

**THE EFFECTS OF MICRO FINANCE INSTITUTIONS ON FINANCIAL
MANAGEMENT PRACTICES IN HOUSEHOLDS IN KAYUNGA
DISTRICT.**

GODFREY ADRIKO

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF BACHELOR OF
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DECLARATION

I ADRIKO GODFREY, pursuing Bachelor Degree in Business Administration at Uganda Christian University, solemnly declare that this research has been my original and to the best of my knowledge all the contents in it have been thoroughly checked through.

Name: ADRIKO GODFREY

Signature: 

Date: 19th / 04 / 2025

APPROVAL.

This dissertation has been written under my guidance and supervision and is now ready for submission to Uganda Christian University for examination purpose.

Academic Supervisor;

Name: Dr. Ajuaba David Baiko

Signature: [Handwritten Signature]

Date: 19/04/2025

DEDICATION.

I dedicate this book to my beloved Father Mr. Tiyo Philip, my Mother Mrs. Akumu Rose, my supervisor Dr. Ajuaba David Baiko and my beloved lecturers in Uganda Christian University who have supported and mentored me into a better citizen in all aspects of life. In addition, I would also want to dedicate this book to Uganda Christian University for the job well done in the education sector of Uganda under the National Council for Higher Education (NCHE).

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TABLE OF CONTENTS.

DECLARATION.....	ii
APPROVAL.....	ii
DEDICATION.	iv
ACRONYMS.	viii
LIST OF TABLES.	ix
ABSTRACT.....	x
CHAPTER ONE: INTRODUCTION.	12
1.1 Introduction.	12
1.2 Background to the study.....	12
1.3 Statement of the problem.	17
1.4 Purpose of the study.....	17
1.5 Specific objