduced costs by buying inputs in greater volume or at wholesale prices (N=718)	166	36%	61	24%	p=0.01 between clients and non-clients and p=0.01 among districts
Size of stock larger now than 2 years ago	198	43%	87	34%	p=0.01 between clients and non-clients, and p=0.03 among districts
Size of stock about the same (N=717)	128	28%	98	39%	
Sales volume larger now than 2 years ago	211	46%	90	36%	p=0.01 between clients and non-clients and p=0.01 among districts
Sales volume about the same (N=715)	136	29%	100	40%	

In summary, clients were significantly more likely than non-clients to have made changes across a range of patterns in their Enterprise One. The findings reveal that MFI participation is closely associated with seeking out new market sites and customers, increasing the size of the stock, lowering per-item costs by buying in bulk or at wholesale prices, and increasing the sales volume. The findings indicate that MFI program participation empowers clients by giving them the opportunity to make choices about the way they manage their enterprise.

Geographic location also influences changes in transactional patterns. The data suggest that the local economy and business environment affect whether microentrepreneurs take risks and have viable options. The local urban economy is likely to contain push as well as pull factors. For example, increased competition that leads to lower profit levels is likely to drive urban microentrepreneurs to make changes. In a rural setting where customers tend to be members of agricultural households, with cash flows largely dependent on crop cycles, options are more limited for the majority of microentrepreneurs.

4. Enterprise Assets

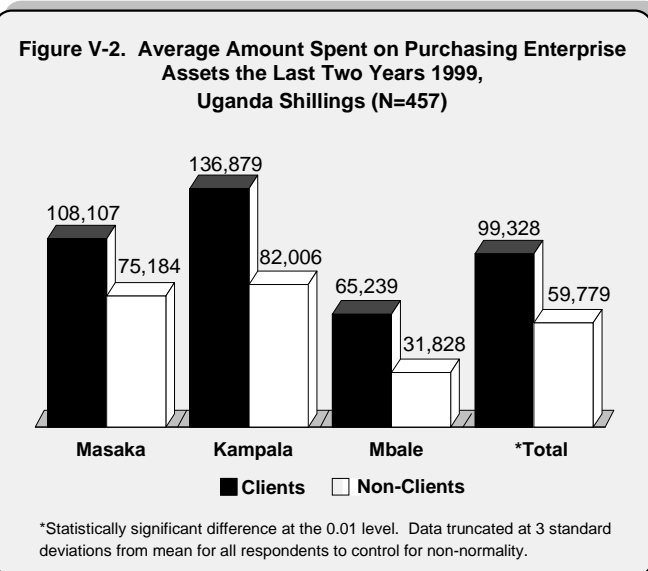
Enterprise fixed assets are a form of wealth. Clients were asked to specify the assets purchased in the 24 months before the interview and then the amount spent on each asset. On average, clients spent more money on enterprise assets between 1997 and 1999 than did non-clients: USh 99,328 compared to USh 59,779, respectively (figure V-2). While the data show no statistically significant differences within districts by respondent status, the differences are greatest in Mbale.¹¹

5. Enterprise Net Revenue

Increased net revenue implies that the management decisions related to use of loan funds and transactional relations have yielded positive results, making additional funds available to reinvest in income-generating activities or to be used for other purposes. To help respondents better estimate the pattern

of change (higher, lower, or about the same) in their Enterprise One net revenue, first they were asked to state the trend in total costs for the enterprise last month compared to the same time a year ago, and then similarly to compare total sales revenue last month with the amount earned the same month a year ago (A2, tables 20-21). Thereafter, they identified the trend in sales revenue minus costs (profits) last month compared to the same time last year. The data were analyzed only for those whose Enterprise One was in operation a year before the 1999 interview.

Table V-5 reveals that program participation is associated with increases in the net revenue of Enterprise One, although that is not the normal trend. It shows that 43 percent of the clients compared to 31 percent of the non-clients had an increased level of net revenue the month before the 1999 survey compared to the same month a year ago. The tendency, however, was toward lower levels of net revenue especially in Masaka and Kampala. The net difference between those with higher enterprise net revenues and those with lower enterprise net revenues was lower among non-clients than clients. The findings on net difference suggest that participation in an MFI program relates to clients' making changes, as discussed above, that have helped them cope with negative pressures on their enterprise.



¹¹ A separate analysis revealed no significant gender differences.

Table V-5. Trend in Enterprise One Profits Last Month Compared to the Same Month Last Year, 1999

Enterprise One Profits Compared to Same Month Last Year	Clients		Non-clients		Total	
Masaka						
Lower	125	51%	64	62%	189	54%
About the same	14	6%	10	10%	24	7%
Higher	108	44%	29	28%	137	39%
Total (Masaka)	247	100%	103	100%	350	100%
Kampala						
Lower	63	53%	39	60%	102	55%
About the same	8	7%	11	17%	19	10%
Higher	49	41%	15	23%	64	35%
Total (Kampala)	120	100%	65	100%	185	100%
Mbale						
Lower	33	28%	20	20%	53	24%
About the same	35	29%	43	42%	78	35%
Higher	52	43%	39	38%	91	41%
Total (Mbale)	120	100%	102	100%	222	100%
Total						
Lower	221	45%	123	46%	344	45%
About the same	57	12%	64	24%	121	16%
Higher	209	43%	83	31%	292	39%
Total (overall)	487	100%	270	100%	757	100%

Note: Statistically significant differences were found between clients and non-clients ($p=0.01$), between clients and non-clients in both Masaka and Kampala ($p=0.01$), and among districts ($p=0.01$).

A significantly higher proportion of clients (43 percent) than non-clients (31 percent) reported that their Enterprise One profits had increased. Within districts, Kampala and Masaka clients were significantly more likely than their non-client cohorts to have increased profits (table V-5). At the same time, approximately one-half of the clients in Kampala and Masaka reported lower enterprise profits, but an even greater proportion of non-clients in these districts reported lower profits. For Mbale respondents, the tendency was toward higher net revenues, which may be associated with the number of Mbale respondents who closed their 1997 Enterprise Ones because they deemed it was unprofitable.

Overall, the difference between those with increased profits and those with lower profits was -3 percent for the clients and -15 percent for the non-clients, revealing that the tendency toward lower profits was greater among non-clients. The net difference was -12 percent for Kampala clients compared to -37 percent for Kampala non-clients, and -6 percent for Masaka clients compared to -34 percent for Masaka non-clients. In contrast, in Mbale a larger proportion of clients and non-clients had higher, rather than lower, profit levels: +15 percent for clients and +18 percent for non-clients. Thus, clients tended to fair much better than non-clients, especially in locations where microentrepreneurs experienced negative pressures. The data in the previous section suggest that Masaka and Kampala clients tended to make a number of changes that put them in a better position than non-clients to cope with negative pressures on their enterprise.

Geographic location is associated with changes in Enterprise One profits the last year. Mbale respondents were much more likely than those from Kampala and Masaka to have experienced little or no change, and were much less likely to report lower profit levels than those in the other locations. Also the sector of the enterprise was significantly related to the trend in net revenue. Whereas many of the respondents in both trade and manufacturing sectors reported lower net revenues, the majority of those selling agricultural products produced by their household had higher net revenues (A2, table 22).

To determine if the estimates based on a relatively short recall period reflect a general trend in Enterprise One profit levels, respondents were asked to compare Enterprise One profits for the entire year before the 1999 survey with the year before the baseline survey. The pattern was similar to that for last month: the trend in Masaka and Kampala was lower profits, but this trend was more pronounced among the non-clients than the clients (A2, table 23).

Respondents reporting higher enterprise profits identified the two most important reasons for the increase. As shown in Table V-6, the most important reason, reported by nearly three-fourths of both comparison groups, was a bigger customer base. The second most common response was the addition of new products or services. Clients (23 percent) were much more likely than non-clients (11 percent) to report improved management as one of the reasons for increased profits, indicating the influence of the MFI programs. (See A2, table 24, for district-level data.) The next section provides reasons for lower profit levels.

Table V-6. Two Most Important Reasons Why Overall Profits for Last Month Were Higher Compared with Profits for Same Month One Year Ago, 1999

Reasons	Clients (N=209)		Non-clients (N=82)		Total	
Bigger customer base	161	77%	60	73%	221	76%
New products or services	50	24%	24	29%	74	25%
Improved management	48	23%	9	11%	57	20%
Able to buy inputs at cheaper price	21	10%	13	16%	34	12%
Lower rent or other operating costs	10	5%	10	12%	20	7%
Other	56	27%	17	21%	73	25%

In 1999 nearly one-half of the clients had a second enterprise, compared with about one-fourth of the non-clients. Among those with a second enterprise that was in operation for more than 12 months, 41 percent of the clients and 35 percent of the non-clients reported that their Enterprise Two profits the month before the 1999 interview were higher than the same month in 1998. About 40 percent in each comparison group reported lower profit levels, however, while 19 percent of the clients and 28 percent of the non-clients reported profits to be about the same (A2, table 25). An equal proportion of clients reported higher and lower profit levels, giving a net difference of 0; among the non-clients slightly more reported lower than higher gains, resulting in a net difference of -3 percent. Similar to the trend in profit levels with Enterprise One, the trend in Enterprise Two profit levels were positive in Mbale but negative for Kampala and Masaka.

For Enterprise Two, the difference between the comparison groups was not statistically significant, indicating that the findings on changes in Enterprise One profit levels among clients are linked to participation in the MFI, whereas changes in the Enterprise Two profit levels are not. This suggests that indeed the enterprise for which loan funds were secured (Enterprise One) was most respondents' primary enterprise and the main beneficiary of loan funds.

Overall, the results show that among respondents the most common pattern has been lower rather than higher profit levels among respondents' enterprises, particularly in Masaka and Kampala. The data suggest that participation in a microenterprise program has helped clients fend off the pressures toward lower profit levels in Enterprise One and more clients than non-clients had increased their profits. Their ability to do so is likely to be related to changes found in transactional relations. The data also show that geographic location influenced the trend in enterprise profits.

6. Problems Faced by Microentrepreneurs

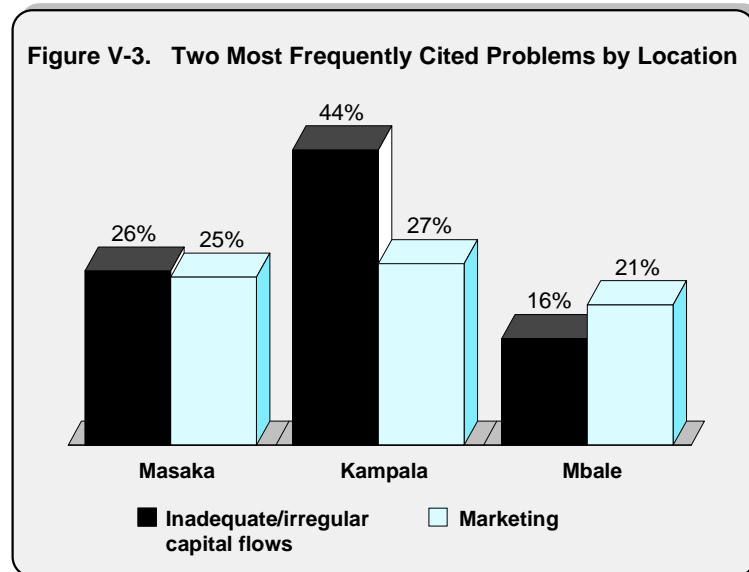
The data above suggest that microentrepreneurs are faced with a number of constraints in operating and growing their enterprises. Respondents were asked to identify the primary problem they faced in running Enterprise One. Also those who had reported the last month's Enterprise One profits to be lower than one year ago were asked to give the two most important reasons.

Clients and non-clients tended to point to the same primary problem. Inadequate or irregular capital flows (27 percent) and marketing problems (24 percent) were most commonly cited, as recorded in table V-7. In Mbale, almost one-third reported that they had no problems and 10 percent reported their own illness as the major constraint (A2, table 26). The proportion reporting no problems supports the finding that Mbale respondents were less likely to report lower profit levels and to have closed their 1997 Enterprise One than respondents from other districts.

Table V-7. Single Most Important Problem Respondent Faced In Running Enterprise One, 1999

Type of Problem	Clients		Non-clients		Total	
No difficulty	64	12%	40	14%	104	13%
Inadequate/irregular capital flow	129	24%	92	33%	221	27%
Marketing problems	128	24%	70	25%	198	24%
Supply of raw materials/inputs	48	9%	19	7%	67	8%
Low demand	49	9%	9	3%	58	7%
Respondent's own illness	21	4%	15	5%	36	4%
Robbery	17	3%	9	3%	26	3%
Taxes	14	3%	5	2%	19	2%
Diversion of capital for household needs	12	2%	7	3%	19	2%
Others (e.g., transport, interference from household members, site problems)	47	9%	15	5%	62	8%
Total (overall)	529	100%	281	100%	810	100%

When analyzed by location, inadequate or irregular capital flow and marketing problems were the two most frequently cited problems by location (figure V-3). Nevertheless, Kampala respondents were much more likely than those from Masaka and Mbale to mention capital flows.



The tendency to report marketing problems was similar in the three districts.

The single most important problem respondents face in operating Enterprise One is reflected in the reasons given by those with lower profit levels the previous month compared to the same month a year ago (table V-8 and A2, table 27). Increased cost of materials (inputs and stock), however, was also cited as a major problem by about one-third of those with lower profit levels.

Table V-8. Two Most Important Reasons Why Enterprise One Profits for Last Month Were Lower Compared with Profits for the Same Month One Year Ago, 1999

Reasons	Clients (N=214)		Non-clients (N=116)		Total	
	Count	Percentage	Count	Percentage	Count	Percentage
Low demand/increased competition	141	66%	81	70%	222	67%
Less/reduced capital	68	32%	36	31%	104	32%
Increased cost of materials	63	29%	37	32%	100	30%
Temporary closure of business	23	11%	15	13%	38	12%
Unable to get inputs/supplies	12	6%	8	7%	20	6%
Payment of business loans/debts	10	5%	2	2%	12	4%
Others (e.g., bank closures, general poverty)	15	7%	6	5%	21	6%

The findings reveal that a microentrepreneur faces a lot of competition, which in turn affects demand for his/her products or services and the profit margin that they command. Such competition, low demand, and profit margins lead to small and irregular flows of revenue, which affect the amount of operating capital and the ability to reinvest in the enterprise. Although only a small proportion cite robbery as the single most important problem in their current Enterprise One, it had contributed to a number of closures of 1997 Enterprise Ones as discussed above in section V.A.1 on stability of 1997 microenterprises. The responses in Table V-7 support the case for microfinance services, but the data in Tables V-7 and V-8 also allude to factors that hinder the capacity to repay the credit in a timely manner.

In summary, the results show that respondents face a number of problems in operating their enterprises. For some, credit seems to be the main constraint, while for others marketing

problems rather than credit is the most important problem. Participation in a microfinance program empowers clients to make choices to help them cope with external factors.

B. Household Composition and Income Sources

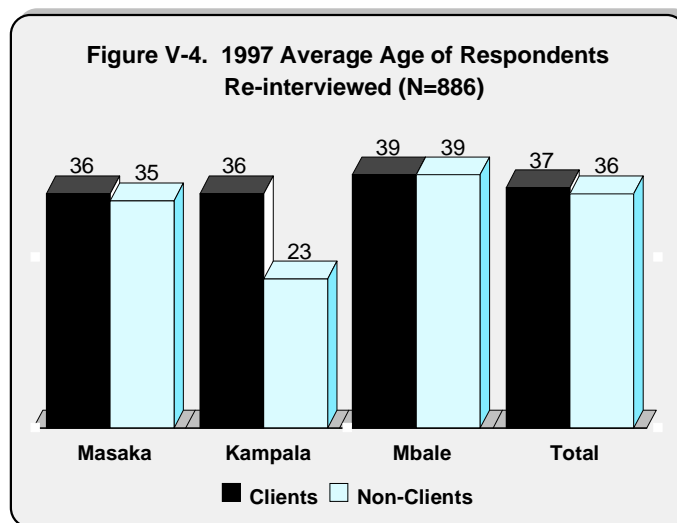
Descriptive information on respondents and their households provides a basis for understanding the domestic context in which impacts occurred. A change in marital status implies a change in household size and possibly the number of economically active members. These factors may affect the household economic portfolio.

Income sources point to the livelihood strategies of the households and the importance of microenterprises within the household. Diversification of income sources suggests that households are pursuing a risk reduction strategy by decreasing their chance of a loss from structural factors, such as seasonality and the vagaries of weather and input markets, associated with their existing sources of income. Diversification also indicates a greater likelihood of a steady and increased flow of income by patching together different income sources.

1. Basic Characteristics of Respondents and Their Households

On average, clients were 37 years old and non-clients were 36 years old in 1997. Within Kampala and Masaka districts, the average age of the clients was significantly higher than that of the non-clients (figure V-4). The formal education level of clients was significantly higher than that of non-clients. One-third of the clients compared to 15 percent of the non-clients had more than three years of secondary education (A2, table 28).

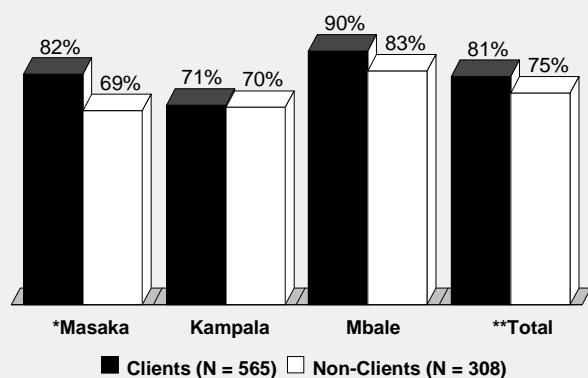
Approximately two-thirds of the respondents were married in 1997 and in 1999, but some respondents had changed their marital status during the two-year period. The marital status of a significantly greater proportion of clients (81 percent) than non-clients (75 percent) remained constant during the assessment period (figure V-5).¹² Among those whose marital status changed, some unmarried persons had married, while others who had been married in 1997 were widowed, separated, or divorced by late 1999. Sixteen percent of the non-clients compared to 10 percent of the clients who were unmarried in 1997 had married by the time they were interviewed in 1999. The largest difference was found in Masaka: 27 percent of the non-clients compared with 8 percent of the clients (A2, tables 29-31).



Overall, there is no statistically significant age difference between clients and non-clients re-interviewed ($p = 0.09$). However, non-clients in Kampala are significantly younger than the clients ($p = 0.01$).

¹² There are statistically significant differences in change of marital status among districts ($p=0.01$). Within districts, the results between clients and non-clients are statistically significant only in Masaka ($p=0.01$).

Figure V-5. Distribution of Respondents Whose Marital Status Remained Constant Between 1997 and 1999 (N=873)



*Statistically significant (p=0.01).

**Statistically significant (p=0.03 level).

Approximately 10 percent of all respondents who had been married in 1997 were widowed, divorced, or separated at the time of the 1999 study. The rate was much higher in Kampala (18 percent) than in the other areas (9 percent for Masaka and 7 percent for Mbale). In Kampala, the proportion of the respondents who were widows increased dramatically from 12 percent in 1997 to 21 percent in 1999. The sharp rise in widowhood may be related to the prevalence of AIDS. The increase was greater among the Kampala client respondents than among the non-client respondents: 10 percent and 5 percent, respectively. In comparison, the rate of widowhood remained constant in Masaka

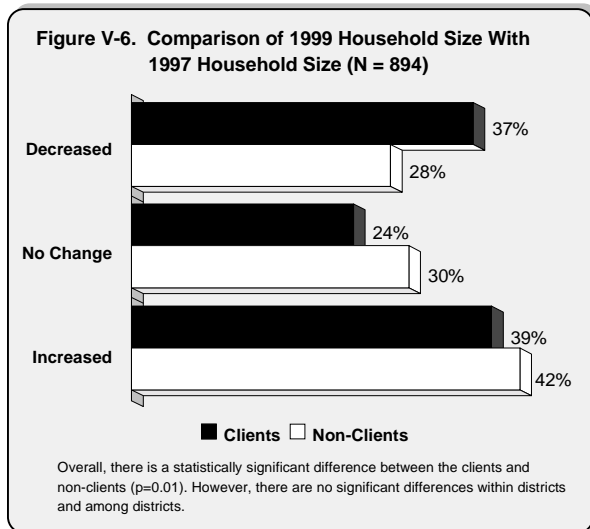
(13 percent) and increased from 11 percent to 16 percent in Mbale (A2, table 31). Overall, 16 percent of the sample were widows in 1999.

In spite of changes in marital status, less than 5 percent of the respondents in each sample reported that they had joined a new household during the study period (A2, table 32). The low proportion probably reflects that those who had joined a new household had moved elsewhere and were not re-interviewed in 1999. Therefore, the following findings on changes between 1997 and 1999 largely reflect differences that occurred within the same household.

In 1999 client households averaged nearly seven members and non-client households averaged six members (table V-9). The difference between them is statistically significant. Within districts, there was a significant difference between client and non-client households in Masaka but not in the other locations. The change in size of the household since 1997, however, was not statistically significant based on respondent status and within districts. Also the average size of the household did not vary based on gender of the respondent.

Table V-9. Comparison of 1999 Household Size with 1997 Household Size

	Clients	Non-clients	Level of Statistical Significance
1997 average size of household	6.63	5.85	Significant at .05 level
1999 average size of household	6.59	5.99	Significant at .05 level
Change in size 1999-1997	-.039	+0.143	Not significant

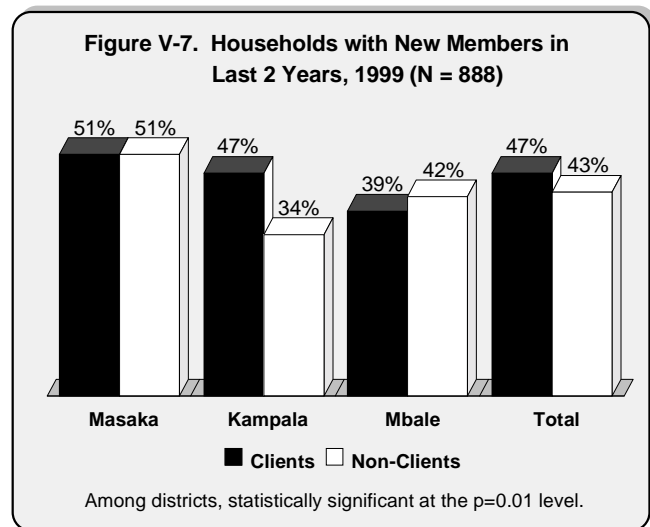


The findings suggest that widowhood, divorce, and separation, as well as departure of adult children, contributed to approximately one-third of the respondents' households having fewer members in 1999 than in 1997. In more than one-third of the households, however, membership increased. Less than one-third of the households in each comparative group had the same number of members in 1999 as they did in 1997 (figure V-6 and A2, table 34).

In 1999 respondents were asked if their household currently had new members who had joined in the last two years. Nearly one-half of them responded in the affirmative (figure V-7).

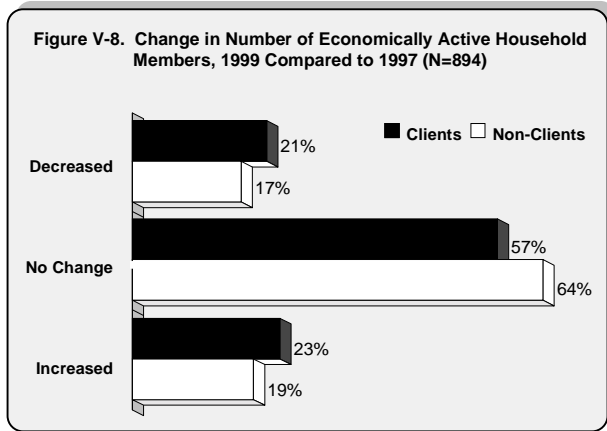
Masaka households were significantly more likely than the others to have new members.

Overall, both respondent groups averaged 1.6 new members (A2, table 35). Most new members were a result of births (48 percent) and children joining in order to attend school (21 percent). In addition, thirteen percent of each comparison group had one or more children joining their household due to the illness or death of one or both parents (A2, table 36). Within districts, Kampala clients were more than three times as likely than non-clients to have absorbed at least one child due to illness or death of one or both parents: 15 percent compared to 4 percent. In the other locations, 12 percent of both the Masaka client and non-client households, and 12 percent of the Mbale client households compared to 18 percent of the non-client households had absorbed one or more children due to illness or death of at least one of their parents.



Although nearly three-fourths of the households changed in size, the majority of households (59 percent) had the same number of economically active members in 1999 as they did in 1997. The other households were rather evenly divided between those who had decreased and those who had increased the number of economically active members (figure V-8 and A2, table 37).¹³ Economically active household members help with household income-generating activities and bring into the household money earned through casual or regular employment.

¹³ No statistically significant differences were found within districts or overall between clients and non-clients. Overall, however, there are significant differences among districts ($p=0.02$), with Kampala showing the highest percentage increase in the number of economically active household members.



Thus, the average size of client and non-client households changed little between 1997 and 1999, and the majority of households had the same number of economically active members. Most respondents had not experienced a change in their marital status between 1997 and 1999. There was, however, a rather alarmingly high increase in widowhood among respondents in Kampala. The latter plus new members joining the household due to illness or death in their former household suggest the extent to which AIDS has affected respondents' households.

2. Sources of Household Income

The assessment found that respondent households tended to have two to three sources of income in 1997. Between 1997 and 1999 the change in the average number of income sources was similar between client and non-client households. In 1999 nearly three-fourths of the respondents ranked an enterprises as their household's most important source of cash income (A2, table 38).

In general, both client and non-client households tended to have one more source of income in 1999 than in 1997 (table V-10).¹⁴ The average change in the number of income sources was not influenced by acquisition of rental units, which tend to be a good, steady source of income. In 1999, 12 percent of the respondents' households reported income the previous month from rental property; this number represented a 2 percent drop in the reporting since 1997.¹⁵

Table V-10. Change in the Number of Sources of Household Income Between 1997 and 1999

	Clients N=573	Non-clients N=321
Average change	0.79	0.788
Standard deviation	1.86	1.50

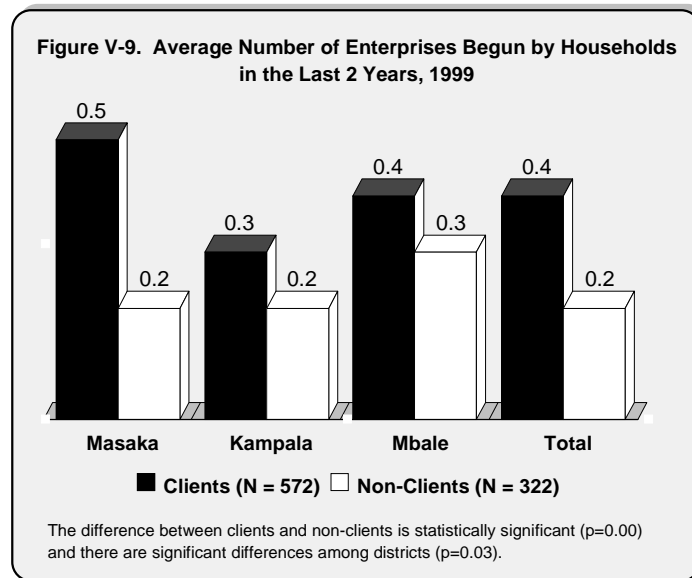
The findings on income diversification are influenced by business closures and start-ups. Because a household might close an enterprise and begin a new one, the analysis focused on where there was a net loss. Between 1997 and 1999, the 12 percent of the households in each comparison group had closed more businesses than they had begun (A2, table 39).

Client households (21 percent) were significantly more likely than non-client households (15 percent) to have begun a new enterprise since the baseline survey, and the mean number was

¹⁴ The proportion of economically active household members to total number of household members in 1997 was found to be significantly related ($p=0.01$), with an increase in the number of income sources.

¹⁵ The data on those reporting income the previous month from rental property and those reporting on ownership of rental units differ. The difference may be because the units did not generate income the previous month.

significantly higher in the client than non-client comparison groups (figure V-9 and A2, table 40). Taking into account the similar proportion of households in each comparison group where business closures exceeded business start-ups, the data suggest that the diversification of income



sources among client households was related to new microenterprises, and changes among non-client households tended to be outside the microenterprise sector.

Nevertheless, client households were more likely than non-client households to have income from a source other than microenterprises in the 12 months before the 1999 interview: 71 percent and 59 percent, respectively (A2, table 41). Crops and livestock were the most common sources of non-enterprise income. Only about one-fourth of the client households and 15 percent of the non-client households had income from

wage or salaried employment in 1999. Less than 5 percent of all respondents reported transfers, remittances, or gifts as one of their household's sources of income. Mbale had the highest proportion of households (80 percent) earning income from other sources, since nearly all are engaged in agricultural production. In comparison, slightly under one-half of the Kampala respondent households had income from sources other than their microenterprises.

The findings on income sources reveal that respondent households have tended to diversify their sources of income since 1997. Client households were significantly more likely than non-client households to launch a new enterprise, and the average number of enterprises begun by the households was significantly higher among client households. Most households do not have wage, salaried, or rental income that provides a steady flow of money; they depend on their enterprises and agricultural production for their livelihood. MFI programs provide clients the opportunity to establish new enterprises, even though the program loans have to be secured by an existing enterprise.

3. Use of Enterprise Revenue

It is often assumed that the sales revenue is used primarily as operating capital or is invested in the business. As the data above indicate, however, enterprises are also a major source of income for the household. Respondents were asked about the main uses of their sales revenue from all enterprises the month before the 1999 interview to identify the categories in which they spent the most money. Revenue, rather than profits or net revenue, was used to identify cases in which financial pressures require that household needs be addressed before replenishing the enterprise.

Approximately two-thirds of the respondents ranked their enterprise as the recipient of the most money, but 21 percent reported the enterprise as secondary to expenditures on household basic

needs, such as food, education, and medical expenses (A2, table 42). For the others, household basic needs were the second most important use: 43 percent of the clients and 59 percent of the non-clients. Clients were more likely than non-clients to report paying debts among their top two expenditure categories: 22 percent of the clients compared to less than 1 percent of the non-clients mentioned debt repayment. Ten percent of the clients but only 8 percent of the non-clients reported savings as one of the two main uses. The findings on debt payments and savings are related to program participation. In summary, the data indicate that enterprise revenue plays an important role in sustaining the enterprise and the household. These data reinforce the findings on the sources of household income that indicate that household enterprises are extremely important in the livelihood systems of most households surveyed.

C. Household Financial Shocks and Assistance to Others

The pace and progress of life in Uganda often are interrupted by unanticipated events that have negative financial repercussions. Such financial shocks disrupt the household's flow of income or intended use of funds. The events may have short-term ramifications by redirecting income and savings, or they may have longer-term consequences, such as loss of a household income stream or erosion of the household's financial base through depletion of savings and redirection of income. These crises may be temporary in nature or have longer-term ramifications. Death of a household income earner signifies a permanent change in the household's economic portfolio. Participation in an MFI program may have better enabled a client's household to cope with a financial shock.

The practice of rendering assistance to others, especially to extended family members, outside the immediate household is very common in Uganda, as well as elsewhere in Africa. Providing help forms an integral part of the social safety net. MFI program participation may result in increasing the capacity of households to assist those in need. This practice of helping is particularly important given the prevalence of HIV/AIDS in Uganda.

1. Coping with Financial Shocks

The assessment found that nearly 80 percent of both the client and non-client households experienced unanticipated, financially demanding events in the two years before the 1999 interview. The most common financial shocks were medical expenses for a household member and death of a household member. Table V-11 covers the types of shocks reported, while table V-12 centers on changes in the households' reporting of each event. Both reflect the possibility of multiple responses for a single household and include only those reporting one or more shocks. The reader should note that while 45 percent of the respondents had reported new members in their household in the last two years, relatively few cited absorption of a new household member as an event causing a financial shock.

Among those reporting on financial shocks, a larger proportion of respondents in 1999 than in 1997 (table V-11) reported on medical expenses and death. In 1999 more than 80 percent of the households reported a shock due to medical expenses of household members and 40 percent

reported on the death of a household member. The data reveal that financial shocks are largely due to illness and death. HIV/AIDS is likely to contribute to these financial shocks.¹⁶

Table V-11. Among Those Reporting Financial Shocks Affecting Household, Types of Shock the Last Two Years, 1999 and 1997 (N=714)

Event	1997				1999			
	Clients		Non-clients		Clients		Non-clients	
Medical expenses, household members	294	66%	182	71%	337	83%	203	82%
Deaths, household members	115	26%	76	30%	183	40%	101	40%
Business losses	87	19%	38	15%	93	20%	43	17%
Obligations to non-household members	62	14%	25	10%	29	6%	10	4%
Drought-related	42	9%	26	10%	26	6%	12	5%
Need to repay debts	15	3%	10	4%	36	8%	10	4%
Loss of a job	21	5%	7	3%	33	7%	11	4%
New individual joined household	14	3%	4	2%	4	1%	0	0.0%

Note: Multiple responses possible. The percentages are based on the total number of households in each category reporting at least one financial shock.

Note: The chi-square tests show that the differences between clients and non-clients over both time periods are significant at the 0.05 level.

The types of financially damaging events experienced the two years before the 1999 interview compared with the same period before the baseline survey (table V-12) tended to differ between client and non-client households. A greater proportion of client than non-client households encountered financial shocks due to medical expenses, deaths, need to repay debts, and loss of a

Table V-12. Among Those Reporting on Financial Shocks Affecting Households, Change in the Types of Shocks Reported, 1999 Compared to 1997 (N=714)

Event	Clients	Non-clients
Medical expenses, household member	+17.6%	+10.5%
Deaths	+14.2%	+10.0%
Need to repay debts	+4.5%	0.0%
Loss of a job	+2.3%	+1.6%
Business losses	+0.8%	+2.0%
New individual joined household	-2.2%	-1.6%
Drought-related	-3.7%	-5.5%
Obligations to non-household members	-7.5%	-5.9%

Note: The differences between clients and non-clients over both time periods are significant at the .05 level (related to Table V-11 above).

¹⁶ The extremely high rate reporting on death of a household member may reflect some households taking in those who were dying. While it is possible that the high rate might be explained by some misuse of the term household, at the beginning of each interview, enumerators were to explain how that term would be used: household referred to those living and eating together and sharing some common resources. In the local languages the same word refers to those living and eating together, and the broader extended family that includes adult children and their offspring.

job. In contrast, the households of non-clients were more affected than client households with business and drought-related losses. Both groups reported less in 1999 than in 1997 on financial obligations to non-household members. The latter may reflect lower demand or the decreased ability to meet obligations.

Illness and death are the unanticipated events that most negatively impact people in Uganda, as well as elsewhere (Sebstad and Cohen 2000). Serious illness or death of a household member has both financial and emotional impacts. Each may also mean loss of a source of income. An analysis of the types of financial crises experienced in these two time periods reveals that there was a 17 percent increase in clients reporting medical expenses compared to an 11 percent increase among the non-clients. Reports of deaths within the households also increased: 14 percent among clients and 10 percent among non-clients. The rate of those reporting on financial shocks due to deaths in the household suggests that HIV/AIDS is a contributing factor.

An analysis was done to determine the extent to which illness/medical expenses and death caused a financial crisis within all respondent households: those who reported no such events in either interview, those who reported such events in both, and those who reported such events in only one. Approximately one-third of the respondents did not report in both 1999 and 1997 on a financial crisis due to illness and medical expenses for household members, while one-fourth of the clients and one-third of the non-clients reported these in both years (A2, table 43). In general, 45 percent of the respondent households reported on illness causing a financial shock in 1999, compared to 53 percent in 1997. Similarly, in both 1999 and 1997, 71 percent of the respondents reported no death of a household member. Overall, 11 percent of the respondent households reported on death of a household member in 1999, compared to 21 percent in 1997 (A2, table 44).

The findings on changes in proportion of all households reporting on financial shocks due to illness/medical expenses and death within the household may be a positive sign; however, care should be taken in drawing this conclusion. There is some evidence to suggest that when living in an AIDS pandemic environment, households come to regard the financial shocks due to illness and death as 'normal' and hence may not have reported them in response to the question on unexpected financial demands (Wright et al. 1999b).

The regional differences show that more than twice the proportion of Mbale respondents than those in Kampala and Masaka reported on the prevalence of illness (over both periods): 47 percent compared to 20 percent in Kampala and in Masaka. The poor living conditions and rainy, cool environment probably contribute to the high prevalence of illness reported in Mbale. When new illnesses are considered (ill in 1999, but not in 1997), Kampala is the area with the most new illnesses reported. Kampala also had the highest proportion of respondents reporting death of a household member in 1999, but not in 1997. This change in death rate is linked to the high rate of widowhood found among Kampala respondents. Within districts no significant differences were found between clients and non-clients.

Respondents employed a number of strategies to meet the financial demands. They reported on the main ways their households coped with financial shocks. For more than two-thirds, the main way the household coped was to use income from their enterprise or other regular income source.

Almost one-fourth reported that their main coping strategy was to draw on their savings, and a similar proportion got assistance from those outside their household. A similar proportion of client households (12 percent) and non-client households sold household assets, such as crops, livestock, and furniture, to enable them to meet the financial demands (A2, table 45).

Similarly, the differences were not significant between clients and non-clients reporting that a member of their household did not receive health care services in the last six months due to a lack of funds: approximately one-fifth in each comparison group lacked funds. There were, however, significant differences among districts, with households in Kampala (25 percent) being more likely than households elsewhere to forgo medical care due to a lack of funds (A2, table 46).

2. Remittances and Gifts

The findings on remittances and gifts include money provided for the educational expenses of non-household members. Client households were slightly more likely than non-client households to provide assistance to non-household members in the three months before the interviews in 1997 and 1999. Client households averaged a higher level of remittances than non-client households. The average amount given rose more in client than non-client households, although the difference was not statistically significant. When focusing on assistance reported as specifically related to HIV/AIDS, a slightly higher proportion of non-clients than clients provided such assistance, and the value of assistance given did not vary significantly between the comparison groups.

Two-thirds of the respondent households provided assistance to a non-household member in the three months before the 1999 survey. There were no significant changes in remittance patterns between clients and non-clients in 1999 compared with 1997 (table V-13). A slightly greater proportion of client households compared with non-client households provided assistance to non-household members in the three months before the survey in both 1997 and 1999. Among households that had not given assistance in 1997, a slightly greater proportion of non-client than client households provided assistance in 1999: 23 percent and 19 percent, respectively.

Table V-13. Assistance to Non-household Members in Last 3 Months, 1999 Compared to 1997

Remittances 1997 and 1999	Clients		Non-clients		Total	
Gave remittances both years	281	50%	139	44%	420	48%
Did not give remittances both years	74	13%	52	16%	126	14%
No remittances in 1997; gave remittances in 1999	109	19%	72	23%	181	21%
Gave remittances in 1997 but not in 1999	101	18%	56	18%	157	18%
Total	565	100%	319	100%	884	100%

The value of the remittances given in 1999 averaged US\$ 45,023 for clients and US\$ 36,570 for non-clients. These values represent an average increase of US\$ 7,146 among clients and US\$ 5,761 for non-clients when compared with the average amount given in 1997 (table V-14). Although the increase in the amount given in 1999 was not statistically significant between the

comparison groups, it does represent a positive difference of approximately 24 percent between client and non-client households.¹⁷

Table V-14. Change in Value of Remittances Given the Last 3 Months, 1999 Compared to 1997 (USh)

	Non-clients	Clients
Average change in value of remittances, 1999-1997	5,761	7,146
Standard deviation	120,310	111,872

Note: Amounts are in Uganda shillings.

To explore the relationship between participation in a microfinance program and assistance to HIV/AIDS-affected/infected individuals, respondents were asked in the 1999 survey about the relationship of the person receiving remittances and why the assistance was given. The responses were recorded to capture (a) those who were AIDS victims and (b) those who were dependents of AIDS-infected persons. The findings reveal no significant differences between clients and non-clients.

Nearly one-fifth of the respondents reported that their households had provided assistance in the three months before the 1999 interview to an AIDS victim or a dependent of an AIDS victim (table V-15). The findings show that remittances are most frequently sent to dependents of AIDS victims. More than 80 percent of the persons receiving the remittances were children who were not members of the household (table V-16). These children were primarily grandchildren, nieces, and nephews. The data suggest a long-term financial commitment to assisting children affected by HIV/AIDS in comparison to a probably shorter-term commitment to helping dying adults.

Table V-15. Remittance Behavior Related to AIDS, 1999

AIDS-Related Remittances Given to:	Clients		Non-clients		Total	
AIDS victim	15	3%	10	3%	25	3%
Dependent of AIDS victim	81	14%	56	17%	137	15%
Total	96	17%	66	21%	162	18%

Note: Percents are based on total number responding.

Table V-16. Household Relationship of Recipients of AIDS-Related Remittances, 1999

Recipient	Clients		Non-clients		Total	
Own children who are not household members	2	-	2	-	4	-
Other children (ages 01-20)	78	14%	53	17%	131	15%
Adult relatives	16	3%	11	3%	27	3%
Total	96	17%	66	21%	162	18%

Note: Percents are based on total number responding. A minus sign (-) indicates less than 1 percent.

¹⁷ It should be noted that there are very high standard deviations on the amount of change that predicts that statistical significance will not be achieved.

On average, client households gave slightly (but not statistically significantly) more assistance to AIDS victims or their dependents than did non-client households (table V-17). The average value of assistance to an AIDS victim or dependent was almost 7 percent more from client than non-client households, although non-clients gave a larger share of their remittances to such individuals. The proportion of the total amount of remittances related to HIV/AIDS was 18 percent for client households compared to 23 percent for non-client households.

Table V-17. Value of Remittance to AIDS Victims or Their Dependents, 1999 (USh)

	Clients	Non-clients
Average remittance	65,180	61,103
Standard deviation	72,850	72,820
% of total amount remitted that is AIDS related	18%	23%

Note: Data are in Uganda shillings. Remittances are valued in both cash and value of goods terms.

In summary, the data show that the client households were more likely than non-client households to assist others, and the average value of assistance given to non-household members in 1999 was higher among client households than among non-client households. The increase in the amount given in 1999 compared to 1997, however, did not differ significantly between the two comparison groups. Nearly one-fifth of the total value of assistance was explicitly acknowledged as going to AIDS victims or their dependents. Approximately 20 percent of the respondent households reported that they had provided assistance to AIDS victims or their dependents, and nearly 80 percent of the recipients were children of an AIDS victim.

The findings in this section and previous sections suggest that the majority of respondent households tend to be givers of assistance rather than receivers of assistance from others. Less than 5 percent of the respondents reported transfers, remittances, or gifts as one of their household's sources of income. And, as mentioned in the section on financial demands, only about one-fourth of the respondents reported on transfers, remittances, or gifts as a main way their household met their major financial crises: 23 percent of the clients and 24 percent of the non-clients. Moreover, approximately one-fifth of the clients and non-clients reported that a household member did not receive health care services in the last six months because of lack of funds, suggesting that financial assistance was not forthcoming from outside the household.

D. Human and Physical Assets

Assets are the stock of wealth in a household and therefore indicate its level of poverty/wealth. Assets are the basis for future potential wealth and consumption. They also provide a buffer against financial shocks since they can be divested or liquidated to general cash to meet expenditure demands. Patterns of physical asset accumulation and sales indicate strategies employed by households to plan for, confront, and take risks (Barnes 1996; Sebstad and Cohen 2000). Human assets are equally important. Education and training enhance the learner's knowledge and skills, raising the potential value of the student in the labor market.

1. Education of Children

Ugandans place a high value on education and invest in education of children. Since mid-1997 Uganda has had a policy of free universal primary education. Above the primary school level, fees need to be paid each term. Schooling children involves various types of financial outlays: special charges by the school (for example, building fees); uniforms, books, and materials; and sometimes transport. The assessment sought to determine the impact of participation in an MFI on schooling of children.

The assessment found that in more than half of the households the respondents' enterprises were an important source in meeting the educational charges of household members. Also client households were significantly more likely than non-client households to pay school-related charges of non-household members. Approximately one-fifth of the respondent households, however, had children dropping out of school because they were unable to pay the requisite charges. For most households this situation was temporary and the children returned to school.

Respondents provided information on the two main sources of funds for school charges for children in their household. In both 1997 and 1999 slightly more client than non-client households depended on money from the respondents' enterprise(s). The results do not show significant differences between clients and non-clients who had begun in 1999 to use enterprise savings/earnings to pay school expenses for household members. In a small proportion of the households, the enterprise was no longer a major source of income for educational expenses (table V-18).

Table V-18. Changes in Household's Source of School Charges Last Term When a Household Member Pays Fees, 1999 Compared to 1997

Source	Clients N=435		Non-clients N=205		Total N=639	
From savings/earnings in respondent's enterprise in both 1997 and 1999	333	58%	164	51%	497	56%
From savings/earnings in respondent's enterprise in 1999 but not in 1997	41	7%	21	7%	62	7%
From savings/earnings in respondent's enterprise in 1997 but not in 1999	60	11%	20	6%	80	9%

Households may also pay for school-related expenses of non-household members. In general, 31 percent of the respondent households pay school charges for a non-household member, and the data on remittances suggest that approximately one-half of those households provide support to children of AIDS victims. Paying school charges for students who are not household members was significantly more common among client (34 percent) than non-client (27 percent) households. Among the households paying for non-household members, approximately three-fourths of them paid for children who were not their own offspring; most of the children were probably grandchildren, nieces, and nephews (A2, tables 47-49). Client households were significantly more likely than non-client households to be assisting children who were not their own offspring. Moreover, for the school term before the 1999 interview, clients on average spent significantly more than non-clients. The findings indicate a relationship with participation in the MFI programs, but since comparable information was not gathered in 1997 to determine net

changes and the 1999 questionnaire does not gather trend data, the findings are only suggestive of program impact.

Information was also newly obtained in 1999 on household members dropping out of school at least one term during the last two years because of difficulty paying school charges (A2, tables 50-54). The findings show that 23 percent of the client households and 15 percent of the non-client households were unable to pay school charges for one or more household members during this period, and hence, the children had to drop out of school. The difference between the two groups was statistically significant. The differences among locations were also significant. The rate of dropouts was significantly less in Mbale (11 percent) than in Masaka (22 percent) and Kampala (29 percent), but within these districts the differences between client and non-client households were not significant. Among those who dropped out, there was a slightly larger proportion of boys (54 percent) than girls (46 percent). The average number of students in a household who dropped out was lower among client than non-client households: 1.31 and 1.43, respectively. In most of the households with dropouts, however, this situation was temporary and all the children who dropped out returned to school. Overall, in 58 percent of the client and 72 percent of the non-client households with dropouts, all of the children returned to school. The results were not statistically significant. The data suggest that a small core of client households experienced financial hardships that kept school-aged children from returning for further education.

In summary, in more than half of the households, microenterprises play an important role in financing the education of household members. Between 1997 and 1999, however, a small proportion of the households had children dropping out of school due to financial problems, but in most of these instances, the crisis was addressed and the children returned to school. One-third of the households pay school charges for non-household members, and for most, this involves someone other than a child of a household member. Clients were significantly more likely than non-clients to pay school charges for a non-household member, to pay for someone who was not an offspring, and to pay a larger amount last term. The relationship between participation in an MFI program and these differences may be due to program impact or initial differences between the comparison groups. Irrespective of the reasons, the findings show that client households are more involved than non-client households in investing in education of non-household members.

2. Household Residence

Owning a home indicates the physical stability of the household and control of a key physical asset. Between 1997 and 1999 a significantly greater proportion of clients than non-clients became owners of the place in which they reside. Also among those moving to a new residence, clients were more likely than non-clients to have moved to a better place.

In 1999 a significantly greater proportion of client (10 percent) than non-client (1 percent) households had become owners of their residence (tables V-19 and V-20). Among clients the change to owning was more pronounced in Kampala (9 percent) and Masaka (7 percent) and less pronounced in Mbale (1 percent) (A2, tables 55-59). The lower percentage in Mbale was because

most clients (94 percent) already owned their homes in 1997; these homes were nearly always on agricultural land, rather than in market centers.¹⁸

Table V-19. Change in Household Tenure Status, 1999 Compared to 1997*

Tenure status	Clients (N=571)		Non-clients (N=321)		Total (N=892)	
	1997	1999	1997	1999	1997	1999
Owned	64%	70%	62%	63%	64%	68%
Paying installments	-	1%	1%	-	-	-
Rent	29%	22%	32%	30%	30%	25%
Free	4%	5%	3%	6%	4%	7%
Stay in government house	2%	1%	1%	1%	2%	-
Other	1%	1%	1%	-	-	-
Total	100%	100%	100%	100%	100%	100%

Note: A minus sign (-) indicates less than 1 percent.

Table V-20. Percentage Change in Household Tenure, 1999 Compared to 1997

Household Tenure	Clients	Non-clients
1999 owners	+9.56%	+1.61%
1999 renters	-24.14%	- 6.67%

Note: The difference in percentage change in household tenure is statistically significant between clients and non-clients at the 0.05 level.

Besides those who moved as a result of buying a home, a number of other households also changed residences during the study period. Roughly one-fifth of the respondents' households moved, and for more than two-thirds of the movers, the shift represented an upgrade (table V-21). Slightly more clients (72 percent) than non-clients (61 percent) who had moved rated their new residence as better than their former place. Overall, there were no significant differences between clients and non-clients on whether or not the new residence was better, less suitable, or about the same as previously. Within Masaka, however, the clients were significantly

Table V-21. Condition of New Residence Compared to Former Residence, Among Respondents Who Moved During the Last 2 Years, 1999

New Residence Compared to Former Residence	Clients		Non-clients		Total	
Better	63	72%	30	61%	93	68%
Less suitable	12	14%	7	14%	19	14%
About the same	12	14%	12	25%	24	18%
Total	87	100%	49	100%	136	100%

¹⁸ An analysis by gender did not yield significant differences.

more likely than non-clients to have moved to a less-suitable dwelling, although the absolute numbers were small (A2, table 60).¹⁹

In summary, client households were significantly more likely than non-client households to have purchased the place where they lived in 1999. The data indicate that program participation is positively associated with accumulating a value asset: a residence. For those who had moved, clients were slightly more likely than non-clients to have moved to a better place. Hence, the results suggest that participation in the MFI programs contributed to clients and their households having more options about where they lived. Furthermore, program participation was positively associated with buying a home.

3. Ownership of Rental Units and Houses Elsewhere

Because rental units are a good, steady source of income and represent a store of wealth, information was specifically sought on ownership of rental units. In 1999, 18 percent of the client households and 10 percent of the non-client households owned rental units (A2, table 61). Between 1997 and 1999 a small proportion of respondents' households acquired rental units, and a similar proportion of those who owned them in 1997 no longer had them in 1999 (table V-22). Overall, ownership of rental units among non-clients fell by 3 percent but increased by 1 percent among clients. There were slight changes based on location. Ownership fell by 2 percent in Masaka but increased by the same amount in Mbale. There was no change in Kampala.

Among those owning rental units in 1999, a significantly greater proportion of client households compared with non-client households had increased the number of units owned: 36 percent of the client households compared with 7 percent of the non-client households (A2, table 62).

Table V-22. Change in Number of Rental Units Owned/Controlled During the Last Two Years by Those Households Owning Units in 1999

Number of Rental Units Owned/Controlled by Household in 1999 Compared to 1997	Clients		Non-clients		Total	
	Count	Percentage	Count	Percentage	Count	Percentage
Increased	33	36%	2	7%	35	29%
Decreased	1	1%	0	0%	1	1%
Remained the same	58	63%	27	93%	85	70%
Total	92	100%	29	100%	121	100%

Ownership of houses located away from the residence and not rented out may also be part of a household's asset base. In 1999 approximately one-fifth of the respondent households owned a house elsewhere, a rise of 6 percent since 1997 (A2, table 63). The greatest increases were among Masaka clients and Mbale non-clients.

In summary, the findings identify a small proportion of households that have rental units and non-rental households elsewhere. Among them, client households who owned rental units in

¹⁹ Overall, the differences among the districts are statistically significant (p=0.01). Within districts, Masaka clients were significantly less likely than non-clients to have moved to a better place (p=0.02).

1999 were significantly more likely to have increased the number of rental units owned than non-client households. This increase indicates that participation in the MFI programs impacted on the ability of some client households to increase the value of their asset base by acquiring rental units.

4. Ownership of Durable Assets

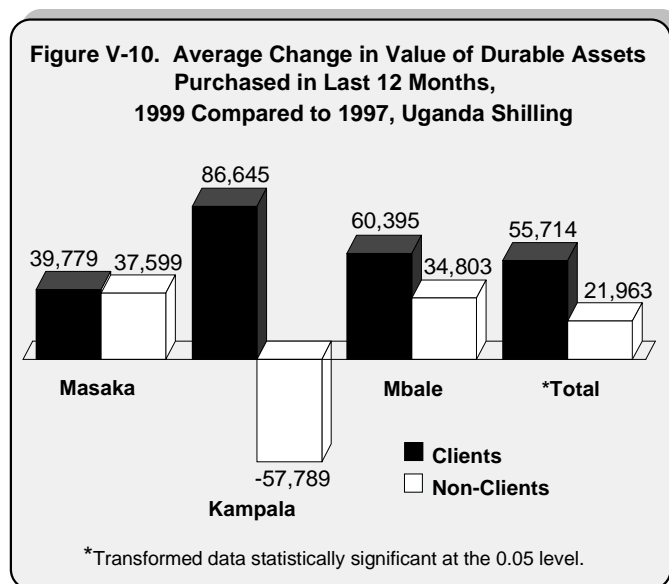
A household economic portfolio approach to impact assessment suggests that there may be observable, positive changes to the accumulation of household durable assets by clients using the benefits of their access to microenterprise credit. An increase in the value of durable assets purchased for the household, oneself, and/or an enterprise is regarded as a potentially strong indicator of the impact of microfinance programs on their clients. It serves as an indicator of an increase in the household's asset base, which in turn is a proxy measure of the wealth level of a household.

Respondents were asked about purchases they made solely or jointly with other household members in the 12 months before the survey. In both 1997 and 1999 nearly all microentrepreneur respondents reported having bought one or more assets in the previous 12 months (A2, table 64). In 1999 reported expenditures averaged significantly higher for clients than non-clients:

US\$ 235,158 and US\$ 132,753, respectively (A2, table 65). The rise in the average value of assets purchased by clients was more than twice that by non-clients (figure V-10).²⁰ The difference between clients and non-clients was most notable in Kampala, less so in Mbale, and smallest in Masaka.

In addition, attention was given to whether or not respondents' households acquired specific consumer durables between 1997 and 1999. The findings reveal that in every asset category studied, client households were more likely to have acquired the item than non-client households (table V-23).

Looking specifically within each district, this trend was also the pattern in Mbale, with one exception. The pattern in the other districts was less consistent. The differences between the comparison groups in each district on each item were not statistically significant. The exception was among Kampala respondents: a significantly higher proportion of client than non-client households acquired a television in the last two years.



²⁰ The data were distributed with a highly negative skew and with large standard deviations. Thus, they were not analyzed as raw data with tests assuming a normal distribution. Rather, they were log-transformed to render their distributions suitable for statistical testing. The actual (non-transformed) gain score differences are in the graph.

Table V-23. Percentage of Households Acquiring Major Durable Assets in Last 2 Years, 1999

Household Assets	Masaka		Kampala		Mbale		Total	
	Clients	Non-clients	Clients	Non-clients	Clients	Non-clients	Clients	Non-clients
Mattress	39 %	35%	26%	24%	38%	34%	36%	32%
Radio	26%	20%	17%	21%	24%	21%	24%	21%
TV	6%	12%	*12%	3%	2%	2%	6%	5%
Stove	23%	26%	24%	21%	13%	10%	21%	18%
Refrigerator	7%	3%	10%	7%	7%	10%	5%	3%
Beds	14%	15%	11%	7%	18%	9%	14%	11%

* Indicates a statistically significant difference at the 0.05 level.

Access to reliable transportation is often a critical asset for microentrepreneurs. In 1999 client households were more likely to own a means of transport (that is, an adult bicycle, a motorcycle, an automobile, or a truck); however, this finding was due to a stronger initial ownership pattern. During the study period non-client households were slightly more likely than client households to have acquired a mode of transport (table V-24). When taking into consideration those who no longer owned a mode of transport, the net difference was 0 among client households and +.9 among non-client households.

The survey findings compared to nationwide statistics suggest a slightly higher prevalence of transport ownership among clients. In 1997 almost one-half of the client households (47 percent) compared with 37 percent of the non-client households owned some means of transport. In comparison, the 1994/95 Uganda National Household Survey (1997) found that 34 to 40 percent of the households in the four regions it covered owned a means of transport.

Table V-24. Change in Ownership Status of Working Transport, 1999 Compared to 1997

Status of Working Transport	Clients		Non-clients		Total	
Had in both years	210	37%	79	25%	289	32%
Did not have in both years	237	42%	160	50%	397	45%
Had in 1997 but not in 1999	61	10%	39	12%	100	11%
Had in 1999 but not in 1997	63	11%	42	13%	105	12%
Total	571	100%	320	100%	891	100%

Note: Statistically significant at the 0.01 level

Thus the results reveal that participation in the MFI programs is strongly associated with increased expenditures by clients solely or jointly with other household members on household durable assets. These expenditures indicate an increase in the asset base of the household. The findings on accumulation of specific durable assets indicate that slightly more clients than non-clients acquired each item, but the results were not statistically significant. Among Kampala respondents, clients were significantly more likely than non-clients to have purchased a

television. The latter implies gain of an asset that can be sold or rented out in times of a financial crisis.

5. Selling of Physical Assets

Assets represent a store of wealth that may be liquidated to generate cash revenue. As long as assets used to produce income are not sold, the selling of an asset is not necessarily a negative action. Respondents were asked if they or any member of their household sold any furniture, appliances, or transport assets in the 12 months before the 1999 survey and why. This question was in addition to the question about the main way that households coped with financial crises during the last 24 months. Also a question was asked of those who had taken a loan for their enterprise since 1997 inquiring whether they had ever had to sell assets to meet their loan repayment schedule. Through these questions, the assessment sought to identify ways that respondents and their households used assets to meet financial crises and financial obligations, including debts associated with the microenterprise loans.

Sixty-four clients (or 11 percent of the clients) and 32 non-clients (or 10 percent of the non-clients) reported that they or a household member had sold furniture, appliances, or transport assets in the 12 months before the 1999 survey. Sale of an asset was significantly more pronounced in Masaka than in the other districts. The most commonly reported reasons were not directly related to debt repayment or illness and death: the reason most frequently cited was to obtain money for housing construction, a major physical asset, followed by the need to raise money to pay educational expenses, an investment in human assets. Others reported sale of an asset to repay a debt. Among those reporting sale of an asset, 10 clients had sold an asset to pay off an MFI or bank loan, and 8 of the clients compared with 4 of the non-clients reported selling one or more assets to pay off another type of debt during the previous 12 months (A2, tables 66-68).

As discussed more fully in the section on financial shocks, a small proportion of the respondent households reported that the main way that they coped with the crises they experienced in the 24 months before the interview was by generating cash through the sale of assets. Twelve percent of the client and non-client households sold household assets, such as crops, livestock, and furniture, to enable them to meet the financial demands.

In addition, those who had taken one or more loans for their microenterprise since 1997 were asked if they ever had to sell an asset in the last 24 months to make a loan payment. In total, 72 of the clients (13 percent) reported that in the last 24 months they sold an asset to enable them to repay their microenterprise loan and 1 (11 percent) out of the 9 non-clients who had borrowed funds for use in their microenterprise had to sell an asset. Sale of an asset to repay a loan for a microenterprise or another type of debt was reported more frequently among Mbale respondents than among those from other geographic areas (A2, table 67). The level reporting in Mbale on sale of an asset is probably related to Mbale respondents selling crops and livestock to generate cash. In rural societies, crops and livestock tend to serve as a form of savings.

The findings confirm that physical assets serve as a store of wealth that is sometimes sold to meet cash needs. The data also reveal that a small proportion of the clients had difficulty meeting their loan repayment requirements and hence had to sell assets.

E. Agricultural Sector Activities

Uganda has a largely agricultural-based economy and is known for its fertile cropland. Because of the pattern of land inheritance and strong extended family ties, even persons residing in urban areas may cultivate land. Thus, the assessment included attention to agricultural activities of microentrepreneurs and their households. In particular, the assessment focused on changes in the amount of land cultivated and trends in the amount of income from crops, as well as crop diversification and amount of money spent by respondents on agricultural inputs to determine if participation in the MFI programs impacted on these activities. Secondly, the assessment sought to understand the extent to which the respondents' enterprises are engaged in the sale of agricultural and natural resource-based products.

1. Land Cultivated and Income from Crops

The vast majority of respondents' households have access to agricultural land: land owned, land rented, and/or land belonging to parents. In 1997 the amount of land accessible to the household was significantly higher among clients than non-clients: 5.91 acres and 3.43 acres, respectively.²¹ The analysis of trends in the amount of land cultivated since 1997 reveals client households differed significantly from non-client households (table V-25). Households of clients were more likely than those of non-clients to have increased the amount of land they cultivated during the assessment period.²² The net difference between those who increased and those who decreased the amount of land cultivated was 25 percent among client households compared with 19 percent among non-client households. The ability of clients to increase the amount of land cultivated is probably related to their having access to a larger amount of land.

Table V-25. Change in Amount of Land Cultivated Over the Last Two Years, by Household, 1999

Change in Land Cultivated Over the Last Two Years	Clients		Non-clients		Total	
	Count	Percentage	Count	Percentage	Count	Percentage
Increased	154	32%	56	23%	210	29%
Decreased	34	7%	10	4%	44	6%
Did not change	293	61%	174	73%	467	65%
Total	481	100%	240	100%	721	100%

Note: Statistically significant at the 0.01 level.

There was a strong locational pattern to these results (table V-26). Mbale clients were significantly more likely than Mbale non-client households to have increased the amount of land cultivated. The differences between client and non-client households were least pronounced in urban Kampala.

²¹ Statistically significant at the 0.05 level. To avoid measurement errors, in 1999 respondents were asked the trend in the amount of land cultivated since 1997.

²² The amount of land used for crops was gathered in 1997, whereas in 1999 respondents were asked if the amount had increased, decreased, or remained the same.

Table V-26. Change in Amount of Land Cultivated by the Household Over the Last Two Years, by Location, 1999 (N=721)

Land Cultivated by the Household Over the Last Two Years	Clients		Non-clients		Total	
Masaka						
Increased	86	33%	24	27%	110	31%
Decreased	16	6%	3	3%	19	5%
Did not change	160	61%	64	70%	224	64%
Total (Masaka)	262	100%	91	100%	353	100%
Kampala						
Increased	5	6%	1	4%	6	6%
Decreased	6	7%	1	4%	7	6%
Did not change	70	87%	25	92%	95	88%
Total (Kampala)	91	100%	27	100%	108	100%
Mbale						
Increased	63	46%	31	25%	94	36%
Decreased	12	8%	6	5%	18	7%
Did not change	63	46%	85	70%	148	57%
Total (Mbale)	138	100%	122	100%	206	100%

Note: Statistically significant at the 0.01 level for Mbale.

An analysis by gender reveals that the households of male respondents were more likely than those of female respondents to have increased the amount of land cultivated (table V-27). The gender difference is most likely associated with land nearly always being inherited by males, and purchase and renting of land being more common among men than women. When controlling for gender, nearly twice as many male client households than male non-client households had increased the amount of land cultivated in the last two years, and none had decreased the amount cultivated. In comparison, the net gain among female clients was 23 percent compared with 18 percent for female non-clients. The households of male clients, all from Masaka District, were more likely than the households of female clients to have increased the amount of land they cultivate: with a net gain of 56 percent compared to 24 percent, respectively. Yet, when the net gain among female clients is compared to that of male non-clients, the difference is much less: 24 percent compared to 30 percent.

Table V-27. Change in Amount of Land the Household Cultivated Over the Last Two Years, by Gender of Respondent, 1999

Cultivated Land Over the Last Two Years	Clients		Non-clients		Total	
Male						
Increased	14	56%	7	30%	21	44%
Decreased	0	0%	0	0%	0	0%
Did not change	11	44%	16	70%	27	56%
Total (Male)	25	100%	23	100%	48	100%
Female						
Increased	140	31%	49	23%	189	28%
Decreased	34	7%	10	4%	44	7%
Did not change	282	62%	158	73%	440	65%
Total (Female)	456	100%	217	100%	673	100%

The expansion in land cultivated relates to an increase in the amount of income from crop production. Client households were significantly more likely than non-client households to report an increase in the amount of income earned from crops the 12 months before the 1999 survey. The net difference between those with higher levels of income from crops and those with lower levels of income from crops was +20 percent for the client group compared with +0 percent for the non-client comparison group (A2, table 41). Thus, the data show a strong association between participation in the MFIs and client households expanding the amount of land they cultivate and increasing their income from crop production.

2. Respondents' Investments in Agricultural Inputs

The assessment included attention to expenditures by microentrepreneurs, with their own funds, on agricultural inputs. On average, clients tended to spend slightly more on agricultural inputs than non-clients in the three months before the 1999 interview: US\$ 19,065 and US\$ 15,826, respectively. Changes in the amount of money spent on inputs in 1999 compared to 1997 were significantly higher for clients than for non-clients. In Masaka and Mbale, clients contrasted with non-clients spent significantly more on agricultural inputs in 1999 than in 1997 (table V-28).²³

Table V-28. Gain Score in Amount of Money Spent on Agricultural Inputs by Client Status and District (Uganda shillings, N=887)*

District	Clients	Non-clients
Masaka	3578	-1572
Kampala	4667	889
Mbale	-998	-291
Total	2635	-474

Note: Statistically significant at the 0.05 level for clients compared to non-clients overall and in Masaka and Kampala.

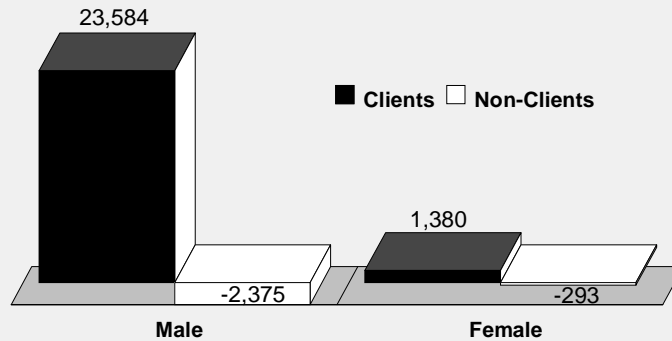
The average increase in the amount of money spent on agricultural inputs in 1999 compared to 1997 was significantly higher for male clients than for female clients. The rise in the amount spent by male and female clients was much more than for male and female non-clients (figure V-11).

3. Land Cultivated by Respondent

In 1999 respondents were asked whether the amount of land they cultivated the last year had increased, decreased, or remained the same size since 1997. Clients were significantly less likely than non-clients to have decreased the amount of land they cultivated (figure V-12). The net increase was 23 percent among clients compared to 11 percent among non-clients. The data reveal a close association between participation in the MFI programs and a rise in the amount of land cultivated by clients.

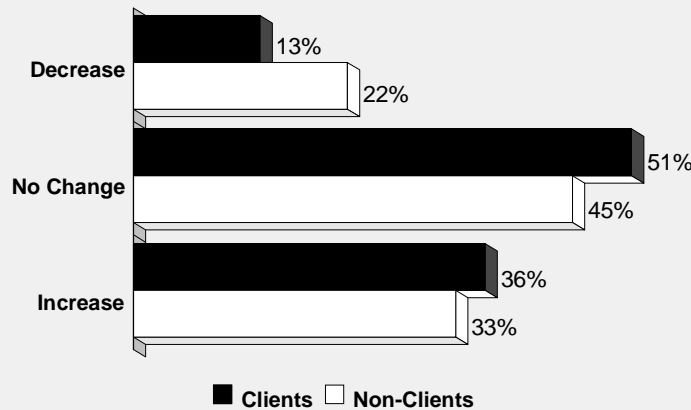
²³ The data were distributed with very large standard deviations. Thus, they were not analyzed as raw data with tests assuming a normal distribution. Rather, the data were log-transformed in order to render their distributions suitable for statistical testing. The actual (non-transformed) gain score differences are shown in table V-28.

Figure V-11. Net Gain Score in Amount of Money Spent on Agricultural Inputs by Client Status and Gender in Uganda Shillings (N=887)



Differences between male and female clients statistically significant at 0.05 level.

Figure V-12. Change in Amount of Land Cultivated by Respondent Over Last Two Years by Client Status



Statistically significant at the 0.01 level.

4. Crop Diversification by Respondents

Crop diversification is generally regarded as a positive change. It indicates households are diversifying production in response to market opportunities, while it also suggests that the respondent may be diversifying to reduce risk of failure of a particular crop. Participation in a microfinance program may result in increased diversification as clients are empowered to make choices to respond to market conditions, and to reduce risks.

In 1997, on average, clients grew 4.7 crops and non-clients 4.6 crops. Respondents were asked to identify the main crops, including permanent crops, that they grew independently or jointly with

another household member during the last 12 months. A comparison between the number of crops cited in 1999 and the number cited in 1997 shows that clients were significantly more likely than non-clients to have increased the number of crops they grow (table V-29).²⁴ Clients' increased expenditure on agricultural inputs, expansion of land, and increase in the number of crops grown are all positively related to program participation.

Table V-29. Change in Number of Crops Grown by Respondents, 1999 Compared to 1997

	Clients (N=409)	Non-clients (N=202)
Average change in number of crops grown, 1997-1999	+0.3056	-0.1089
Standard deviation	1.9919	1.9542

Note: Statistically significant at the 0.05 level.

5. Agriculture-related Products and Services

The assessment sought to determine if respondents' enterprises were agricultural and natural resource based. For both Enterprise One and Enterprise Two, respondents were asked to state up to three main products and services. Then these products and services were coded into six categories.

Table V-30 shows for nearly three-fourths of the respondents, at least one of their top three products or services in Enterprise One is agricultural or natural resource based. In each district, client enterprises were more likely than non-client enterprises to be engaged in income-generating activities that are agricultural and natural resource based. The most common activity was the sale of locally prepared or processed foods and beverages, followed by the sale of crops.²⁵ Kampala respondents (81 percent) were more likely than Mbale respondents

Table V-30. Distribution of Top Three Enterprise One Products/Services, 1999 (Percentage) (N=811)

Products/Services	Clients	Non-clients	Total
Crops	21%	22%	21%
Livestock or livestock products	5%	3%	4%
Fish%	1%	1%	1%
Wood-based products (carpentry, firewood, and charcoal)	3%	5%	4%
Locally prepared (cooked) or processed foods or beverages	39%	44%	41%
Other agricultural/natural resource-based products	4%	2%	3%
None of the above	27%	22%	26%

Note: Multiple responses possible, except for last category.

²⁴ The analyses were disaggregated by district and by gender, but no statistically significant differences based on these disaggregations were identified.

²⁵ For both Enterprises One and Two, care was taken to ensure that the sale of only domestically produced crops was not classified as an enterprise.

(70 percent) to have an agricultural or natural resource-based activity among their main business activities (A2, table 69). The differences found between Kampala and Mbale reflect a higher market demand for crops and prepared foods in urban settings, where households are less self-sufficient and tend to have higher, more consistent flows of cash income than in rural areas. Among the 350 respondents with an Enterprise Two, most had at least one primary product or service that was agricultural and natural resource based: 77 percent of the clients and 82 percent of the non-clients (A2, table 70). Table V-31 reveals that the sale of crops was the most common Enterprise Two activity, followed by locally prepared or processed foods or beverages.

Table V-31. Distribution of the Top Three Enterprise Two Products/Services, 1999 (N=350)

Product/Service	Clients	Non-clients	Total
Crops	36%	35%	35%
Livestock or livestock products	11%	12%	11%
Fish	1%	3%	2%
Wood-based products	3%	4%	3%
Locally prepared foods	22%	28%	23%
Other agricultural/natural resource-based products	4%	2%	4%
None of the above	23%	18%	22%

Note: Multiple responses possible, except for last category.

In summary, the sale of crops and livestock or livestock products was more commonly found among Enterprise Twos than among Enterprise Ones. This finding is most likely related to the uneven flow of revenue from such activities, which would exclude them from qualifying their owners to be eligible to receive loans from the MFI programs studied. The results suggest that the microfinance programs studied reach microentrepreneurs who are part of the marketing chain of products that are agricultural and natural resource based. These linkages to the agricultural sector suggest that the enterprises that mainly sell crops are vulnerable to severe disruptions in crop production, such as widespread drought.

F. Individual-level Impacts

The study team anticipated that participation in the microfinance programs would lead to greater empowerment of clients, particularly female clients. That empowerment may be through increased ability to generate income, greater control over decisions about their financial resources, accumulation of their own assets, and acquisition of knowledge and skills. To explore this potential impact, the assessment specifically looked at indicators of these. Also to determine clients' assessment of ways they had become empowered through MFI program participation, they were asked their views on the positive results from participating in their MFI program. The reader should recall that all respondents, with the exception of 38 clients and 32 non-clients, were women.

1. Expansion of Income-generating Activities

As mentioned in the sections above, clients were significantly more likely than non-clients to have started a new Enterprise Two between 1997 and 1999. In addition, clients were

significantly more likely than non-clients to have increased the amount of land that they cultivate, to have diversified the crops they grow, and to have increased the amount they spent on agricultural inputs. These findings indicate a strong association between participation in the MFI program and expansion and diversification of clients' income-generating activities. The results suggest MFI program participation empowers clients to seek and take advantage of opportunities to lower their risks through diversification, take risks by launching new income-earning activities, and gain a more steady stream of income.

2. Decision-making

The assessment sought to determine changes in the loci of decision-making related to use of the respondents' enterprise revenue and in use of loan funds. The findings reveal a slight shift from sole decision-making to joint decision-making.

Among most married microentrepreneurs, decision-making related to use of the revenue from respondents' enterprise(s) remained the same in 1999 as it was in 1997. Table V-32 shows that a slightly greater proportion of clients than non-clients were the sole decision-makers in both years. When looking at those cases in which there was a change, the tendency toward sole decision-making was less among the clients than non-clients. This finding may be due to non-clients' enterprises being less profitable than those of clients, and hence being of less importance within the household economic portfolio, which leads to involvement of the spouse in decisions on its use. It may also be related to clients' spouses or other household members feeling responsible for loan repayments and hence a greater involvement in decisions on use of enterprise income.

Table V-32. Loci of Decision-making Power Regarding Use of Married Respondents' Enterprise Income, 1999 Compared to 1997

Decision-making power resided with—	Clients		Non-clients		Total	
Respondent alone in both years	172	56%	74	48%	246	53%
Respondent with someone else in both years	52	17%	31	20%	83	18%
Respondent alone in 1997, but respondent with someone else in 1999	48	15%	16	10%	64	14%
Respondent with someone else in 1997, but respondent alone in 1999	37	12%	34	22%	71	15%
Total	309	100%	155	100%	464	100%

Note: Statistically significant at the 0.05 level

When considering those who had taken another loan during the assessment period, nearly all (73 percent) reported in both 1997 and 1999 that they alone made the decision on use of the funds. Only 7 percent reported both years that someone else was involved. Where there was a change in reporting on the loci of decision-making power, the tendency was more toward involvement of others than toward sole decision-making: 12 percent and 8 percent, respectively (A2, table 71). This finding reflects net changes toward more joint decision-making among the female respondents in Kampala and Mbale. When focusing on those instances in which others were involved in the loan use decision in both 1997 and 1999, Mbale had the highest rate: 15 percent.

Nearly all clients reported that they used their MFI loan funds for their enterprises (A2, table 72). In 1999 more clients allocated loan funds to a second enterprise than in 1997. Also the data show that over a number of loan cycles, there is more of a tendency to use some funds for household needs, such as education.

Since involvement of others in decisions related to the loans might be linked to helping to repay the loan, this assistance with loan payments was investigated for the last loan received. Three-fourths reported both in 1997 and 1999 that they received no assistance with loan repayment, while only 2 percent reported both times that they received assistance. Among the client respondents, the tendency was more toward receiving help from others rather than receiving no assistance: 16 percent compared to 8 percent, respectively (A2, table 73). The findings on assistance with loan repayment reveal net changes toward more assistance to clients in Masaka and Kampala, whereas the opposite was true in Mbale.

The findings indicate that more than one-half of the married respondents decided themselves on use of their enterprise revenue. A slightly greater proportion of clients have moved from sole decision-making to joint decision-making, than have moved from joint to sole decision-making; the opposite occurred among the non-clients. Among those who had taken another loan, three-fourths were the decision-makers in both 1999 and 1997. Where change had occurred, it was slightly more toward joint decision-making than toward sole decision-making. This change does not appear linked to assistance from others with loan repayments. Rather, the slight tendency toward more joint decision-making in client households may reflect the growing importance of the enterprise-related funds within the household economy. The findings suggest that as loan size increases, the more likely clients may need assistance from others to meet their repayment schedule and the more loans become a shared responsibility. The dynamic in Mbale suggests that as the loan amount increases, spouses are slightly more likely to be involved in how the funds are spent. The data also indicate that rural female clients have less control over their financial decisions than do urban female clients.

3. Accumulation of Assets and Ability to Meet Family Needs

As discussed in Section IV, clients tend to mention a number of benefits when asked about the positive results from participation in their MFI program. While that section focused on the two main results, the following information captures multiple responses across a number of categories.

Overall, one-third of the clients mentioned an increased ability to meet basic family needs. Clients in Mbale reported this response more often than did those in the other locations. In Kampala and Masaka, growth of business, an increase in household assets, and the ability to pay school expenses were commonly cited (table V-33). Because nearly all of the respondents were women, the findings show that clients tend to view MFI participation as a path to positive changes in the well-being of themselves and their families.

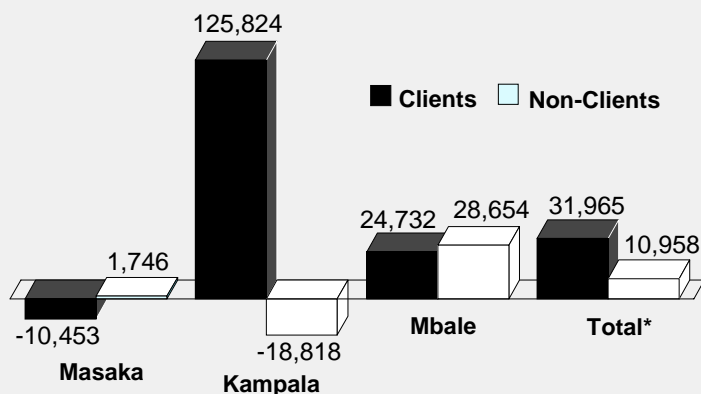
Table V-33. Respondents' Main Positive Results of Participating in Credit Programs, 1999 (N=555)

Main Positive Result	Masaka		Kampala		Mbale		Total	
None	22	8%	11	9%	23	16%	56	10%
Able to meet basic family needs	66	23%	41	32%	79	55%	186	34%
Learned savings skills	114	40%	53	41%	23	16%	190	34%
Business has grown (more assets, greater sales, etc.)	107	37%	37	29%	25	17%	169	30%
Business-related training was helpful	46	16%	44	34%	40	28%	130	23%
Able to pay school expenses	62	22%	35	27%	24	17%	121	22%
Enjoy the weekly meetings because I socialize with friends	76	27%	22	17%	7	5%	105	19%
More household assets now	32	11%	6	5%	36	25%	74	13%
Access to a loan facility/can use sales revenue for other things	37	13%	7	6%	2	1%	46	8%
Other skills training was helpful	10	4%	20	16%	10	7%	40	7%
Able to use money more optimally in household and in business	17	6%	13	10%	6	4%	36	7%
Gained confidence and self-esteem	9	3%	11	9%	11	8%	31	6%
Gained leadership experience	7	3%	16	13%	3	2%	26	5%
Health-related training was useful	NA		NA		33	23%	33	6%
Have a place to put my savings	10	4%	9	7%	2	1%	21	4%
Others (upright policies in MFI; taught to be hard working)	7	3%	0	0%	1	1%	8	1%

Note: Multiple responses possible.

NA=not applicable.

Figure V-13. Gain Score Increase in Amount Female Respondents Spent on Durable Assets They Alone Own



*Transformed data statistically significant at the 0.05 level.

An analysis was conducted of changes in the amount of money women spent on assets that specifically belong to them and over which they have control. The findings show that between 1999 and 1997 the amount of money rose significantly among clients compared to non-clients (figure V-13 and A2, table 74). On average, the rise was US\$ 31,965 for female clients compared to US\$ 10,958 for female non-clients. Within districts, however, a varied pattern emerges. The amount spent in 1999 compared to 1997 was much higher for Kampala clients than

non-clients, about the same for Mbale clients and non-clients, and much less for Masaka clients than non-clients. Hence, the results show an increased capacity among Kampala female clients to

accumulate assets that they own and control, but not female clients in the other locations. The differences are probably related to the tendency in these other areas to be married or to purchase items jointly.

4. Savings Behavior

The assessment focused on whether respondents had a savings account with a formal institution, the general trend in their level of savings the past two years, and clients' views on the importance of the relationship between saving and participation in an MFI.

As explained above in section II.C, the MFIs covered by this assessment require participants to save: in FINCA and FOCCAS the savings is through group accounts with a local bank, and in PRIDE clients are to have individual savings accounts with a bank. Among those reporting both times, in 1997, 10 percent of the clients saved only informally, but by 1999 all had a group or individual savings account with a formal institution. In comparison, 12 percent of the non-clients who saved only informally in 1997 had begun to save with a formal institution by 1999. In late 1999 virtually all clients had either a group or individual savings accounts with a formal institution compared with less than one-third of the non-clients. This significant difference is a result of formal savings being a mandatory requirement of the MFIs. When analyzing whether the respondents had an individual bank savings account in 1999, again the difference between clients and non-clients is statistically significant: 55 percent of the clients compared to 25 percent of the non-clients. The main differences between clients and non-clients were in Masaka and Kampala, where access is greater. In Masaka the findings are related to PRIDE clients having to have an individual savings account with a bank. Less than 10 percent of the Mbale respondents had an individual savings account (A2 tables 74-75).

When asked about the positive results of participation in their MFI program, having a place to save was seldom mentioned (table V-33). This finding supports findings from qualitative interviews that clients prefer to keep their non-mandatory savings elsewhere because they want to make sure that these savings do not get tapped for repaying loan arrears and defaults in their group (Mutesasira et al. 1999).

Nevertheless, one-third of the clients specifically mentioned savings skills as an important result of participating in an MFI (table V-33). Approximately 40 percent of the clients in Kampala and in Masaka cited savings skills, compared to 16 percent of the Mbale clients. Thus, clients, particularly those from urban areas, tend to regard acquisition of savings skills as one of the impacts of program participation.

Translation of knowledge and skills into practice becomes difficult when faced with competing demands on income. When estimating total level of their savings the year before the 1999 survey compared to the year before the baseline survey, net gain was significantly different between the comparison groups. The difference between those with higher levels of savings and those with lower levels of savings is +6 percent among clients compared with -20 percent among the non-client group (A2, table 77).

Clients were significantly more likely than non-clients to have increased their level of savings in the last two years. Approximately one-half of the clients compared to roughly one-third of the

non-clients reported that their savings level was higher in 1999 than it had been two years previously (A2, table 77).. In Masaka and Kampala the differences between clients and non-clients were statistically significant, but not in Mbale.

Thus, the results show a strong linkage between program participation and having a savings account with a formal institution and with the likelihood to have increased the amount saved. Furthermore, clients tend to view acquisition of savings skills as an important impact of MFI program participation.

5. Skills Training, Leadership, and Social Networks

All three MFI programs disburse credit to women who are members of a group. Women mentioned during the interview process that the groups are an opportunity for them to come together to talk about various socioeconomic issues, such as health or nutrition, and business decision-making practices. Clients view skills training as a positive benefit of MFI participation. In particular, 23 percent of all clients cite business-related training, 23 percent of the FOCCAS clients list health-related training, and 16 percent of the Kampala clients report on other skills training as a positive result of participation (table V-33).

Some members also receive leadership training. Each credit group selects officers who are responsible for ensuring the full participation of group members. Women within each credit group are elected to offices such as treasurer, secretary, and chair. Women members have the opportunity to decide the agenda topics at group meetings, depending on the interests and concerns of the members. Gaining leadership experience was mentioned as a positive result of MFI program participation by 13 percent of the Kampala clients, but it was seldom mentioned in the other districts (table V-33).

Attendance at weekly meetings permits clients the opportunity to come together to share information and to socialize. It enables them to expand and to strengthen their social networks. It is cited as a positive benefit of participation more often in the urban areas (Kampala and Masaka) than in Mbale. It should be noted, however, that a larger proportion dislike the mandatory weekly meetings since the meetings take them away from their business and other pressing responsibilities (tables IV-6 and IV-7).

VI. DISCUSSION, CONCLUSIONS, AND IMPLICATIONS

This section summarizes the findings from the client respondents from three microfinance programs in Masaka, Kampala, and Mbale and a comparison group of non-client microentrepreneurs. The discussion addresses whom the microfinance programs reach, contextual factors influencing impacts, and factors internal to households affecting impacts. It then summarizes changes that were found to be strongly associated with participation in the microfinance institution (MFI) programs. These data highlight areas of program impact. The influences of geographic location are summarized. The last part—conclusions and implications—covers program outreach, impact, and implications, and implications for future assessments.

A. Discussion

The lives of Ugandan microentrepreneurs are affected by factors internal and external to their households and enterprises. Through MFI program participation, microentrepreneurs can access lump sums of money as loans and acquire knowledge and skills. These benefits widen the choices available to clients to take risk, reduce risk, and cope with financial shocks. As a result, MFI participation holds promise for enterprise stability and growth, improved household well-being, and increased empowerment. The assessment sought to identify those changes associated with program participation, taking into account that positive changes may occur without program participation. As with any impact study, where positive linkages were found, the results indicate that program participation increases the probability of their occurring, rather than signaling that they will always occur.

The assessment sought to better understand whom the microfinance programs reach. This issue is related to the programs' stated missions and target groups. The data from the baseline survey are used to indicate the poverty level of clients.

By covering three geographic areas, the assessment focuses on determining where locational factors are most likely to affect the outcomes. Geographic location may affect the growth potential of the enterprises. The geographic locations studied range from the thriving capital city of Kampala and the small town of Masaka to rural Mbale. In particular, location is likely to affect the level of demand for goods and services and options available to microentrepreneurs and their households.

Some outside the microfinance community tend to assume that participation in an MFI program that offers credit services will certainly lead to positive impacts; to address such assumptions, this discussion examines the costs associated with MFI program participation, as well as non-program risks, before focusing on the positive aspects of program participation. Before these sections, however, the discussion addresses the question of who participates in the MFI program branches that were assessed.

1. Who Participates in the MFIs?

The 1997 baseline findings show that in lending to microentrepreneurs who have enterprises that generate a biweekly cash flow, the MFI program branches studied reach households engaged in agricultural activities. Approximately one-half of the respondent client households earned cash income from crops and livestock, and about one-half of the clients grew crops. Only one-third of the client households had a member in wage or salaried employment.

The client households normally had low levels of consumer durables and other assets, indicating that they tended to spend a high portion of their earnings on basic needs, such as food and education-related charges. The client households, however, were not impoverished and destitute. This conclusion was evident in the relatively high proportion of client households that owned radios, cultivatable land, their residence, and mattresses for each household member over the age of nine. Nevertheless, the expenditure and consumer durable asset data suggest that the rural Mbale clients tend to be poorer than clients from Masaka and Kampala.

It was also clear from the data that the client respondents were not among the wealthier segments of society. This conclusion was evident in the very low proportion of households that owned vehicles and rental units. It is also suggested by the relatively small proportion of households that have a steady flow of income from wage or salaried employment.

A participatory identification of indicators of poverty and wealth carried out in Uganda in 1999 helps in classifying the client respondents. The study of Uganda Women's Finance Trust (Wright et al. 1999b), which centered on Kampala, included program staff and clients defining characteristics and indicators of poverty and wealth in their communities. The results follow.

Extremely Poor: Irregular employment; household lacks capital to start a business; insufficient savings to access loans from MFIs.

Moderately Poor: Some savings for contingencies; consumer durables (radio, bicycle, black and white television); low-paying but steady work; secondary school fees sometimes paid in installments; small amounts of working capital for microenterprises; payment of school-related expenditures for children of relatives (orphans); and sufficient savings and time to access loans.

Vulnerable Non-poor: High-quality appliances and domestic servants; ownership of private transport; steady income from multiple sources; husband and wife both working and motivated by desire for a higher standard of living; larger amounts of capital for enterprises.

The above characteristics ipso facto exclude the extremely poor from being able to access microfinance services. They also suggest that the MFI programs studied largely reach the moderately poor, and some vulnerable non-poor. This finding is similar to that found in the Wright et al. study of Uganda Women's Finance Trust, four programs in Bolivia, and CARD Bank in the Philippines (Sebstad and Cohen 2000). As such, it suggests that the focus of impact assessments should switch from looking at the impact of MFIs on reducing poverty to assessing their impact on reducing the risk of clients and their households to falling into a downward cycle

of poverty by enabling them to better cope with economic pressures on their enterprises and households.

2. Contextual Factors Influencing Impacts

Factors external to the households and enterprises affect whether participation in the MFIs leads to positive impacts. These factors relate to the program features and to the macroeconomic environment.

Similar to other MFI programs in Uganda, the three MFIs studied—FINCA (Foundation for International Community Assistance), FOCCAS (Foundation for Credit and Community Assistance), and PRIDE (Promotion of Rural Initiatives and Development Enterprises)—follow a strategy that generally is considered in the microfinance community to represent best practices. This strategy involves lending to individuals who are members of a credit group, requiring a weekly repayment schedule with flat rates, ensuring group guarantee of loans made to its members, requiring weekly savings deposits, mandating attendance at group meetings, and providing loans at commercial interest rates. The mission of FINCA includes promoting financially sustainable groups at the village or local level, while the mission of FOCCAS and PRIDE includes achieving an operationally and financially self-sustaining organization. FOCCAS' overall mission is to improve the health and nutritional status of clients and to 'self-help' solutions to poverty in eastern Uganda.

The initial loan size varies from US\$40 for FOCCAS clients to US\$66-88 for FINCA clients in periurban and urban areas for a 16-week period. In contrast, PRIDE clients can initially borrow up to US\$132 for a 26-week period. FOCCAS links the size of subsequent loans to the value of the current loan, permitting the next loan to be 50 percent of the value of the smallest loans to 20 percent for the higher-value loans; the maximum permissible is approximately US\$435. In comparison, FINCA and PRIDE tie the size of the next loan clients may borrow to the amount the individual has saved. The maximum loan amount for FOCCAS and FINCA is under US\$550 per 16-week period, whereas PRIDE loans go up to US\$710 for up to 12 months.

The interest rates and fees vary. FOCCAS charges a flat 3 percent per month, which is equivalent to 36 percent per annum, and has no fee charges. PRIDE charges a rate equivalent to 30 percent per annum plus fees. FINCA charges an equivalent of 48 percent per annum, which covers interest and fee charges.

Participation in an MFI involves costs beyond the repayment of loan principal and interest, which reduce the risk of loan defaults and discourage well-to-do microentrepreneurs from joining. Clients of FOCCAS and FINCA make mandatory savings deposits. Although the required sums of the savings deposits are relatively small, the group may use them to pay for members who are in arrears or who default on their loans. Indirect costs are associated with attendance at weekly meetings, which last an hour or longer. Some clients cite time lost due to weekly meetings and having to pay for others in their group as problems associated with program participation.

Uganda MFI clients, like the population at large, also are affected by external factors. Structural changes in the Uganda economy have led to loss of jobs through retrenchment, a low absorption

rate of new job entrants into the formal sector of the economy, and new demands on household budgets with the establishment of health service fees (Sebstad and Cohen 2000). Although clients felt the immediate impact of these factors before the baseline study, their ramifications continued during the assessment period, late 1997 to late 1999. Also new tax collection measures and increased efficiency in collection of taxes since mid-1997 have affected household budgets (Sebstad and Cohen 2000). One positive external factor has been the introduction of universal primary education, whereby no attendance fees are charged.

Uganda is largely an agricultural economy and microentrepreneurs feel the effects of seasonal swings and fluctuations in agricultural harvests caused by changing weather conditions. Seasonal swings in demand for goods and services and food costs affect both the income and expenditures of microentrepreneurs. Seasonal swings also coincide with the timing of secondary school fees and other education-related expenditures (Sebstad and Cohen 2000). These swings are compounded by increased competition within the microenterprise sector as the unemployed and underemployed enter the sector. Hence, the assessment respondents tended to cite irregular and inadequate levels of capital flow and marketing problems as their most pressing problems. These problems are closely linked with low demand and increased competition, which respondents also cited as problems.

3. Factors Internal to Households Affecting Impacts

Events internal to the households of microentrepreneurs affect their ability to cope with external negative factors and to realize positive gains from MFI program participation. Two important internal events are (1) changes in the household structure, particularly clients' marital status, and (2) illness and death of a household member, with death of a spouse causing changes in marital status. Other events that involve unexpected financial shocks within households also affect their expenditures and ability to generate income.

Particularly in Kampala, the proportion of respondents who were widows increased dramatically: from 12 percent in 1997 to 21 percent in 1999. The increase was greater among the client than non-client respondents in Kampala. In comparison, the rate of widowhood increased from 11 percent to 16 percent in Mbale and remained constant in Masaka at 13 percent, with little difference between the comparison groups.

Overall, about 30 percent of the respondents in each comparison group reported on death of a household member in 1997 and/or 1999 as an event causing financial shock in the household in the last two years. The exact cause of death was not sought in the survey because of sensitivity surrounding infection by HIV/AIDS. Given the high prevalence of HIV/AIDS in Uganda and the high rates of widowhood reported in Kampala and Mbale, a portion of the deaths were likely to have been HIV/AIDS related. AIDS-related deaths add a psychological and latent financial burden upon the surviving partner who has been exposed to this deadly disease.

The illness of one or more household members commonly was reported as a financially demanding event among respondents' households. As Sebstad and Cohen point out, illness emerges as the most prominent economically stressful event in studies of microentrepreneurs. It tends to affect all households and happens often. Illness affects households adversely because of the costs associated with medical care, time spent caring for the ill, and the loss of an income

stream when an earning member becomes ill (Sebstad and Cohen 2000). While there may be a number of factors causing the illness, in Uganda HIV/AIDS is likely to account for a number of these.

The financial demands due to illness and death in client households, as well as the responsibility to provide assistance to non-household members, may affect clients' investment and savings levels, and acquisition of assets as well as use of income for non-essential items. When a client has enacted risk reduction measures, such as diversification of sources of income, however, MFI participation is likely to better enable their households to cope with the financial shocks.

4. The Impacts of Participation in the MFI Programs

Approximately two-thirds of the client respondents had taken at least one loan since late 1997. On average they had taken nearly four loans that totaled approximately US\$544. The average total amount varied from US\$588 in Masaka and US\$560 in Kampala to US\$440 in Mbale. The assessment found that program participation had an impact on clients' enterprises, expenditures on household assets, and agricultural activities. The impacts are summarized in table VI-1.

Table VI-1. Highlights of Impacts Found*

Variable
Enterprise Level
Added new products/services
Improved/expanded premises
Moved to new premises/sold in new market
Reduced costs by buying in bulk/wholesale prices
Increased size of stock
Increased sales volume
Increased net revenue
Household Level
Began new enterprise
Average number of new enterprises begun
Purchased a residence
Among those owning rental units in 1999, increased number of units owned
Increased amount spent on durable assets
Increased amount microentrepreneur spent on agricultural inputs
Increased number of crops the microentrepreneur cultivates
Increased amount of land the microentrepreneur cultivates
Increased household income from crops
Increased amount of land household cultivates

* The differences between clients and non-clients were statistically significant at the 0.05 level or below.

Participation in an MFI program has enabled client respondents to receive loans, save, and acquire information from their loan officers and group members about good business practices.

Clients tend to report that loan funds are spent solely or partially on their enterprises. Loan funds enable them to purchase stock, inputs, and to a much lesser extent, fixed assets (Barnes, Morris, and Gaile 1998). Participation in the MFI programs is related to clients' adding new products or services, expanding their enterprise premises, reducing costs by buying inputs in greater volume or at wholesale prices, increasing the size of their stock, and increasing their sales volume. These changes occurred in Enterprise One, the enterprise that generates revenue on a biweekly basis, and which secured the loan. Clients were also more likely than non-clients to spend a larger amount of money on enterprise assets.

A major premise is that participation leads to increased enterprise net revenues or profits. Indeed, the assessment found that clients were significantly more likely than non-clients to have increased their Enterprise One net revenue. Nevertheless, the enterprise environment, especially in Kampala and Masaka, tended to work against the majority of microentrepreneurs increasing their enterprise profits. A higher proportion of Kampala and Masaka client and non-client respondents reported a decrease rather than increase in their level of Enterprise One profits the month before the 1999 survey compared to the same month a year ago. In those locations, however, clients fared better than non-clients when considering the net difference between those with increased and those with decreased profits. The trend in Mbale among both clients and non-clients was toward higher rather than lower profit levels, and the net difference for each group was nearly the same.

The households of most client respondents, irrespective of whether or not they resided in a rural area, had access to agricultural land. The assessment found that program participation was strongly linked with clients' increasing the amount of money they spent on agricultural inputs, expanding the amount of land they cultivated, and increasing the number of crops they grew. Also program participation had a positive impact on the total amount of land client households cultivated and an increase in the amount of income the household earned from crop production. Clients' diversification of crops indicates a strategy to take advantage of market opportunities. It also suggests a strategy to make their households less reliant on the market for purchase of basic foods as a hedge against inflationary pressures that lead to increased food prices. Crop diversification also enables them to lower risks associated with diseases, pests, and fluctuations in weather by spreading their risk across a greater number of crops.

In contrast to the seasonal nature of agricultural production and enterprise revenues, rental units offer a steady flow of income throughout the year. Participation in the MFIs enabled a small but significant proportion of client households with rental units in 1999 to increase the number of units they own. Rental units may be a series of one- or two-room units joined together, a small shop together with living rooms at the back, or a house. Rental units and other types of housing represent valuable assets that serve as a store of wealth. They also suggest an increase in the financial well-being of the household.

Program participation also was closely associated with a small but significant proportion of client households purchasing the place where they lived in 1999. Ownership of the residence signifies that the household is more likely to be physically stable and to invest in improvements of their physical surroundings. Ownership of one's own home also tends to have positive,

psychological ramifications, such as increased self-esteem and pride (Sherraden 1991). Ownership of a home also presents options for use of the home for enterprise activities.

Client respondents also were empowered through MFI program participation to increase the amount of money spent on accumulation of durable household assets. They purchased these assets, such as appliances and furniture, by themselves or jointly with other household members. In terms of specific assets, in metropolitan Kampala, client households were significantly more likely than non-client households to have acquired a television set, a culturally defined status symbol that also represents an improvement in the social well-being of the household and a store of wealth. Nevertheless, it is in rural Mbale, particularly, where clients tended to report that program participation has better enabled them to acquire more household assets.

Acquisition of assets not only indicates a higher standard of living, but also a store of wealth that can be rented out or sold in case of an extreme financial crisis. The findings from this assessment are supported by a qualitative study of the Uganda Women's Finance Trust (Wright et al. 1999b), a survey of Centenary Rural Development Bank's branches in Mityana and Arua, Uganda (Gaile, Duursma, and Eturu 1999), and studies in other parts of the world (Sebstad and Cohen 2000; Sebstad and Chen 1996).

The three MFI programs emphasize saving, and they require mandatory savings. FINCA and FOCCAS groups have savings accounts with local banks; in comparison, PRIDE requires their clients, as individuals, to open savings accounts with local banks. Clearly one-third of the clients reported that participation in their MFI program has resulted in learning savings skills. Clients also value the gains that they have acquired in leadership experience. In addition, for some clients the weekly meetings become an important outlet for socializing with friends.

5. Locational Influences

Geographic location implies possible differences in availability and access to opportunities. It also may influence the demand for goods and services from an enterprise and the competition faced by that enterprise. Geographic location in this assessment refers to the district where the microentrepreneurs live and operate their business. Geographic location within a district or city or even within a particular market location is also known to influence the economic health of the enterprise.

The assessment found that geographic location was significantly related to a number of key findings associated with the enterprise. The economic environment in Kampala appears less conducive than in Masaka and Mbale to starting a new enterprise and to having a second enterprise. It also seems to discourage management changes within the enterprise. Among respondents with an Enterprise One that was in operation the last two years, Masaka respondents were most likely and Mbale respondents least likely to have added new products or services, moved to new premises or sold in new market locations, and reduced costs by buying inputs in greater volume or at wholesale prices. Nevertheless, Mbale respondents were less likely than those in other districts to report lower profits in Enterprise One last month compared to the same month the previous year. And, among those reporting their Enterprise One profits to be lower the previous month compared to the same month a year ago, Mbale respondents were less likely than those from Masaka and Kampala to report low demand/increased competition as one of the main

reasons, although the same proportion as in Masaka reported less or reduced operating capital to be one of the reasons. Mbale respondents were less likely than those in the other districts to report no difficulty in running their Enterprise One. In comparison, nearly one-half of the Kampala respondents and one-fourth of the Masaka clients cited inadequate/irregular capital flows as one of their most pressing problems.

Thus, the findings reveal that microentrepreneurs in Masaka were more active than those in other areas in making changes in their enterprises related to reducing costs and expanding their customer base. Both Masaka and Kampala respondents reported low demand/increased competition as the major constraint to running their Enterprise One. In addition, approximately one-half of them stated that their Enterprise One profits had declined when measured in terms of changes last month compared to a year ago. The results suggest that urban Kampala and Masaka microentrepreneurs face stiff competition, which leads them to actively manage their enterprises.

B. Conclusions and Implications

This section centers on the conclusions of the assessment and their implications. The assessment of the four program branches in three different locations provides solid data on whom these programs reach. The findings from the FOCCAS clients in rural Mbale, FINCA clients in Kampala and Masaka, and PRIDE clients from Masaka reveal a range of positive impacts from participation in the MFI programs. The results provide strong evidence of impacts for those re-interviewed. The 22 percent of the original client sample who were not re-interviewed tended to have different personal characteristics but did not differ from the clients re-interviewed in terms of the number of loans they had received by the time of the 1997 interview. Thus, the impact findings are definitive in terms of those re-interviewed and indicate in general the impacts from participation in the MFI branches studied. Since the impact results are similar to those found in other studies undertaken in Uganda, the similarity underscores the strength and the conclusions reached in this assessment. The information from the randomly selected clients and non-clients who were re-interviewed makes a strong case that on a number of variables positive changes are more likely to occur with, rather than without, participation in these programs studied.

1. Program Outreach

The assessment found that the MFI program branches studied are reaching their target group—primarily moderately poor microentrepreneurs. This conclusion is based on the findings that show the client respondents had some basic durable assets, such as radios and cookers. The data on expenditure and ownership of durable assets suggest that FOCCAS reaches some households who are in the lower range of those who are labeled as moderately poor.

The client and non-client respondents were not among the extremely poor or destitute. They operated an enterprise that generates a flow of income on a biweekly basis and had some household durable assets. Client respondents had at least small amounts of money that they could save to meet program requirements.

The findings show that the MFI programs may include a small number of vulnerable non-poor, but they do not include the wealthy. The strategies and requirements of the three MFIs help to

screen out the wealthy. Vulnerable non-poor microentrepreneurs are those who belong to households with vehicles and a steady stream of income from wage or salaried employment and rental properties. Nevertheless, their households are vulnerable to falling into poverty as a result of financial shocks, particularly illness and death of the major income earners.

Since the three MFI programs extend loans to individuals through groups whose members co-guarantee loans, the groups tend to select individuals who they think will be diligent in repaying their loans in a timely manner. The group selection procedure is likely to work against those from households with erratic or extremely low levels of income. The market for financial services delivered in this manner, however, seems to be large, given the rapid expansion of the three MFI programs between 1997 and 1999.

2. Program Impacts

The findings on select impact indicators suggest that the MFI programs help clients reduce their financial vulnerability through diversification of income sources and accumulation of durable assets. All Ugandan microentrepreneurs face the possibility of financial shocks and economic stresses. Examples of shocks within households include illness and death of members, while economic stresses from the larger environment include increasing business competition, decreasing demand for some products and services, and seasonal swings in sales and income for activities linked to agriculture.

The study found that program participation is strongly associated with specific types of diversification of income sources. The diversification involved households establishing new enterprises and clients increasing the number of crops cultivated. Diversification is a primary strategy for spreading risk across a number of income sources.

The MFI programs also have an impact on the asset base of client households. The study found that clients spent more on durable assets, increased their ownership of residences, and among those who owned rental units in 1999, increased the number of rental units owned. These assets represent a store of wealth that can be divested, liquidated, or rented out to meet an unexpected financial need.

The assessment found positive impacts at the enterprise level. Program participation was strongly linked with clients' adding new products or services, moving to new premises or selling in new markets, reducing costs by buying in bulk, and increasing the size of their stock and sales volume. These changes occurred within the enterprises that generate cash on a regular basis. Access to lump sums of cash provides clients a broader range of choices for managing their enterprises and for taking advantage of opportunities that require chunks of money. Loan funds or profits from use of the loans open up a range of choices that microentrepreneurs otherwise would be unlikely to have.

Moreover, the results suggest that increased enterprise net revenue is more likely to occur with program participation than without. The study found that clients were significantly more likely than non-clients to have increased their enterprise net revenues. Those experiencing an increase, however, were not in the majority. The general trend was for lower rather than higher levels of net revenue. The net difference between those with higher and those with lower net revenues

reveals that more clients were able to cope with the negative economic pressures than non-clients.

Participation in the microfinance programs results in clients' acquiring valued skills and knowledge. In a self-assessment, clients mentioned that acquiring savings skills and gaining business-related knowledge and skills were among the most important positive results of participation in their credit program.

3. Program Implications

The study findings suggest that, among clients who had dropped out of their MFI program, more did so because of MFI lending strategy than did those who left because of factors within the clients' household and enterprise. The reasons cited centered mainly on transaction costs, in particular attendance at the mandatory weekly meetings and payments to cover group members who default. The data suggest MFI programs in Kampala and Masaka might investigate the feasibility of providing individual loan products to participants who have been diligent in repaying their group loans, who would like to graduate to larger loans than the groups provide, and who have some collateral to secure the loans. This type of product should be only for a niche market of entrepreneurs, however, and may not be applicable to MFIs that exclusively target microentrepreneurs from low-income households.

Overall, the current lending strategy of the three assessed MFIs tends to be suitable for and appreciated by a large proportion of the clients. The positive feedback from the clients in 1999 indicates that approximately one-fifth of the participants from the urban areas enjoy the weekly meetings and more than one-half mention skills and knowledge acquired, which are associated with these meetings. Also the feedback from clients, as well as the survey data, suggests that the discipline required to make weekly payments and savings contributions is appropriate, and that group loan guarantees are good safeguards, given the financial crises and economic stresses clients and their households experience.

The findings on enterprise net revenues suggest that a steady increase in loan size with each loan cycle may not be appropriate for some continuing clients. The programs might want to review their policies and the practices within loan groups with a view to ensuring that clients do not feel compelled or pressured each cycle to take larger loan amounts that are difficult for them to repay. New strategies might be required to accommodate flexible and variable loan sizes within groups.

The low proportion of non-clients who have savings accounts with formal institutions suggests that there may be an unmet demand for savings accounts with formal institutions. If the regulations that prevent nongovernmental organization (NGO) MFIs from providing savings services are changed, there may be a market for organizations that provide microentrepreneurs with access to services that enable them to deposit small amounts as frequently as possible and have easy access to their savings.

Households of microentrepreneurs often face financial shocks from illness and death. In addition, they normally are responsible for school-related expenditures. Easy access to savings and other financial services to help them meet medical, funeral, and education expenses may be viable MFI

activities. The experience gained by FINCA's insurance products should provide a better understanding of the financial viability of such products and their effectiveness.

4. Implications for Future Assessments

The assessment highlights a number of positive impacts of program participation at the enterprise, household, and individual levels that can help guide future impact studies in Uganda. It also shows that expenditure on household assets can be a good proxy indicator. The study indirectly suggests the importance of using a comparative non-client group to be able to associate changes with program participation. The value of the two-year interval, in spite of difficulties in relocating respondents, has been that the 24-month timeframe has permitted identification of impacts over time and has controlled for seasonal fluctuations by holding the baseline and follow-on interviews during the same months. Finally, the assessment confirms the value of including questions about client satisfaction in impact surveys.

ANNEX 1

FINANCIAL PORTFOLIOS OF PRIDE, FINCA, AND FOCCAS

Table 1. PRIDE Uganda

	1996	1997	1998	1999 (Oct)
Activities				
Amount of loans outstanding year start USH'000	-	25,500.0	468,000.0	1,983,257.7
Amount of loans outstanding year end USH'000	25,500.0	468,000.0	1,983,257.7	3,190,015.1
Average amount of loans outstanding (1+2) USH'000	12,750.0	246,750.0	1,225,628.9	2,586,636.4
Number of loans outstanding year end	211	3,700	12,636	16,532
Average loan size USH'000	120.9	126.5	157.0	193.0
Delinquency rate %	0%	0%	NI	NI
Long run loss rate %	0%	0%	NI	NI
Interest Rates and Fees				
Nominal interest rate %	-	-	30%	30%
Local interbank interest rate	NI	NI	NI	NI
Inflation rate %	-	-	-	-
Client Revenues				
Interest income from clients USH'000	8,57.9	77,277.3	536,119.7	1,217,932.2
Fee income from clients USH'000	2,849.7	37,834.4	110,887.6	168,425.5
Total client revenue USH'000	11,807.4	116,110.8	647,007.3	1,386,357.7
Non-financial expenses USH'000	100,954.8	590,477.7	1,256,296.5	1,015,447.7
Depreciation of fixed assets USH'000	0	10,950.0	7,259.3	61,460.1
Loan loss provision USH'000	0	657.0	38,443.0	24,089.7
Total non-financial expenses USH'000	100,954.8	602,084.6	1,301,998.8	1,100,997.5
Adjusted financial expenses USH'000	3,187.5	56,752.5	63,800.0	53,166.7
Total expenses USH'000	104,142.3	658,837.2	1,365,798.8	1,154,164.2
Return on operations	11.15%	17.47%	47.37%	120%
Exchange rate year begin US\$1.00=	1,045.0	1,020.0	1,170.0	1,363.0
Exchange rate year end US\$1.00=	1,020.0	1,170.0	1,363.0	1,500.0

Notes: (1) NI=No information. (2) A minus sign (-) indicates less than 1 percent. (3) Non-financial expenses have been taken as all expenses minus interest paid on borrowed funds. (4) Adjusted financial expenses have been as interest on borrowed funds at a commercial rate of 22 percent p.a.

Table 2. FINCA Uganda

	1997 (Aug)	1998	1999
Account			
Cash and bank USH'000		687,811.5	946,312.9
Current loan portfolio USH'000		1,170,040.2	1,719,224.4
Loan loss provision USH'000		(19,163.1)	(56,116.8)
Activities			
Value of loans outstanding at beginning of calendar year/period USH'000	216,733.0	749,768.9	1,170,040.2
Value of loans outstanding at end calendar year/period USH'000	565,235.0	1,170,040.2	1,719,224.4
Number of loans outstanding year (period) beginning		10,429	16,547
Number of loans outstanding year (period) end	8,473	17,228	20,769
Value of loans disbursed in year/period USH'000		4,688,759.0	2,532,274.0
Number of loans disbursed during year/period		36,005	
Average loan size USH'000		130.0	
Delinquency rate %	NI	NI	NI
Long run loss rate %	NI	NI	NI
Clients exiting program during year/period		6,400	9,428
Exits as percentage of disbursements		17.7%	17.7%
Interest Rates and Fees			
Nominal interest rate % (payment monthly flat %)	36% + 1% fee per month	36% + 1% fee per month	48%
Local interbank interest rate		-	-
Inflation rate %		-	-
Client Revenues			
Interest income from clients USH'000	213,833.0*	579,685.23	1,204,746.1
Fee income from clients USH'000		407.8	347.1
Total client revenue/loan income USH'000		580,093.07	
Expenses			
Total financial expenses USH'000		4,148.5	288,124.3
Non-financial expenses USH'000		-	-
Depreciation of fixed assets USH'000		36,527.8	50,235.7
Total non-financial expenses USH'000	291,515.0	-	-
Adjusted financial expenses USH'000	49,264.0	-	-
Total operating expenses USH'000 USH'000		688,770.0	1,178,690.4
Profit/(loss) on financial services USH'000		(113,606.7)	(233,536.5)
Exchange rate year begin US\$1.00=		-	1350
Exchange rate year end US\$1.00=		-	1500

Notes: (1) NI=No information. (2) A minus sign (-) indicates less than 1 percent. (3) Unexplained difference between 1998 year end and 1999 year beginning. (4) The 1 percent fee per month was amalgamated with the 36 percent in June 1999. *** Includes fee income.

Table 3. FOCCAS Uganda

	1997	1998	1999
Account			
Cash and bank US\$ '000		151,401.4	534,028.2
Current loan portfolio US\$ '000		416,160.9	311,775.3
Loan loss provision US\$ '000		(8,015.6)	(25,430.5)
Activities			
Value of loans outstanding at beginning of calendar year/period US\$'000	126,420.0	652,301.2	416,160.9
Value of loans outstanding at end calendar year/period US\$'000	652,301.2	416,160.9	311,775.3
Number of loans outstanding year (period) beginning		NI	3,883
Number of loans outstanding year (period) end	2,488	7,170	6,671
Value of loans disbursed in year/period US\$'000		NI	1,393,760.8
Number of loans disbursed during year/period		NI	16,751
Average loan size US\$'000		NI	62.3
Loans written off US\$'000		0	66,938.2
Delinquency rate %		NI	NI
Long run loss rate %		NI	1.4%
Number clients exiting program during year/period		NI	922
Exits as percentage of disbursements		NI	5.5%
Interest Rates and Fees			
Nominal interest rate %	36%	36%	36%
Local interbank interest rate		9%	10%
Inflation rate %		8%	10%
Client Revenues			
Interest income from clients US\$'000	5,851.0*	148,774.2	246,626.9
Fee income from clients		0	0
Total client revenue/loan income US\$'000		148,774.2	246,626.9
Expenses			
Operating expenses (staff/administration) US\$'000	121.2	248,503.4	556,848.6
Depreciation of fixed assets US\$'000	12.8	26,399.3	56,298.8
Total non-financial expenses US\$'000	134.0	274,902.7	613,147.4
Financial expenses US\$'000	6.3	15,154.9	11,276.4
Total expenses US\$'000	140.4	290,057.6	624,423.8
Profit/(loss) on financial services US\$'000		237,863.6	151,403.4
Exchange rate year begin US\$1.00=		1,350	1,500
Exchange rate year end US\$1.00=		1,500	1,600

Note: NI=No information.

* Includes income from other than client interest payments.

ANNEX 2 ADDITIONAL TABLES

Table 1. Distribution of Number of MFIs to Which Respondents Belonged in 1999

Number of MFIs to which Respondents belonged in 1999	Status of Respondent in 1997				Total (N=894)
	Non-client (N=323)	FINCA (N=281)	PRIDE (N=143)	FOCCAS (N=147)	
None	91%	31%	45%	18%	53%
One	8%	64%	52%	81%	45%
Two	.3%	5%	3%	.7%	2%
Three	0%	.4%	0%	0%	.1%
Total	100%	100%	100%	100%	100%

Table 2. Distribution of Clients Who Have Ever Stopped Borrowing From an MFI in the Last Two Years While Still in the Program Group, by District (N=559)

District	Frequency	Percentage
Masaka	71	25%
Kampala	52	40%
Mbale	23	16%
Total	146	26%

Differences among the three districts are statistically significant ($p = 0.01$).

Table 3. Reasons Why Clients Stopped Borrowing From an MFI in the Last Two Years While Still in the Program Group, by District

Reason for Taking a "Rest"	Masaka		Kampala		Mbale		Total	
Didn't Need Loan at that Time	6	9%	7	14%	3	13%	16	11%
Had Problems with the Repayment Schedule	13	19%	11	22%	9	39%	33	23%
Needed a Rest Before Taking Another Loan	9	13%	14	28%	3	13%	26	18%
Had Family Problems	12	18%	9	18%	5	22%	26	18%
Had Enterprise Problems	15	22%	10	20%	5	22%	30	21%
Others	22	32%	2	4%	3	13%	27	19%

Multiple responses possible.

Table 4. Distribution of Clients Who Moved From One Program to Another, or From a Program to a Bank During the Last Two Years and Reasons Why, by District (N=565)

Moved to Another Program or Bank*	Frequency		Percentage			
Masaka	32		11%			
Kampala	16		12%			
Mbale	1		1%			
Total	49		9%			
Reason for Moving to Another Program	Masaka		Kampala		Total	
Loan Size was Better	7	23%	7	47%	14	30%
Interest Rate was Better	4	13%	2	13%	6	13%
Loan Period Suited my Needs	5	16%	9	60%	14	30%
I had Problems with Former Group	7	23%	4	27%	11	24%
Others	12	39%	3	20%	15	33%

*Differences among the three districts are statistically significant ($p = 0.01$). Percentages in each district are based on district totals.

**Multiple responses possible.

Table 5 Distribution of Respondents Who Received Non-MFI/Bank Loans Over the Last Two Years, 1999 (N=34)

Source of (non-MFI/Bank) Loan	Clients (N=17)		Non-clients (N=17)		Total (N=34)	
Masaka						
Friends, Other individuals	1	11%	1	33%	2	17%
Other non-MFI/Bank sources	8	89%	2	67%	10	83%
Kampala						
Friends, Other individuals	1	14%	6	100%	7	54%
Other non-MFI/Bank sources	6	86%	0	0%	6	46%
Mbale						
Friends, Other individuals	1	100%	8	100%	9	100%
Other non-MFI/Bank sources	0	0%	0	0%	0	0%
Total (Overall)						
Friends, Other individuals	3	18%	15	88%	18	53%
Other non-MFI/Bank sources	14	82%	2	12%	16	47%

Table 6. Two Most Important Problems Clients Experienced as a Result of Participating in FINCA/PRIDE/FOCCAS Program (N=333)

Type of the Two Most Important Problems	Masaka		Kampala		Mbale		Total	
Lost Property/Assets	7	4%	3	4%	8	13%	18	5%
Diversion of Loan by Others (Not Spouse) Resulting in Payment Problems	8	4%	1	1%	7	11%	16	5%
Diversion of Loan by Respondent Resulting in Repayment Problems	4	2%	5	6%	16	25%	25	8%
Got Further in Debt Trying to Repay Loan	5	3%	5	6%	8	13%	18	5%
Theft of Loan Proceeds	2	1%	7	8%	6	9%	15	5%
Domestic Quarrels/Marriage Break-up	2	1%	1	1%	5	8%	8	2%
Lost Time to Weekly Meetings	47	25%	24	28%	6	9%	77	23%
Lost Access to Savings by Being Member of a Group	6	3%	3	4%	6	9%	15	5%
Interest on Savings Too Low	6	3%	6	7%	3	5%	15	5%
Had to Pay for Others in my Group	19	10%	17	20%	15	23%	51	15%
Loan Too Small	34	18%	10	12%	2	3%	46	14%
Problem with (Rude) Credit Officers	4	2%	4	5%	1	2%	9	3%
Unfair Rules/Fines	9	5%	6	7%	0	0%	15	5%
Short (No) Grace Period	32	17%	19	22%	0	0%	51	15%
Interest on Loan Too High	28	15%	5	6%	0	0%	33	10%
Weekly Loan Repayments are Too Demanding	50	27%	6	7%	5	8%	61	18%
Others (e.g. Lost Access to Savings When Bank Closed, Mandatory Savings Too High, Doesn't Like to be Paid in Groups)	13	7%	3	4%	2	3%	18	5%

Percentages for each district are based on district totals.

Table 7. Two Most Important Positive Results of Participation in Credit Programs (N=496)

Most Positive Result	Masaka		Kampala		Mbale		Total	
Business has grown (more assets, greater Sales etc.)	91	35%	25	21%	21	18%	137	28%
More household assets now	22	8%	2	2%	25	21%	49	10%
Able to pay school expenses	41	16%	20	17%	11	9%	72	15%
Able to meet basic family needs	47	18%	30	26%	71	60%	148	30%
Health – related training was useful	N/A	%	N/A	%	15	13%	15	3%
Business-related training was helpful	34	13%	25	22%	27	23%	86	17%
Other skills training was helpful	4	2%	10	9%	3	3%	17	3%
Now able to use money more optimally in H/H and in business	15	6%	9	8%	2	2%	26	5%
Learned saving skills	101	39%	48	42%	18	15%	167	34%
I have a place to put my savings	8	3%	7	6%	1	1%	16	3%
I enjoy the weekly meetings because I socialise with friends	57	22%	21	18%	7	6%	85	17%
I have gained leadership experience	5	2%	10	9%	3	3%	18	4%
I have gained confidence and self-esteem	7	3%	10	9%	9	8%	26	5%
I have access to a loan facility/can use sales revenue for other things	36	14%	10	9%	5	4%	51	10%
Others (upright policies in MFI, taught to be hard working)	6	2%	0	0%	1	1%	7	1%

Percentages for each district are based on district totals.

ENTERPRISE LEVEL DATA

Table 8. Reasons Why 1997 Enterprise One No Longer Existed in 1999 (N=221)

Reason	Clients		Non-clients		Total	
Masaka						
Changed Locations	4	5%	1	5%	5	5%
Business Became Unprofitable	33	42%	8	36%	41	41%
Started Better Business	6	8%	3	14%	9	9%
Loan Problems	4	5%	0	0%	4	4%
Theft	27	34%	8	36%	35	35%
Closed Business	4	5%	2	9%	6	6%
School Fees	1	1%	0	0%	1	1%
Total (Masaka)	79	100%	22	100%	101	100%
Kampala						
Changed Locations	1	3%	5	31%	6	13%
Business Became Unprofitable	16	53%	4	25%	20	44%
Started Better Business	5	17%	2	13%	7	15%
Loan Problems	3	10%	0	0%	3	7%
Theft	5	17%	4	25%	9	20%
Closed Business	0	0%	1	6%	1	2%
School Fees	0	0%	0	0%	0	0%
Total (Kampala)	30	100%	16	100%	46	100%
Mbale						
Changed Locations	1	3%	1	3%	2	3%
Business Became Unprofitable	20	54%	20	54%	40	54%
Started Better Business	1	3%	2	5%	3	4%
Loan Problems	3	8%	0	0%	3	4%
Theft	9	24%	13	35%	22	30%
Closed Business	3	8%	1	3%	4	5%
School Fees	0	0%	0	0%	0	0%
Total (Mbale)	37	100%	37	100%	74	100%
Total (Overall)						
Changed Locations	6	4%	7	9%	13	6%
Business Became Unprofitable	69	47%	32	43%	101	46%
Started Better Business	12	8%	7	9%	19	9%
Loan Problems	10	7%	0	0%	10	5%
Theft	41	28%	25	33%	66	30%
Closed Business	7	5%	4	5%	11	5%
School Fees	1	1%	0	0%	1	1%
Total (Overall)	146	100%	75	100%	221	100%

Table 9. Respondents Whose 1999 Enterprise One is the Same as 1997 Enterprise One (N=894)

Reason	Clients		Non-clients		Total	
Masaka						
Didn't Have Enterprise One in 1997 Nor in 1999	0	0%	0	0%	0	0%
1999 Enterprise One the Same as 1997 Ent. One	202	69%	93	81%	295	73%
1999 Enterprise One Not the Same as 1997 Ent. One	75	26%	16	14%	91	22%
Didn't Have Enterprise One in 1997 But Does Have Ent. One in 1999	1	0%	0	0%	1	0%
1997 Enterprise One is No Longer Operational in 1999	13	5%	6	5%	19	5%
Total (Masaka)	291	100%	115	100%	406	100%
Kampala						
Didn't Have Enterprise One in 1997 Nor in 1999	0	0%	1	1%	1	1%
1999 Enterprise One the Same as 1997 Ent. One	98	73%	59	79%	157	75%
1999 Enterprise One Not the Same as 1997 Ent. One	29	22%	11	15%	40	19%
Didn't Have Enterprise One in 1997 But Does Have Ent. One in 1999	0	0%	0	0%	0	0%
1997 Enterprise One No Longer Operational in 1999	7	5%	4	5%	11	5%
Total (Kampala)	134	100%	75	100%	209	100%
Mbale						
Didn't Have Enterprise One in 1997 Nor in 1999	0	0%	0	0%	0	0%
1999 Enterprise One the Same as 1997 Ent. One	103	70%	89	67%	192	69%
1999 Enterprise One Not the Same as 1997 Ent. One	33	22%	17	13%	50	18%
Didn't Have Enterprise One in 1997 But Does Have Ent. One in 1999	2	1%	2	2%	4	1%
1997 Enterprise One No Longer Operational in 1999	9	6%	24	18%	33	12%
Total (Mbale)	147	100%	132	100%	279	100%
Total (Overall)						
Didn't Have Enterprise One in 1997 Nor in 1999	0	0%	1	0%	1	0%
1999 Enterprise One the Same as 1997 Ent. One	403	71%	241	75%	644	72%
1999 Enterprise One Not the Same as 1997 Ent. One	137	24%	44	14%	181	20%
Didn't Have Enterprise One in 1997 But Does Have Ent. One in 1999	3	1%	2	1%	5	1%
1997 Enterprise One No Longer Operational in 1999	29	5%	34	11%	63	7%
Total (Overall)	572	100%	322	100%	894	100%

*Those indicating no enterprise One in 1997 represent those who had a joint family enterprise.

Table 10. Distribution of Respondents with 1999 Enterprises One That Was Operating Two Years Ago, 1999 (N=811)

District	Clients (N = 572)		Non-clients (N = 318)		Total (N=890)	
Masaka	253	91%	104	95%	357	92%
Kampala	109	87%	62	87%	171	87%
Mbale	107	82%	89	91%	196	86%
Total	469	88%	255	92%	724	89%

The results are statistically significant (p=0.03) among districts in the percentage of respondents whose Enterprise One was operational two years ago.

Table 11. Respondents for Whom 1999 Enterprise Two is the Same as 1997 Enterprise Two (N=894)

Whether Enterprise Two is the Same	Clients		Non-clients		Total	
Masaka						
Didn't Have Enterprise Two in 1997 Nor in 1999	66	57%	105	36%	171	42%
1999 Enterprise Two the Same as 1997 Ent. Two	7	6%	21	7%	28	7%
1999 Enterprise Two Not the Same as 1997 Ent. Two	1	1%	33	11%	34	8%
Didn't Have Enterprise Two in 1997 But Does Have Ent. Two in 1999	36	31%	110	38%	146	36%
1997 Enterprise Two No Longer Operational in 1999	5	4%	22	9%	28	8%
Total (Masaka)	115	100%	201	100%	406	100%
Kampala						
Didn't Have Enterprise Two in 1997 Nor in 1999	67	89%	81	60%	148	71%
1999 Enterprise Two the Same as 1997 Ent. Two	1	1%	9	7%	10	5%
1999 Enterprise Two Not the Same as 1997 Ent. Two	0	0%	13	10%	13	6%
Didn't Have Enterprise Two in 1997 But Does Have Ent. Two in 1999	7	9%	22	16%	29	14%
1997 Enterprise Two No Longer Operational in 1999	0	0%	9	7%	9	4%
Total (Kampala)	75	100%	134	100%	209	100%
Mbale						
Didn't Have Enterprise Two in 1997 Nor in 1999	98	74%	80	54%	178	64%
1999 Enterprise Two the Same as 1997 Ent. Two	0	0%	8	5%	8	3%
1999 Enterprise Two Not the Same as 1997 Ent. Two	3	2%	8	5%	11	4%
Didn't Have Enterprise Two in 1997 But Does Have Ent. Two in 1999	25	19%	45	31%	70	25%
1997 Enterprise Two No Longer Operational in 1999	6	5%	6	4%	12	4%
Total (Mbale)	132	100%	147	100%	279	100%
Total (Overall)						
Didn't Have Enterprise Two in 1997 Nor in 1999	231	72%	266	47%	497	56%
1999 Enterprise Two the Same as 1997 Ent. Two	8	3%	38	6%	46	5%
1999 Enterprise Two Not the Same as 1997 Ent. Two	4	1%	54	9%	58	7%
Didn't Have Enterprise Two in 1997 But Does Have Ent. Two in 1999	68	21%	177	31%	245	27%
1997 Enterprise Two No Longer Operational in 1999	11	3%	37	7%	48	5%
Total (Overall)	322	100%	572	100%	894	100%

Table 12. Distribution of Respondents Indicating That 1999 Enterprise Two is in the Same Sector as 1997 Enterprise Two (N=92)

District	Clients		Non-clients		Total	
Masaka	29	48%	8	8%	37	54%
Kampala	7	78%	0	0%	7	70%
Mbale	10	83%	1	100%	11	8%
Total	46	57%	9	82%	55	60%

Overall, there are no statistically significant differences between clients and non-clients ($p=0.11$) or among districts ($p=0.09$). Percentages for each district are based on district totals.

Table 13. Distribution of Client Respondents Who Acquired at Least One Fixed Asset With an MFI Loan (N=572)

District	1997		1999	
Masaka	1	3%	13	5%
Kampala	3	2%	5	4%
Mbale	1	1%	3	2%
Total	6	1%	21	4%

Percentages for each district are based on district totals.

Table 14. (Only Respondents with Enterprise Ones That Were Operational Two Years Ago) – Respondents Who Have Added New Products or Services to Enterprise One in the Last Two Years, 1999 (N=722)

District	Clients (N=468)		Non-clients (N=254)		Total	
Masaka	87	34%	31	30%	118	33%
Kampala	31	28%	10	16%	41	24%
Mbale	26	24%	12	13%	38	19%
Total	144	30%	53	21%	197	27%

Overall, the results are statistically significant among districts ($p=0.03$) and between client and non-client respondents ($p=0.01$).

Table 15 (Only Respondents with Enterprise Ones That Were Operational Two Years Ago) – Whether Enterprise One Premises Improved or Expanded (N=171)

Whether Premises Improved or Expanded	Clients (N=464)		Non-clients (N=253)		Total	
Masaka	64	26%	19	18%	83	23%
Kampala	33	30%	11	18%	44	26%
Mbale	17	16%	7	8%	24	12%
Total	114	25%	37	15%	151	21%

Overall, the results are statistically significant among districts ($p=0.01$) and between client and non-client respondents ($p=0.01$).

Table 16. (Only Respondents with Enterprise Ones That Were Operational Two Years Ago and Have Moved to New Premises or Sold in a New Market) – Respondents Who Indicated That Moving Enterprise One to a New Premise or Selling in New Market Locations Has Improved Profits in the Last Two Years, 1999 (N=91)

District	Clients (N=69)		Non-clients (N=22)		Total	
Masaka	36	71%	7	58%	43	68%
Kampala	7	54%	3	100%	10	63%
Mbale	3	60%	4	57%	7	58%
Total	46	67%	14	64%	60	66%

The differences are not statistically significant.

Table 17. (Only Respondents With Enterprise Ones That Were Operational Two Years Ago) – Respondents Who Have Reduced Costs of Enterprise One by Buying Inputs in Greater Volume or at Wholesale Prices in the Last Two Years, 1999 (N=718)

District	Clients (N=465)		Non-clients (N=253)		Total	
Masaka	104	41%	37	36%	141	40%
Kampala	36	33%	11	18%	47	28%
Mbale	26	25%	13	15%	39	20%
Total	166	36%	61	24%	227	32%

Overall, the results are statistically significant among districts ($p=0.01$) and between client and non-client respondents ($p=0.01$). Within districts, statistically significant differences exist between clients and non-clients only in Kampala District ($p=0.03$).

Table 18. Change in Quantity of Enterprise One Stock Compared to Two Years Ago, Among Respondents with Enterprise Ones That Were Operational Two Years Ago, 1999 (N=717)

Comparison 1999 with 1997	Clients		Non-clients		Total	
Masaka						
Stock is Larger	115	46%	38	37%	153	43%
Stock is Smaller	77	31%	38	37%	115	33%
Stock is About the Same	58	23%	28	27%	86	24%
Total (Masaka)	250	100%	104	100%	354	100%
Kampala						
Stock is Larger	47	44%	16	26%	63	38%
Stock is Smaller	38	36%	20	33%	58	35%
Stock is About the Same	22	21%	25	41%	47	28%
Total (Kampala)	107	100%	61	100%	168	100%
Mbale						
Stock is Larger	36	34%	33	37%	69	35%
Stock is Smaller	22	21%	11	12%	33	17%
Stock is About the Same	48	45%	45	51%	93	48%
Total (Mbale)	106	100%	89	100%	195	100%
Total (Overall)						
Stock is Larger	198	43%	87	34%	285	40%
Stock is Smaller	137	30%	69	27%	206	29%
Stock is About the Same	128	28%	98	39%	226	32%
Total (Overall)	463	100%	254	100%	717	100%

Overall, the results are statistically significant among districts ($p=0.01$) and between clients and non-clients ($p=0.01$). Within districts, the differences between clients and non-clients in Kampala District are statistically significant ($p=0.01$).

Table 19. (Only Respondents with Enterprise Ones That Were Operational Two Years Ago) – Change in Sales Volume of Enterprise One Compared to Two Years Ago, 1999 (N=715)

Enterprise One Sales Volume Compared to Two Years Ago	Clients		Non-clients		Total	
Masaka						
Larger	118	47%	36	35%	154	44%
Smaller	72	29%	40	39%	112	32%
About the Same	59	24%	28	27%	87	25%
Total (Masaka)	249	100%	104	100%	353	100%
Kampala						
Larger	45	42%	13	22%	58	35%
Smaller	28	26%	14	23%	42	25%
About the Same	35	32%	33	55%	68	40%
Total (Kampala)	109	100%	60	100%	169	100%
Mbale						
Larger	48	45%	41	47%	89	46%
Smaller	16	15%	8	9%	24	12%
About the Same	42	40%	39	44%	81	42%
Total (Mbale)	106	100%	88	100%	194	100%
Total (Overall)						
Larger	211	46%	90	36%	301	42%
Smaller	116	25%	62	25%	178	25%
About the Same	136	29%	100	40%	236	33%
Total (Overall)	463	100%	252	100%	715	100%

Overall, there are statistically significant differences among districts ($p=0.01$) and between clients and non-clients ($p=0.01$). Within districts, the clients and non-clients results are statistically significant in Kampala District ($p=0.01$).

Table 20. Change in Enterprise One Total Costs Last Month Compared to the Same Month Last Year, 1999 (N=801)

Enterprise One Total Costs Compared to Same Month Last Year	Clients		Non-clients		Total	
Masaka						
Lower	90	33%	39	37%	129	34%
About the Same	29	11%	17	16%	46	12%
Higher	123	45%	44	42%	167	44%
Much Higher	8	3%	2	2%	10	3%
Business Not Open Last Year	22	8%	4	4%	26	7%
Total (Masaka)	272	100%	106	100%	378	100%
Kampala						
Lower	28	22%	13	19%	41	21%
About the Same	11	9%	11	16%	22	11%
Higher	71	57%	38	55%	109	56%
Much Higher	9	7%	3	4%	12	6%
Business Not Open Last Year	6	5%	4	6%	10	5%
Total (Kampala)	125	100%	69	100%	194	100%
Mbale						
Lower	19	15%	11	11%	30	13%
About the Same	59	47%	57	55%	116	51%
Higher	39	31%	33	32%	72	31%
Much Higher	3	2%	1	1%	4	2%
Business Not Open Last Year	5	4%	2	2%	7	3%
Total (Mbale)	125	100%	104	100%	229	100%
Total (Overall)						
Lower	137	26%	6323	200%	25	
About the Same	99	19%	85	31%	184	23%
Higher	233	45%	115	41%	348	43%
Much Higher	20	4%	6	2%	26	3%
Business Not Open Last Year	33	6%	10	4%	43	5%
Total (Overall)	522	100%	279	100%	801	100%

Overall, there are statistically significant differences among districts ($p=0.01$) and between client vs. non-client respondents ($p=0.01$).

Table 21. Change in Enterprise One Total Sales Revenue Last Month Compared to the Same Month Last Year, 1999 (N=763)

Enterprise One Sales Revenue as Compared to Same Month Last Year	Clients		Non-clients		Total	
Masaka						
Lower	105	42%	59	57%	164	46%
About the Same	24	10%	12	12%	36	10%
Higher	115	46%	31	30%	146	41%
Much Higher	5	2%	1	1%	6	2%
Business Not Open Last Year	1	0%	1	1%	2	1%
Total (Masaka)	250	100%	104	100%	354	100%
Kampala						
Lower	52	43%	25	38%	77	41%
About the Same	14	12%	15	23%	29	16%
Higher	43	36%	24	36%	67	36%
Much Higher	10	8%	1	2%	11	6%
Business Not Open Last Year	2	2%	1	2%	3	2%
Total (Kampala)	121	100%	66	100%	187	100%
Mbale						
Lower	21	18%	17	17%	38	17%
About the Same	45	38%	48	47%	93	42%
Higher	54	45%	35	34%	89	40%
Much Higher	0	0%	2	2%	2	1%
Business Not Open Last Year	0	0%	0	0%	0	0%
Total (Mbale)	120	100%	102	100%	222	100%
Total (Overall)						
Lower	178	36%	101	37%	279	37%
About the Same	83	17%	75	28%	158	21%
Higher	212	43%	90	33%	302	40%
Much Higher	15	3%	4	2%	19	3%
Business Not Open Last Year	3	1%	2	1%	5	1%
Total (Overall)	491	100%	272	100%	763	100%

Overall, there are statistically significant differences among districts ($p=0.01$) and between client vs. non-client respondents ($p=0.01$). In general, the percentage of client respondents whose Enterprise One total sales revenue is higher than that of the same month last year is significantly higher than that of the client respondents. Similarly, the percentage of Mbale respondents whose sales revenue is lower than that of the same month last year is significantly higher than in other districts. Within districts, there were no statistically significant differences between clients vs. non-clients though in both Masaka and Mbale, the percentage of client respondents who reported a higher sales revenue than that of the same month last year was noticeably higher than the non-clients in those two districts.

Table 22: Distribution of Change in Net Revenues (Profits) by Enterprise One Sector

Change in Net Revenues in 1999	Enterprise One Sector									
	Trade		Agriculture		Services		Manufacturing		Total	
Clients										
Revenues lower than 1997	129	50%	17	36%	52	39%	22	56%	220	46%
About the same	29	11%	3	6%	21	16%	3	8%	56	12%
Higher than 1997	102	39%	27	57%	62	46%	14	36%	205	43%
Total (Clients)	260	100%	47	100%	135	100%	39	100%	481	100%
Non-clients										
Revenues lower than 1997	77	50%	4	50%	32	36%	10	48%	123	46%
About the same	28	18%	-	-	32	36%	4	19%	64	24%
Higher than 1997	48	31%	4	50%	24	27%	7	33%	83	31%
Total (Non-clients)	153	100%	8	100%	88	100%	21	100%	270	100%
Total										
Revenues lower than 1997	206	50%	21	38%	84	38%	32	53%	343	46%
About the same	57	14%	3	6%	53	24%	7	12%	120	16%
Higher than 1997	150	36%	31	56%	86	39%	21	35%	288	38%
Total (Overall)	413	100%	55	100%	223	100%	60	100%	751	100%

Overall, there are statistically significant differences in net revenue changes among the different sectors ($p=0.01$). Whereas many of the respondents in both trade and the manufacturing sectors reported lower net revenues, the majority of respondents in the agricultural sector reported higher net revenues. Here agricultural sector means products and livestock primarily from the respondents' household. Buying and selling agricultural produce is classified under trade.

Table 23. Change in Enterprise One Overall Profits for Whole of Last Year Compared to the Same Period Two Years Ago, 1999 (N=698)

Enterprise One Overall Profits Last Year as Compared to Same Period Two Years Ago	Clients		Non-clients		Total	
Masaka						
Much Lower	9	4%	15	15%	24	7%
Lower	119	49%	53	52%	172	50%
About the Same	13	5%	3	3%	16	5%
Higher	102	42%	31	30%	133	38%
Much Higher	0	0%	1	1%	1	0%
Total (Masaka)	243	100%	103	100%	346	100%
Kampala						
Much Lower	8	7%	8	12%	16	9%
Lower	54	48%	29	45%	83	47%
About the Same	5	5%	14	22%	19	11%
Higher	41	37%	14	22%	55	31%
Much Higher	4	4%	0	0%	4	2%
Total (Kampala)	112	100%	65	100%	177	100%
Mbale						
Much Lower	7	7%	2	3%	9	5%
Lower	26	26%	16	21%	42	24%
About the Same	22	22%	28	37%	50	29%
Higher	45	45%	29	39%	74	42%
Much Higher	0	0%	0	0%	0	0%
Total (Mbale)	100	100%	75	100%	175	100%

(continued)

Total (Overall)					
Much Lower	24	5%	25	10%	49 7%
Lower	199	44%	98	40%	297 43%
About the Same	40	9%	45	19%	85 12%
Higher	188	41%	74	31%	262 38%
Much Higher	4	1%	1	0%	5 1%
Total (Overall)	455	100%	243	100%	698 100%

Table 24. Two Most Important Reasons Why Overall Profits for Last Month Were Higher Compared with Profits for Same Month a Year Ago, 1999 (N=291)

Reasons	Clients (N=209)		Non-clients (N=82)		Total	
Masaka						
Bigger Customer Base	82	77%	20	69%	102	76%
New Products or Services	18	17%	9	31%	27	20%
Able to Buy Inputs at Cheaper Price	7	7%	4	14%	11	8%
Lower Rent or Other Operating Costs	5	5%	4	14%	9	7%
Improved Management	19	18%	2	7%	21	16%
Other	35	33%	4	14%	39	29%
Kampala						
Bigger Customer Base	39	77%	15	88%	54	79%
New Products or Services	18	35%	6	35%	24	35%
Able to Buy Inputs at Cheaper Price	8	16%	3	18%	11	16%
Lower Rent or Other Operating Costs	3	6%	3	18%	6	9%
Improved Management	13	26%	0	0%	13	19%
Other	8	16%	1	6%	9	13%
Mbale						
Bigger Customer Base	40	77%	25	69%	65	74%
New Products or Services	14	27%	9	25%	23	26%
Able to Buy Inputs at Cheaper Price	6	12%	6	17%	12	14%
Lower Rent or Other Operating Costs	2	4%	3	8%	5	6%
Improved Management	16	31%	7	19%	23	26%
Other	13	25%	12	33%	25	28%
Total (Overall)						
Bigger Customer Base	161	77%	60	73%	221	76%
New Products or Services	50	24%	24	29%	74	25%
Able to Buy Inputs at Cheaper Price	21	10%	13	16%	34	12%
Lower Rent or Other Operating Costs	10	5%	10	12%	20	7%
Improved Management	48	23%	9	11%	57	20%
Other	56	27%	17	21%	73	25%

Table 25. Change in Enterprise Two Overall Profits Last Month Compared to the Same Month Last Year, 1999 (N=271)

Enterprise Two Overall Profits as Compared to Same Month Last Year	Clients		Non-clients		Total	
Much Lower	16	8%	6	10%	22	8%
Lower	70	33%	17	28%	87	32%
About the Same	39	19%	17	28%	56	21%
Higher	81	39%	20	33%	101	37%
Much Higher	4	2%	1	2%	5	2%
Total	210	100%	61	100%	271	100%

Table 26. Single Most Important Problem Respondent Faced in Running Enterprise One, 1999 (N=810)

Type of Problem	Clients		Non-clients		Total	
Masaka						
No Difficulty	22	8%	6	6%	28	7%
Inadequate/Irregular Capital flow	64	23%	35	32%	99	26%
Supply of Raw Materials/Inputs	28	10%	9	8%	37	10%
Marketing Problems	66	24%	30	27%	96	25%
Respondent's Own Illness	5	2%	3	3%	8	2%
Taxes	10	4%	1	1%	11	3%
Robbery	5	2%	3	3%	8	2%
Low Demand	33	12%	5	5%	38	10%
Diversion of Capital for H/H Needs	12	4%	6	6%	18	5%
Others	28	10%	12	11%	40	10%
Total (Masaka)	273	100%	110	100%	383	100%
Kampala						
No Difficulty	3	2%	3	4%	6	3%
Inadequate/Irregular Capital flow	49	39%	37	54%	86	44%
Supply of Raw Materials/Inputs	12	9%	5	7%	17	9%
Marketing Problems	37	29%	16	24%	53	27%
Respondent's Own Illness	3	2%	1	2%	4	2%
Taxes	4	3%	2	3%	6	3%
Robbery	7	6%	3	4%	10	5%
Low Demand	4	3%	0	0%	4	2%
Diversion of Capital for H/H Needs	0	0%	1	2%	21	1%
Others	8	6%	0	0%	8	4%
Total (Kampala)	127	100%	68	100%	195	100%
Mbale						
No Difficulty	39	30%	31	30%	70	30%
Inadequate/Irregular Capital flow	16	12%	20	19%	36	16%
Supply of Raw Materials/Inputs	8	6%	5	5%	13	6%
Marketing Problems	25	19%	24	23%	49	21%
Respondent's Own Illness	13	10%	11	11%	24	10%
Taxes	0	0%	2	2%	2	1%
Robbery	5	4%	3	3%	8	3%
Low Demand	12	9%	4	4%	16	7%
Diversion of Capital for H/H Needs	0	0%	0	0%	0	0%
Others	11	8%	3	3%	14	6%
Total (Mbale)	129	100%	103	100%	232	100%

(continued)

Total (Overall)						
No Difficulty	64	12%	40	14%	104	13%
Inadequate/Irregular Capital flow	129	24%	92	33%	221	27%
Supply of Raw Materials/Inputs	48	9%	19	7%	67	8%
Marketing Problems	128	24%	70	25%	198	24%
Respondent's Own Illness	21	4%	15	5%	36	4%
Taxes	14	3%	5	2%	19	2%
Robbery	17	3%	9	3%	26	3%
Low Demand	49	9%	9	3%	58	7%
Diversion of Capital for H/H Needs	12	2%	7	3%	19	2%
Others	47	9%	15	5%	62	8%
Total (Overall)	529	100%	281	100%	810	100%

Table 27. Two Most Important Reasons Why Enterprise One Profits for Last Month Were Lower Compared with Profits for the Same Month a Year Ago, 1999 (N=330)

Reasons	Clients (N=214)		Non-clients (N=116)		Total	
Masaka						
Low Demand/Increased Competition	86	69%	43	72%	129	70%
Increased Cost of Materials	28	23%	13	22%	41	22%
Unable to Get Inputs/Supplies	7	6%	1	2%	8	4%
Temporary Closure of Business	6	5%	6	10%	12	7%
Payment of Business Loans/Debts	1	1%	1	2%	2	1%
Less/Reduced Capital	49	40%	23	38%	72	39%
Others (e.g. Bank Closures, General Poverty)	9	7%	5	8%	14	8%
Kampala						
Low Demand/Increased Competition	40	68%	33	89%	73	76%
Increased Cost of Materials	29	49%	19	51%	48	50%
Unable to Get Inputs/Supplies	3	5%	5	14%	8	8%
Temporary Closure of Business	12	20%	6	16%	18	18%
Payment of Business Loans/Debts	4	7%	0	0%	4	4%
Less/Reduced Capital	9	15%	3	8%	12	13%
Others (e.g. Bank Closures, General Poverty)	5	9%	0	0%	5	5%
Mbale						
Low Demand/Increased Competition	15	48%	5	26%	20	40%
Increased Cost of Materials	6	19%	5	26%	11	22%
Unable to Get Inputs/Supplies	2	7%	2	11%	4	8%
Temporary Closure of Business	5	16%	3	16%	8	16%
Payment of Business Loans/Debts	5	16%	1	5%	6	12%
Less/Reduced Capital	10	32%	10	53%	20	40%
Others (e.g. Bank Closures, General Poverty)	1	3%	1	5%	2	4%

(continued)

Total (Overall)					
Low Demand/Increased Competition	141	66%	81	70%	222 67%
Increased Cost of Materials	63	29%	37	32%	100 30%
Unable to Get Inputs/Supplies	12	6%	8	7%	20 6%
Temporary Closure of Business	23	11%	15	13%	38 12%
Payment of Business Loans/Debts	10	5%	2	2%	12 4%
Less/Reduced Capital	68	32%	36	31%	104 32%
Others (e.g. Bank Closures, General Poverty)	15	7%	6	5%	21 6%

HOUSEHOLD LEVEL DATA

Table 28. Average Education Level of Respondents Re-interviewed (N=889).

Education Level	Masaka (N=403)			Kampala (N=208)			Mbale (N=278)			Total		
	Clients	Non-clients	Total	Clients	Non-clients	Total	Clients	Non-clients	Total	Clients	Non-clients	Total
None	2%	4%	3%	4%	7%	5%	16%	24%		6%	13%	9%
P1 - P4	10%	18%	12%	7%	16%	10%	16%	27%	11%	11%	21%	15%
P5 – P7	32%	39%	34%	30%	35%	32%	45%	35%	33%	35%	36%	35%
S1 – S3	20%	19%	20%	25%	25%	25%	9%	9%	26%	18%	17%	18%
S4	18%	11%	16%	19%	4%	14%	8%	3%	14%	16%	6%	12%
Above S4	19%	8%	16%	16%	13%	15%	6%	2%	16%	15%	7%	12%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Overall, the level of education of client respondents re-interviewed is statistically significantly higher than that of non-client respondents ($p=0.01$). This is the general trend across all the three districts.

Table 29. Distribution of Respondents Who Were Married in 1997 But Were No Longer Married in 1999 (N=584)

District	Clients (N=382)		Non-clients (N=202)		Total	
Masaka	13	7%	10	14%	23	9%
Kampala	14	18%	7	18%	21	18%
Mbale	10	8%	4	4%	14	7%
Total	37	10%	21	10%	58	10%

Table 30. Distribution of Respondents Who Were Married in 1999 But Were Not Married in 1997 (N=305)

District	Clients (N=187)		Non-clients (N=118)		Total	
Masaka	8	8%	11	27%	19	13%
Kampala	6	11%	3	9%	9	10%
Mbale	4	17%	5	12%	9	13%
Total	18	10%	19	16%	37	12%

Table 31. Distribution of Respondents' Marital Status in 1997 and in 1999 (N=862)

Marital Status	1997						1999					
	Clients		Non-clients		Total		Clients		Non-clients		Total	
Masaka												
Married/Monogamous	146	51%	60	53%	206	51%	136	48%	58	52%	194	49%
Married/Polygamous	37	13%	13	11%	50	13%	40	14%	14	13%	54	14%
Divorced/Separated	35	12%	15	13%	50	13%	40	14%	16	14%	56	14%
Single/Never Married	31	11%	13	11%	44	11%	27	10%	13	12%	40	10%
Widowed	13	11%	38	13%	51	13%	41	14%	11	10%	52	13%
Total (Masaka)	287	100%	114	100%	401	100%	284	100%	112	100%	396	100%
Kampala												
Married/Monogamous	53	40%	30	44%	83	41%	52	40%	27	38%	79	39%
Married/Polygamous	22	17%	7	10%	29	14%	14	11%	8	11%	22	11%
Divorced/Separated	26	20%	12	17%	38	19%	21	16%	9	13%	30	15%
Single/Never Married	16	12%	10	15%	26	13%	16	12%	12	17%	28	14%
Widowed	15	11%	10	15%	25	12%	28	21%	15	21%	43	21%
Total (Kampala)	132	100%	69	100%	201	100%	131	100%	71	100%	202	100%
Mbale												
Married/Monogamous	83	58%	59	48%	142	53%	76	54%	64	53%	140	53%
Married/Polygamous	37	26%	26	21%	63	24%	36	26%	21	17%	57	22%
Divorced/Separated	8	6%	18	15%	26	10%	11	8%	9	7%	20	8%
Single/Never Married	2	1%	3	2%	5	2%	0	0%	4	3%	4	2%
Widowed	13	9%	17	14%	30	11%	18	13%	24	20%	42	16%
Total (Mbale)	143	100%	123	100%	266	100%	141	100%	122	100%	263	100%
Total (Overall)												
Married/Monogamous	282	50%	149	49%	431	50%	264	48%	150	49%	414	48%
Married/Polygamous	96	17%	46	15%	142	16%	90	16%	43	14%	133	15%
Divorced/Separated	69	12%	45	15%	114	13%	72	13%	34	11%	106	12%
Single/Never Married	49	9%	26	9%	75	9%	43	8%	29	10%	72	8%
Widowed	66	12%	40	13%	106	12%	87	16%	50	16%	137	16%
Total (Overall)	562	100%	306	100%	868	100%	556	100%	306	100%	862	100%

Table 32. Distribution of Respondents Who Indicated That They Had Changed Households in the Last Two Years – Excluding Substitute Respondents, 1999 (N=866)

District	Clients (N=562)		Non-clients (N=304)		Total (866)	
Masaka	5	2%	6	5%	11	3%
Kampala	6	5%	6	9%	12	6%
Mbale	5	4%	5	4%	10	4%
Total	16	3%	17	6%	33	4%

The percentage of non-clients who changed households in the last two years is significantly higher than that of clients ($p=0.04$). This is especially so in Masaka. However, there are no statistically significant differences among districts ($p=0.15$).

Table 33. Comparison of Average Household Size by District and Gender 1999

	Clients	Non-clients
District		
Masaka*	6.68	5.97
Kampala	6.01	5.29
Mbale	6.95	6.41
Total*	6.59	5.99
Gender		
Male	6.38	5.96
Female	6.60	5.99
Total	6.59	5.99

*Statistically significant at the 0.05 level for clients compared to non-clients and within Masaka between clients and non-clients.

Table 34. Comparison of 1999 Household Size with 1997 Household Size (N=894)

Size of Household, 1999 Compared to 1997:	Clients (%)	Non-clients (%)	Total
Masaka			
Decreased	39	29	36
Stayed the Same	26	30	27
Increased	35	41	36
Total (Masaka)	100	100	100
Kampala			
Decreased	35	32	34
Stayed the Same	22	32	25
Increased	43	36	41
Total (Kampala)	100	100	100
Mbale			
Decreased	35	24	30
Stayed the Same	23	30	26
Increased	43	46	44
Total (Mbale)	100	100	100
Total (Overall)			
Decreased	37	28	34
Stayed the Same	24	30	27
Increased	39	42	40
Total (Overall)	100	100	100

Overall, the difference between clients and non-clients is statistically significant ($p=0.01$). However, there are no significant differences within districts and among districts.

Table 35. Average Number of New Members Who Joined Household in Last Two Years, 1999 (N=403)

District	Clients	Non-clients	Total
Masaka	1.6	1.6	1.6
Kampala	1.6	1.5	1.6
Mbale	1.8	1.5	1.7
Total	1.6	1.6	1.6

The difference in mean number of new household members is not statistically significant between clients and non-clients ($p=0.351$) and is also not statistically significant among the three districts ($p=0.540$).

Table 36. Distribution of Responses as to Why New Members Joined Household in Last Two Years, 1999 (N=403)

Reason:	Clients (%)	Non-clients (%)	Total (%)
Masaka			
Marriage	3	3	3
Births	35	61	42
One or more children due to illness or death of parents	12	12	12
One or more children came in order to attend school	26	15	23
The person came to work in this household	19	7	15
The person who came had lost his/her job or source of income	2	5	3
The person came to look for work	15	14	15
Other	13	7	11
Kampala			
Marriage	3	4	3
Births	25	59	36
One or more children due to illness or death of parents	15	4	12
One or more children came in order to attend school	35	15	29
The person came to work in this household	18	22	20
The person who came had lost his/her job or source of income	2	0	1
The person came to look for work	20	7	16
Other	12	7	10
Mbale			
Marriage	4	4	4
Births	75	62	69
One or more children due to illness or death of parents	12	18	15
One or more children came in order to attend school	9	15	12
The person came to work in this household	5	0	5
The person who came had lost his/her job or source of income	2	0	1
The person came to look for work	2	0	1
Other	11	15	13
Total (Overall)			
Marriage	3	4	3
Births	41	61	48
One or more children due to illness or death of parents	13	13	13
One or more children came in order to attend school	24	15	21
The person came to work in this household	16	9	13
The person who came had lost his/her job or source of income	2	2	2
The person came to look for work	13	7	11
Other	12	10	11

Multiple responses possible. Percentages are based on number of households who had a new member joining them.

Table 37. Change in Number of Economically Active Household Members in 1999 Compared to 1997 (N=894)

Number of Economically Active Household Members, 1999 Compared to 1997	Clients		Non-clients		Total	
Masaka						
Decreased	58	20%	19	17%	77	19%
Stayed the Same	166	57%	75	65%	241	60%
Increased	66	23%	21	18%	87	22%
Total (Masaka)	290	100%	115	100%	405	100%
Kampala						
Decreased	36	27%	14	19%	50	24%
Stayed the Same	62	46%	43	57%	105	50%
Increased	36	27%	18	24%	54	26%
Total (Kampala)	134	100%	75	100%	209	100%
Mbale						
Decreased	26	18%	23	17%	49	18%
Stayed the Same	95	64%	87	66%	182	65%
Increased	27	18%	22	17%	49	18%
Total (Mbale)	148	100%	132	100%	280	100%
Total (Overall)						
Decreased	120	21%	56	17%	176	20%
Stayed the Same	323	57%	205	64%	528	59%
Increased	129	23%	61	19%	190	21%
Total (Overall)	572	100%	322	100%	894	100%

No statistically significant differences within districts or overall between clients and non-clients. However, overall, there are significant differences among districts ($p=0.02$) with Kampala showing the highest percentage increase in the number of economically active household members.

Table 38. Respondents Reporting That Microenterprise(s) the First, Most Important Source of Household Cash Income, 1999

Most Important Source HH Income	Clients (N=620)		Non-clients (N=315)		Total (N=881)	
Yes	406	72%	229	73%	635	72%
No	160	28%	86	27%	246	28%

Table 39. Distribution of Respondents in Households Where Number of Businesses Closed in Last Two Years Exceeds Number of Businesses Begun During the Same Period, 1999

District	Clients (N=572)		Non-clients (N=322)		Total	
Masaka	40	14%	13	11%	53	13%
Kampala	10	8%	3	4%	13	6%
Mbale	20	14%	22	17%	42	15%
Total	70	12%	38	12%	108	12%

Table 40. Percentage of Households That Had Begun a New Enterprise in Last Two Years, 1999 (N=806)

District	Clients	Non-clients	Total
Masaka	23%	13%	20%
Kampala	20%	15%	18%
Mbale	18%	18%	18%
Total	21%	15%	19%

Overall, the percentage of current enterprises that were begun in last two years is statistically significantly higher among client households than among non-client households ($p=0.03$). However, there are no statistically significant differences among the districts ($p=0.84$). Interaction term (between districts and respondent's status) is also statistically not significant.

Table 41 Change in Household Income from Non-Enterprise Sources Over the Last 12 months (Only Households Who Earn Type of Income Included)

Change in Type of Income	Clients		Non-clients		Total	
Income From Casual or Part Time Work						
No change/Income about the same	17	25%	14	50%	31	32%
Income higher	20	29%	6	21%	26	27%
Income lower	14	20%	2	7%	16	17%
No income in 1997 or 1999	10	15%	1	4%	11	11%
Don't Know	8	12%	5	18%	13	13%
<i>Did not report this source</i>	(503)		(294)		(797)	
Total	69	100%	28	100%	97	100%
Income from Wage or Salaried Work						
No change/Income about the same	63	43%	16	30%	79	40%
Income higher	56	38%	20	38%	76	38%
Income lower	10	7%	4	8%	14	7%
No income in 1997 or 1999	6	4%	4	8%	10	5%
Don't Know	11	8%	9	17%	20	10%
<i>Did not report this source</i>	(426)		(269)		(695)	
Total	146	100%	53	100%	199	100%
Rental Income						
No change/Income about the same	30	40%	10	46%	40	41%
Income higher	23	31%	8	36%	31	32%
Income lower	13	17%	3	14%	16	17%
No income in 1997 or 1999	9	12%	1	5%	10	10%
Don't Know	0	0%	0	0%	0	0%
<i>Did not report this source</i>	(497)		(300)		(797)	
Total	75	100%	22	100%	97	100%
Income from Transfers, gifts, and other help						
No change/Income about the same	11	42%	4	29%	15	38%
Income higher	5	19%	3	21%	8	20%
Income lower	10	39%	5	36%	15	38%
No income in 1997 or 1999	0	0%	2	14%	2	5%
Don't Know	0	0%	0	0%	0	0%
<i>Did not report this source</i>	(546)		(308)		(854)	
Total	26	100%	14	100%	40	100%

(continued)

Income from “non-enterprise” crops						
No change/Income about the same	80	32%	54	43%	134	35%
Income higher	101	40%	32	25%	133	35%
Income lower	54	21%	32	25%	86	23%
No income in 1997 or 1999	18	7%	8	6%	26	7%
Don't Know	0	0%	1	1%	0	0%
<i>Did not report this source</i>	(315)		(195)		(514)	
Total	253	10%	127	100%	380	100%
Income from “non-enterprise” livestock						
No change/Income about the same	44	30%	25	45%	69	34%
Income higher	41	28%	12	21%	53	26%
Income lower	23	16%	3	5%	26	13%
No income in 1997 or 1999	34	23%	16	29%	50	25%
Don't Know	3	2%	0	0%	3	3%
<i>Did not report this source</i>	(427)		(266)		(693)	
Total	145	100%	56	100%	201	100%

Table 41a. Change in Income From All Other Sources (Other Than Household Enterprises) in the Last 12 Months (N=894)

Whether Income From All Other Sources is Higher Over Last 12 Months	Clients		Non-clients		Total	
Masaka						
Income Not Higher	148	51%	37	32%	185	46%
Income Higher	73	25%	18	16%	91	23%
H/H Doesn't Earn Income From Other (Non-Enterprise) Sources	69	24%	60	52%	129	32%
Total	290	100%	115	100%	405	100%
Kampala						
Income Not Higher	51	38%	25	33%	76	36%
Income Higher	16	12%	5	7%	21	10%
H/H Doesn't Earn Income From Other (Non-Enterprise) Sources	67	50%	45	60%	112	54%
Total	134	100%	75	100%	209	100%
Mbale						
Income Not Higher	84	57%	79	60%	163	58%
Income Higher	36	24%	26	20%	62	22%
H/H Doesn't Earn Income From Other (Non-Enterprise) Sources	28	19%	27	21%	55	20%
Total	148	100%	132	100%	280	100%
Total (Overall)						
Income Not Higher	283	50%	141	44%	424	47%
Income Higher	125	22%	49	15%	174	20%
H/H Doesn't Earn Income From Other (Non-Enterprise) Sources	164	29%	132	41%	296	33%
Total	572	100%	322	100%	894	100%

Table 42. Two Main Uses of Enterprise Sales Revenue Last Month, 1999

First Use	Clients (N=482)		Non-clients (N=259)	
Enterprise 1, 2 or Another	322	69%	179	69%
Agricultural Prod	4	.8%	0	-
Debt, Loan Payment	29	6%	0	-
Savings	10	2%	5	2%
Food	27	5%	27	10%
Education	54	11%	20	8%
Medical	11	2%	8	3%
Rent	1	-.%	0	-.%
Social	4	.8%	3	1%
Other	20	4%	17	7%
Second Use	Clients (N=459)		Non-clients (N=242)	
Enterprise 1, 2 or Another	95	21%	53	22%
Agricultural Prod	13	3%	1	-
Debt, Loan Payment	79	17%	1	-
Savings	39	8%	16	7%
Food	88	19%	7	32%
Education	80	17%	39	16%
Medical	22	5%	19	8%
Rent	9	2%	8	3%
Social	13	3%	12	5%
Other	21	5%	16	7%

Table 43. Change in Reporting Illness/Medical Expenses (No Death of Household Member) in Last Two Years, 1999 Compared to 1997 (N=894)

Household Member Ill in:	Clients		Non-clients		Total	
Masaka						
Both 1997 and 1999	55	19%	24	21%	79	20%
1997 But Not 1999	80	28%	33	29%	113	28%
1999 But Not in 1997	39	13%	18	16%	57	14%
Neither 1997 Nor 1999	117	40%	40	35%	157	39%
Total (Masaka)	291	100%	115	100%	406	100%
Kampala						
Both 1997 and 1999	25	19%	16	21%	41	20%
1997 But Not 1999	29	22%	15	20%	44	21%
1999 But Not in 1997	37	28%	14	19%	51	24%
Neither 1997 Nor 1999	43	32%	30	40%	73	35%
Total (Kampala)	134	100%	75	100%	209	100%
Mbale						
Both 1997 and 1999	68	46%	64	49%	132	47%
1997 But Not 1999	37	25%	30	23%	67	24%
1999 But Not in 1997	22	15%	18	14%	40	14%
Neither 1997 Nor 1999	21	14%	19	14%	40	14%
Total (Mbale)	148	100%	131	100%	279	100%
Total (Overall)						
Both 1997 and 1999	148	26%	104	32%	252	28%
1997 But Not 1999	146	25%	78	25%	224	25%
1999 But Not in 1997	98	17%	50	16%	148	17%
Neither 1997 Nor 1999	181	32%	89	28%	270	30%
Total (Overall)	573	100%	321	100%	894	100%

The differences are not statistically significant between clients and non-clients, nor among districts.

Table 44. Change in Reporting Household Member Death in Last Two Years, 1999 Compared to 1997 (N=894)

Household Member Death in:	Clients		Non-clients		Total	
Masaka						
Both 1997 and 1999	7	2%	3	3%	10	3%
1997, But Not in 1999	54	19%	21	18%	75	19%
1999, But Not in 1997	16	6%	10	9%	26	6%
Neither 1999 Nor 1997	214	74%	81	70%	295	73%
Total (Masaka)	291	100%	115	100%	406	100%
Kampala						
Both 1997 and 1999	2	2%	3	4%	5	2%
1997, But Not in 1999	25	19%	18	24%	43	21%
1999, But Not in 1997	15	11%	8	11%	23	11%
Neither 1999 Nor 1997	92	69%	46	61%	138	66%
Total (Kampala)	134	100%	75	100%	209	100%
Mbale						
Both 1997 and 1999	4	3%	1	1%	5	2%
1997, But Not in 1999	23	15%	30	23%	53	19%
1999, But Not in 1997	13	9%	9	7%	22	8%
Neither 1999 Nor 1997	108	73%	91	69%	199	71%
Total (Mbale)	148	100%	91	100%	29	100%
Total (Overall)						
Both 1997 and 1999	13	2%	7	2%	20	2%
1997, But Not in 1999	102	18%	69	21%	171	19%
1999, But Not in 1997	44	8%	27	8%	71	8%
Neither 1999 Nor 1997	414	72%	218	68%	632	71%
Total (Overall)	573	100%	321	100%	894	100%

No statistically significant differences between clients and non-clients.

Table 45. Main Ways Financial Demands Were Met When Major Unexpected Event That Had Financial Repercussions Occurred (N=721)

Mains Ways Financial Demands Were Met	Clients (N=465)		Non-clients (N=256)		Total	
Used Earnings/Handled Within Existing Income	315	68%	188	73%	503	70%
Used Money From Savings Account	116	25%	47	18%	163	23%
Transfers, Remittances, Gifts	105	23%	61	24%	166	23%
Borrowed From Relatives/Friends	81	17%	25	10%	106	15%
Worked More Hours	12	3%	6	2%	18	3%
Did Not Replace Stock of Enterprise	18	4%	20	8%	38	5%
H/H Member Took up a New Income Generating Activity	7	2%	3	1%	10	1%
Delayed on Payments for Debts/Loans/School Fees	7	2%	1	0%	8	1%
Reduced Expenditures on Food/Health	7	2%	2	1%	9	1%
Sold H/H Assets (Livestock/Crops, Land, Furniture, etc.)	58	12%	35	14%	100	14%
Took a Loan From MFI/Bank	11	2%	0	0%	11	2%
Others (Family Assisted, Children Left School, Used Salary)	30	6%	15	6%	45	6%

Table 46. Distribution of Respondents' Households in Which a Household Member Did Not Receive Health Care Services in the Last Six Months Because of Lack of Funds (N=879)

District	Clients (N=563)		Non-clients (N=316)		Total	
Masaka	46	16%	18	16%	64	16%
Kampala	34	27%	19	26%	53	26%
Mbale	27	19%	26	20%	53	19%
Total	107	19%	63	20%	170	19%

Overall, there are no statistically significant differences between clients and non-clients ($p=0.74$) but there are statistically significant differences among districts ($p=0.01$). The percentage of households in Kampala in which members don't receive health care when they need it is significantly higher than in other districts. However, within districts, there are no statistically significant differences between clients and non-clients.

Table 47. Distribution of Respondents Households Who Pay School Charges for Pupils/Students Who Are Not Household Members, 1999 (N=891)

District	Clients		Non-clients		Total	
Masaka	102	35%	43	37%	145	36%
Kampala	5	41%	25	34%	79	38%
Mbale	38	26%	18	14%	56	20%
Total	194	34%	86	27%	280	31%

Overall, there are statistically significant differences between clients and non-clients ($p=0.03$) and among districts ($p=0.01$). The percentage of respondents that pay school charges for pupils/students who are not household members is significantly lower in Mbale than in the other two districts. Also, except in Masaka, the percentage of client respondents who pay such charges is substantially higher than that of non-client respondents.

Table 48. Distribution of Respondents Who Pay School Charges for Pupils/Students Who Are Not Their Own Children and Are Not Household Members, 1999 (N=277)

District	Clients		Non-clients		Total	
Masaka	80	79%	29	67%	109	76%
Kampala	43	80%	17	68%	60	76%
Mbale	34	94%	13	72%	47	87%
Total	157	82%	59	69%	216	78%

Overall, there are statistically significant differences between clients and non-clients ($p=0.03$) but differences among districts are not statistically significant ($p=0.16$). Within districts, statistically significant differences between client and non-client respondent exist only in Mbale. In Mbale, the percentage of client respondents who pay school charges for pupils/students who are not their own children and are not household members is substantially higher than that of non-clients.

Table 49. Average Total Amount Spent Last Term by the Respondent on School Charges for Students Who Are Not Household Members, 1999 (N=275)

District	Clients (N=190) (UShs)	Non-clients (N=85) (UShs)	Total (UShs)
Masaka	104,162/=	56,281/=	89,764/=
Kampala	67,454/=	65,000/=	66,677/=
Mbale	93,639/=	26,703/=	72,169/=
Total	91,735/=	52,930/=	79,741/=

Overall, the average school expenditure by clients on students who are non-household members is statistically significantly higher than that of non-clients ($p=0.03$). However, the average school expenditures among districts is not statistically significantly different ($p=0.47$). Also, the interaction term (between districts and Respondent Status) is not statistically significant ($p=0.41$).

Table 50. Distribution of Respondents Households That Had a Member of the Household Dropping Out of School at Least for One Term During the Last Two Years, 1999 (N=873)

District	Clients		Non-clients		Total	
Masaka	71	25%	18	16%	89	22%
Kampala	41	31%	16	24%	57	29%
Mbale	18	12%	12	9%	30	11%
Total	130	23%	46	15%	176	20%

Overall, there are statistically significant differences between clients and non-clients ($p=0.01$) and among districts ($p=0.01$). The percentage of respondents from households in which a household member dropped out of school for at least one term is significantly lower in Mbale than in other districts. Similarly, the percentage of non-client households in which a household member dropped out of school for at least one term is significantly lower than in client households. However, there are no significant differences among client and non-client households within districts.

Table 51. Average Number of Drop-Outs per Household, Among Households with Students Dropping Out in Last Two Years, 1999 (N=175)

District	Clients (N=129)	Non-clients (N=46)	Total
Masaka	1.24	1.44	1.28
Kampala	1.49	1.36	1.31
Mbale	1.18	1.25	1.21
Total	1.31	1.43	1.34

Table 52. Age Distribution of Students Who Dropped Out of School in Last Two Years, Among Respondents' Households With Dropouts, 1999 (N=175)

Age Category	Client Households	Non-client Households	Total
Masaka			
Below 12 Years	27	31	28
13 to 17 Years	54	62	55
18 and Above	20	8	17
Kampala			
Below 12 Years	31	28	30
13 to 17 Years	44	52	46
18 and Above	25	20	24
Mbale			
Below 12 Years	5	7	6
13 to 17 Years	14	33	22
18 and Above	81	60	72
Total (Overall)			
Below 12 Years	25	24	25
13 to 17 Years	45	52	47
18 and Above	30	24	28

Percentages for each district are based on total number.

Table 53. Distribution of Households Where All Students Went Back to School After Dropping Out (N=175)

District	Clients		Non-clients		Total	
Masaka	46	65%	14	78%	60	67%
Kampala	25	61%	8	50%	33	58%
Mbale	4	24%	11	92%	15	52%
Total	75	58%	33	72%	108	62%

Overall, there is no statistically significant difference between client households and non-client households ($p=0.10$) or among the three districts ($p=0.25$).

Table 54. Distribution of Households Where All Female Students Went Back to School After Dropping Out (N=175)

Age of students	Clients		Non-clients		Total	
Masaka (N=45)						
Below 12 years	6	86%	1	50%	7	78%
12 – 17 years	17	71%	3	43%	20	65%
18 and above	1	25%	-	-	1	25%
Total (Masaka)	24	67%	4	44%	28	62%
Kampala (N=38)						
Below 12 years	6	67%	3	75%	9	69%
12 – 17 years	7	58%	2	29%	9	47%
18 and above	2	40%	1	100%	3	50%
Total (Kampala)	15	58%	6	50%	21	55%
Mbale (N=13)						
Below 12 years	-	-	1	100%	1	100%
12 – 17 years	-	-	2	100%	2	100%
18 and above	1	17%	4	100%	5	50%
Total (Mbale)	1	17%	7	100%	8	62%
Total (N=96)						
Below 12 years	12	75%	5	71%	17	74%
12 – 17 years	24	67%	7	44%	31	60%
18 and above	4	27%	5	100%	9	45%
Total (Overall)	40	59%	17	61%	57	59%

No statistically significant differences exist between client respondents and non-client respondents or among districts.

Table 55. Change in Household Tenure Status, 1999 Compared to 1997 (N=894)

Tenure Status	Clients		Non-clients		Total	
	1997	1999	1997	1999	1997	1999
Owned	366	401	201	203	567	604
Paying Installments	0	1	3	1	3	2
Rent	168	129	103	94	271	223
Free	25	37	11	20	36	57
Stay in Govt. House	11	1	2	2	13	3
Other	1	2	2	1	3	3
Total	571	571	322	321	893	894

Table 56. Respondents Who Changed From Renting to Owning, 1999 Compared with 1997 (N=41)

District	Clients		Non-clients	
Masaka	19	7%	7	6%
Kampala	18	9%	4	5%
Mbale	3	1%	0	0%
Total	41	7%	11	3%

The total number who initially rented in 1997 was 322 for non-clients and 576 for clients.

Table 57. Comparison of Average Number of Users Per Room in 1997 and in 1999 (N=864)

District	1997			1999		
	Clients	Non-clients	Total	Clients	Non-clients	Total
Masaka	2.3	2.4	2.3	2.1	2.3	2.2
Kampala	3.0	3.1	3.1	3.0	3.0	3.0
Mbale	2.9	2.4	2.7	2.6	2.1	2.4
Total	2.6	2.5	2.6	2.4	2.4	2.4

Table 58. Average Change in Number of Users Per Room, 1999 Compared to 1997 (N=864)

District	Clients (N=555)	Non-clients (N=309)	Total
Masaka	-0.2	-0.1	-0.2
Kampala	-0.1	-0.2	-0.1
Mbale	-0.4	-0.3	-0.4
Total	-0.2	-0.2	-0.2

No statistically significant difference in the average change in number of users per room among districts ($p=0.11$), between clients vs. non-clients ($p=0.76$) or between clients vs. non-clients within districts ($p=0.79$). It is important to note that, on average, number of users per room decreased all round.

Table 59. Distribution of Respondents Whose Households Had Moved to a Different Residence in Last Two Years, 1999 (N=490)

District	Clients (N=291)		Non-clients (N=199)		Total	
Masaka	8	14%	6	32%	14	18%
Kampala	31	34%	12	22%	43	29%
Mbale	12	9%	6	5%	18	7%
Total	51	18%	24	12%	75	15%

Caution: Results seem to suggest that this question wasn't administered well in Masaka. Only 76 respondents responded to this question in Masaka out of 405.

Table 60. Condition of New Residence Compared to Former Residence, Among Respondents Who Moved to New Residence in Last Two Years, 1999 (N=136)

New Residence Compared to Former Residence	Clients		Non-clients		Total	
Masaka						
Better	30	75%	19	83%	49	78%
Less Suitable	8	20%	1	4%	9	14%
About the Same	2	5%	3	13%	5	8%
Total (Masaka)	40	100%	23	100%	6	100%
Kampala						
Better	25	78%	7	41%	32	65%
Less Suitable	3	9%	6	35%	9	18%
About the Same	4	13%	4	24%	8	16%
Total (Kampala)	32	100%	17	100%	49	100%
Mbale						
Better	8	53%	4	44%	12	50%
Less Suitable	1	7%	0	0%	1	4%
About the Same	6	40%	5	56%	11	46%
Total (Mbale)	15	100%	9	100%	24	100%
Total (Overall)						
Better	63	72%	30	61%	93	68%
Less Suitable	12	14%	7	14%	19	14%
About the Same	12	14%	12	25%	24	18%
Total (Overall)	87	100%	49	100%	136	100%

Overall, there are statistically significant differences among the districts ($p=0.01$) but no significant differences between clients and non-clients ($p=0.27$). Within districts, however, there were statistically significant differences between clients and non-clients in Masaka District ($p=0.02$).

Table 61. Distribution of Respondents Who Indicated Their Household Owned Rental Units, 1997 Compared to 1999

District	1997 (N=887)						1999 (N=892)					
	Clients		Non-clients		Total		Clients		Non-clients		Total	
Masaka	55	19%	21	18%	76	19%	59	20%	11	10%	70	17%
Kampala	30	22%	7	9%	37	18%	27	20%	10	14%	37	18%
Mbale	11	8%	12	9%	23	8%	15	10%	12	9%	27	10%
Total	96	17%	40	13%	136	15%	101	18%	33	10%	134	15%

Overall, ownership of rental units among non-clients fell by 3% but increased by 1% among clients. District-wise, ownership fell by 2% in Masaka but increased by the same amount in Mbale. There was no change in Kampala.

Table 62. Change in Household Ownership/Control of Rental Units During the Last Two Years (N=885)

District	Respondents who Indicated Their Households Owned/Controlled Rental Units in 1997 But Didn't in 1999						Respondents who Indicated Their Households Didn't Own/Control Any Rental Units in 1997 But Did in 1999					
	Clients		Non-clients		Total		Clients		Non-clients		Total	
Masaka	25	9%	14	12%	39	10%	29	10%	4	4%	33	8%
Kampala	12	9%	3	4%	15	7%	9	7%	6	8%	15	7%
Mbale	5	4%	6	5%	11	4%	9	6%	6	5%	15	6%
Total	42	7%	23	7%	65	7%	47	8%	16	5%	63	7%

Table 63. Distribution of Respondents Who Indicated Their Household Owned/Controlled Non-Rental Houses Located Elsewhere in 1997 and in 1999

District	1997 (N=887)						1999 (N=892)					
	Clients		Non-clients		Total		Clients		Non-clients		Total	
Masaka	44	15%	16	14%	60	15%	70	24%	20	17%	90	22%
Kampala	25	19%	10	14%	35	17%	28	21%	14	19%	42	20%
Mbale	19	13%	20	15%	39	14%	25	17%	31	24%	56	20%
Total	88	16%	46	14%	134	15%	123	22%	65	20%	188	21%

Overall, ownership of non-rental houses among both clients and non-clients increased by 6% over the last two years. Both Mbale non-clients and Masaka clients registered the highest increases of 9%.

Table 64. Comparison of Percentage of Respondents Who Purchased Durable Assets in the 12 Months Prior to the Survey, 1997 and 1999

Year	Clients	Non Clients
1997	90%	87%
1999	89%	89%

Table 65. Average Value of Durable Assets Purchased by Respondent in Last 12 Months, 1999

District	Clients (UShs)	Non-clients (UShs)
Masaka	288,855	192,822
Kampala	235,822	85,186
Mbale	134,027	109,467
Total	235,158	132,753

ANOVA results indicate statistically significant differences between client and non-client groups at the .05 confidence level.

Table 66. Distribution of Households That Sold Consumer Durables or Transport in the Last 12 Months, 1999 (N=890)

District	Clients (N=572)		Non-clients (N=318)		Total	
Masaka	40	14%	16	14%	56	14%
Kampala	13	10%	5	7%	18	9%
Mbale	11	7%	11	9%	22	8%
Total	64	11%	32	10%	96	11%

Within the districts, there are no statistically significant differences in the percentage of client vs. non-client households that sold household assets. Also, there no significant differences between clients and non-clients ($p=0.60$). However, differences in percentage of households that sold household assets is statistically significant among districts ($p=0.03$).

Table 67. Reasons Why Households Sold One or More Assets in the Last 12 Months, 1999 (N=96)

Reason Why Household Sold One or More Household Assets	Clients	Non-clients	Total
Masaka			
To Buy a Better item of the Same Type	10%	25%	14%
For education Expenses	15%	19%	16%
For Health Expenses	5%	13%	7%
For Consumption Needs	8%	6%	7%
To Pay a Loan From a Bank or MFI	15%	0%	11%
To Pay Another Type of Debt	8%	6%	7%
To Get More Money to Construct/Finish a House	43%	38%	41%
Failed to maintain the Asset	3%	0%	2%
Kampala			
To Buy a Better item of the Same Type	8%	40%	18%
For education Expenses	25%	20%	24%
For Health Expenses	8%	20%	12%
For Consumption Needs	17%	40%	24%
To Pay a Loan From a Bank or MFI	17%	0%	12%
To Pay Another Type of Debt	33%	0%	24%
To Get More Money to Construct/Finish a House	0%	0%	0%
Failed to maintain the Asset	8%	0%	6%
Mbale			
To Buy a Better item of the Same Type	11%	0%	6%
For education Expenses	22%	25%	24%
For Health Expenses	11%	0%	6%
For Consumption Needs	0%	0%	0%
To Pay a Loan From a Bank or MFI	22%	0%	12%
To Pay Another Type of Debt	33%	38%	35%
To Get More Money to Construct/Finish a House	44%	50%	47%
Failed to maintain the Asset	0%	0%	0%
Total (Overall)			
To Buy a Better item of the Same Type	10%	21%	13%
For education Expenses	18%	21%	19%
For Health Expenses	7%	10%	8%
For Consumption Needs	8%	10%	9%
To Pay a Loan From a Bank or MFI	16%	0%	11%
To Pay Another Type of Debt	13%	14%	13%
To Get More Money to Construct/Finish a House	38%	34%	37%
Failed to maintain the Asset	3%	0%	2%

Table with Multiple Responses: Percentages are based on number of households who reported that a household member sold a household asset.

Table 68. Distribution of Respondents With Loans Who Indicated That They Ever Had to Sell Assets to Make Loan Repayments in the Last Two Years, 1999 (N=574)

District	Clients (N=565)		Non-clients (N=9)		Total	
Masaka	28	10%	0	0%	28	10%
Kampala	7	5%	0	0%	7	5%
Mbale	37	25%	1	33%	38	26%
Total	72	13%	1	11%	73	11%

Overall, there are statistically significant differences in the percentage of respondents (among those who got loans in the last two years) among districts ($p=0.01$) with Mbale having the highest percentage of respondents who had to sell their assets to repay loans. No significant differences exist between clients and non-clients ($p=0.88$).

Table 69. Distribution of Top Three Enterprise One Products/Services, 1999 (N=811)

Products/Services	Clients	Non-clients	Total
Masaka			
Crops	20%	21%	20%
Livestock or Livestock Products	6%	3%	5%
Fish	1%	1%	1%
Wood Based Products (Carpentry, Firewood, and Charcoal)	4%	5%	4%
Locally Prepared (Cooked) or Processed Foods or Beverages	36%	45%	39%
Other Agricultural/Natural Resources Based Products	6%	1%	4%
None of the Above	27%	25%	26%
Kampala			
Crops	20%	32%	24%
Livestock or Livestock Products	5%	3%	4%
Fish	1%	2%	1%
Wood Based Products (Carpentry, Firewood, and Charcoal)	3%	9%	5%
Locally Prepared (Cooked) or Processed Foods or Beverages	47%	38%	44%
Other Agricultural/Natural Resources Based Products	2%	2%	2%
None of the Above	22%	14%	19%
Mbale			
Crops	24%	16%	21%
Livestock or Livestock Products	2%	2%	2%
Fish	1%	0%	1%
Wood Based Products (Carpentry, Firewood, and Charcoal)	1%	3%	2%
Locally Prepared (Cooked) or Processed Foods or Beverages	37%	50%	43%
Other Agricultural/Natural Resources Based Products	1%	4%	2%
None of the Above	34%	26%	30%
Total (Overall)			
Crops	21%	22%	21%
Livestock or Livestock Products	5%	3%	4%
Fish	1%	1%	1%
Wood Based Products (Carpentry, Firewood, and Charcoal)	3%	5%	4%
Locally Prepared (Cooked) or Processed Foods or Beverages	39%	44%	41%
Other Agricultural/Natural Resources Based Products	4%	2%	3%
None of the Above	27%	22%	26%

Table with Multiple Responses: Percentages are based on number of responses not respondents.

Table 70. Distribution of the Top Three Products/Services of Enterprise Two, 1999 (N=350)

Product/Service	Clients	Non-clients	Total
Masaka			
Crops	41%	51%	43%
Livestock or Livestock Products	12%	17%	13%
Fish	1%	4%	2%
Wood Based Products	4%	0%	3%
Locally Prepared Foods	18%	16%	18%
Other Agricultural/Natural Resource Based Products	4%	0%	4%
None of the Above	20%	13%	19%
Kampala			
Crops	30%	0%	27%
Livestock or Livestock Products	16%	11%	16%
Fish	1%	0%	1%
Wood Based Products	1%	44%	6%
Locally Prepared Foods	22%	11%	21%
Other Agricultural/Natural Resource Based Products	7%	0%	6%
None of the Above	22%	33%	23%
Mbale			
Crops	25%	13%	22%
Livestock or Livestock Products	3%	3%	3%
Fish	3%	0%	2%
Wood Based Products	2%	3%	2%
Locally Prepared Foods	33%	54%	39%
Other Agricultural/Natural Resource Based Products	2%	5%	3%
None of the Above	32%	23%	29%
Total			
Crops	36%	35%	35%
Livestock or Livestock Products	11%	12%	11%
Fish	1%	3%	2%
Wood Based Products	3%	4%	3%
Locally Prepared Foods	22%	28%	23%
Other Agricultural/Natural Resource Based Products	4%	2%	4%
None of the Above	23%	18%	22%

INDIVIDUAL LEVEL

Table 71. Loci of Decision Making on Use of Loan Funds, 1999 Compared to 1997 (N=560)

District	Decision Choice	Others Involved 99		Myself Alone 99		Total	
Masaka	Others Involved 97	14	40%	21	60%	35	100%
	Myself Alone 97	27	11%	225	89	252	100%
	Total	41	14%	246	86%	287	100%
Kampala	Others Involved 97	4	36%	7	64%	11	100%
	Myself Alone 97	13	11%	105	89%	118	100%
	Total	17	13%	112	87%	129	100%
Mbale	Others Involved 97	22	54%	19	46%	41	100%
	Myself Alone 97	27	26%	76	74%	103	100%
	Total	49	34%	95	66%	144	100%
Total	Others Involved 97	40	46%	47	54%	87	100%
	Myself Alone 97	67	14%	406	86%	473	100%

Table 72. Distribution of Items on Which Client Respondents Spent Their Most Recent MFI Loan

	Masaka (N=284)		Kampala (N=128)		Mbale (N=141)		Total (N=553)	
	1997	1999	1997	1999	1997	1999	1997	1999
Enterprise one	98%	71%	96%	89%	100%	93%	98%	81%
Other Enterprise	10%	32%	5%	20%	15%	44%	10%	33%
Food for Household	2%	8%	2%	13%	16%	11%	6%	10%
School Expenditures	5%	20%	10%	16%	9%	12%	7%	17%
Medical Care	3%	5%	5%	7%	2%	12%	3%	7%
Savings	15%	8%	6%	10%	17%	4%	14%	7%
Debts/Loan repayment	8%	11%	9%	13%	11%	10%	9%	11%
Obligations to non-H/H member	1%	5%	1%	2%	1%	5%	1%	4%
Others (<i>Bought Land, Building etc</i>)	6%	21%	6%	5%	12%	8%	8%	14%

Multiple responses possible.

Table 73. Assistance with Repayment of Most Recent Loan, 1999 Compared with 1997 (N=561)

		Received Assistance 99		No Assistance 99		Total	
Masaka	Received Asst. 97	6	38%	10	62%	16	100%
	No Assistance 97	50	18%	222	82%	272	100%
	Total	56	19%	232	81%	288	100%
Kampala	Received Asst. 97	3	38%	5	62%	8	100%
	No Assistance 97	17	14%	103	86%	120	100%
	Total	20	16%	108	84%	128	100%
Mbale	Received Asst. 97	3	9%	31	91%	34	100%
	No Assistance 97	20	18%	91	82%	111	100%
	Total	23	16%	122	84%	145	100%
Total	Received Asst. 97	12	21%	46	79%	58	100%
	No Assistance 97	87	17%	416	83%	503	100%
	Total	99	18%	462	82%	561	100%

Not statistically significant overall or among districts.

Table 74. Gain Score on Amount of Money Female Respondents Spent on Assets That They Own, 1999 Compared to 1997 by District (Uganda shillings, N=262)

District	Clients	Non-clients
Masaka	-10453	1746
Kampala	125824	-18818
Mbale	24732	28654
Total*	31965	10958

* Transformed data have means that are statistically significantly different at the 0.05 level. The data were distributed with a highly negative skew and with very large standard deviations. Thus they were not analyzed as raw data with tests assuming a normal distribution. Rather, the data were log-transformed in order to render their distributions suitable for statistical testing. The actual (non-transformed) gain score differences are shown in the table above.

Table 75. Savings Behaviors, 1997 Compared with 1999 (N=741)

	Clients				Non-clients				Total			
	Formal 99		Informal 99		Formal 99		Informal 99		Formal 99		Informal 99	
Formal 97	514	100%	0	0%	35	78%	10	22%	549	98%	10	2%1
Informal 97	57	100%	0	0%	15	12%	110	88%	72	40%	110	60%
Total 97	571	100%	0	0%	50	29%	120	71%	621	84%	20	16%

Pearson Chi-Square significant at 0.01. Note: the Informal Savings category is for those who ONLY had informal

Table 76. Changes in Having Formal Bank Savings Accounts

Changes in Saving Behaviours	Clients	Non-clients	Total
Masaka (N=405)			
No formal bank account in 1999 nor 1997	19%	57%	30%
Formal bank account in both 1999 and 1997	54%	14%	42%
Formal bank account in 1997 but not 1999	15%	14%	15%
Formal bank account in 1999 but not 1997	12%	15%	13%
Total (Masaka)	100%	100%	100%
Kampala (N=209)			
No formal bank account in 1999 nor 1997	50%	72%	58%
Formal bank account in both 1999 and 1997	20%	11%	17%
Formal bank account in 1997 but not 1999	12%	4%	9%
Formal bank account in 1999 but not 1997	18%	13%	16%
Total (Kampala)	100%	100%	100%
Mbale (N=280)			
No formal bank account in 1999 nor 1997	91%	92%	91%
Formal bank account in both 1999 and 1997	3%	0%	2%
Formal bank account in 1997 but not 1999	3%	1%	2%
Formal bank account in 1999 but not 1997	3%	7%	5%
Total (Mbale)	100%	100%	100%
Total (N=894)			
No formal bank account in 1999 nor 1997	45%	75%	56%
Formal bank account in both 1999 and 1997	33%	8%	24%
Formal bank account in 1997 but not 1999	11%	7%	10%
Formal bank account in 1999 but not 1997	11%	11%	11%
Total (Overall)	100%	100%	100%

Overall, there are statistically significant differences in Saving behaviours between client respondents and non-client respondents ($p=0.01$) and among the three districts ($p=0.01$).

Table 77 Trend in Level of Savings (Among Respondents Who Save) Last Year Compared to Year Before First Survey Interview (N=724)

Change in Savings over Last 2 years ago	Clients (N=507)		Non-clients (N=217)		Total	
Masaka						
Savings are higher	117	46%	22	30%	139	43%
Savings are less	113	45%	45	62%	158	49%
Savings are about the same	22	9%	6	8%	28	9%
Total (Masaka)	252	100%	73	100%	325	100%
Kampala						
Savings are higher	55	44%	8	14%	63	35%
Savings are less	59	47%	32	58%	91	51%
Savings are about the same	11	9%	15	27%	26	14%
Total (Kampala)	125	100%	55	100%	180	100%
Mbale						
Savings are higher	59	45%	35	39%	94	43%
Savings are less	33	25%	22	25%	55	25%
Savings are about the same	38	29%	32	36%	70	32%
Total (Mbale)	130	100%	89	100%	219	100%
Total (Overall)						
Savings are higher	231	46%	65	30%	296	41%
Savings are less	205	40%	99	46%	304	42%
Savings are about the same	71	14%	53	24%	124	17%
Total (Overall)	507	100%	217	100%	724	100%

Overall, there are statistically significant differences between clients and non-clients ($p=0.01$) and among districts ($p=0.01$). Generally, the percentage of client respondents with more savings is substantially higher than that of non-client respondents. However, except in Mbale, nearly half of all respondents in the other two districts reported decreased savings. Within districts, with the exception of Mbale, the percentage of client respondents with more savings in 1999 is statistically significantly higher than that of non-clients.

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The Impact of Three Microfinance Programs in Uganda



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Introduction

This two-staged assessment of three USAID-financed microfinance programs in Uganda focuses on whether participation in the microfinance programs leads to improvements in the economic welfare of households, enterprise growth or stability, and greater empowerment of clients.¹ Secondly, the assessment seeks to determine if the three programs reach microentrepreneurs from poor households.

Identification of program impact involves making a plausible case that participation in the program has led to the differences found between client and non-client respondents on key impact indicators. The results do not signify that the changes always occur among clients but that they are more likely to occur with program participation.

Programs Assessed

The assessment centers on clients from three microfinance organizations in Uganda: Foundation for International Community Assistance (FINCA), Foundation for Credit and Community Assistance (FOCCAS), and Promotion of Rural Initiatives and Development Enterprises (PRIDE). It covers clients from four program offices: FOCCAS clients in rural Mbale district, FINCA clients in the capital city of Kampala, and FINCA and PRIDE clients from Masaka town and its periphery.

The loan strategies of these organizations involve lending to individuals who are members of a credit group; group guarantee of loans made to its members; a weekly repayment schedule with flat rates; clients having an enterprise that generates revenue weekly; a savings requirement; mandatory attendance at weekly group meetings; and loans at commercial

interest rates. FOCCAS also educates group members on good health and nutrition practices. FINCA and FOCCAS reach women, and PRIDE loans to men as well as women.

Methodology

Interviews were conducted with a randomly selected sample of clients and non-client microentrepreneurs from the same areas. The two-staged survey was conducted in November and December 1997 and repeated the same months in 1999. In 1999, 72 percent of the 1,332 baseline respondents were relocated and re-interviewed.

Client Participation and Satisfaction

On average, the client respondents had taken nearly four loans that totaled approximately US\$544. Approximately two-thirds of the client respondents had taken at least one loan from their 1997 microfinance organization since late 1997. In addition, five percent had taken a loan between 1997 and 1999 but from another program.

Nearly all of the client respondents reported to have benefited from participation in their microfinance program. The most frequently mentioned impacts were the ability to meet basic family needs, learned savings skills, and growth of the enterprise. Fully one-third of the clients reported no problems as a result of participating in their microfinance program. The difficulties most commonly reported by the clients were time lost to weekly meetings, the weekly loan repayment schedule, and lack of a grace period after receipt of the loan. Program dropouts also gave these challenges as reasons for leaving the programs.

Summary Key Findings and Conclusions

The assessment found that the MFI program branches studied are primarily reaching low-income, moderately poor microentrepreneurs, who are their target group. This conclusion is based on the findings that show that more than

¹ The assessment was carried out by Management Systems International, under the AIMS Project, and by the Makerere Institute of Social Research, Kampala.

three-fourths of the households of client respondents had some basic durable assets, such as radios and cookers. Also, because they have an enterprise that generates cash on a regular basis and most have access to cultivatable land, they are not among the destitute. The findings also indicate that a small proportion of the clients may belong to households that are not poor, but that are vulnerable to slipping into poverty as a result of financial shocks, particularly illness and death of the major income earners. These are the clients who belong to households with vehicles and a steady stream of income from wage or salaried employment and rental properties.

Positive impacts were found at the enterprise level. Program participation was strongly linked with clients adding new products or services, moving to new premises or selling in new markets, improving or expanding their enterprise premises, reducing costs by buying in bulk, and increasing the size of their stock and sales volume. These results suggest that access to lump sums of cash provides clients with a broader range of choices for managing their enterprises and for taking advantage of opportunities that require chunks of money. Loan funds or profits from use of the loans open up a range of choices that the microentrepreneur otherwise would be unlikely to have.

A significantly greater proportion of clients (43 percent) than non-clients (31 percent) had experienced an increase in their enterprise net revenue the month before the 1999 survey compared to the same month a year ago. At the same time, approximately 45 percent of the clients had experienced lower rather than higher levels of enterprise net revenue the previous month.

The results suggest that the MFI programs help client households reduce their financial vulnerability through diversification of income sources. Program participation was found to be associated with client households establishing new enterprises, increasing the amount of agricultural land cultivated, and increasing the amount of income from crops they cultivate. Diversification is a strategy for spreading risk across a number of income sources.

The assessment results suggest that the strategies of the three MFI programs help to empower clients, who are primarily women. The clients are empowered through the acquisition of valued

skills and knowledge, and an increase in the number of ways they save. In addition, on the average, clients spent more on agricultural inputs than did non-clients, suggesting that the loans secured by microenterprises are associated with agricultural activities of the client and their household.

Selected Implications

Key findings from the assessment have programmatic implications, which are more fully examined in the report. The reasons for exiting the program given by those who had dropped out of their MFI program tended to emphasize elements associated with the lending strategy. The data suggest that microfinance organizations in Kampala and Masaka should consider the feasibility of providing individual loan products to participants who have been diligent in repaying their group loans, who would like to graduate to larger loans than the groups provide, and who have some collateral to secure the loans. This type of product should be for a niche market of entrepreneurs and may not be applicable to organizations that exclusively target microentrepreneurs from low-income households.

The findings on trends in the level of enterprise net revenue suggest that a steady increase in loan size with each loan cycle may not be appropriate for some continuing clients. The data on the direction of change in enterprise net revenues and problems faced in their enterprises indicate that a group of microentrepreneurs are working to stabilize their enterprises and that their profits are not increasing. The MFIs might want to review their policies and the practices within loan groups with a view toward ensuring that clients do not feel compelled or pressured to take larger loan amounts each cycle that are difficult for them to repay.

To obtain a copy of this paper consult the AIMS homepage (<http://www.mip.org/componen/aims.htm>) or fax USAID's Development Information Services Clearinghouse at 703-351-4039.

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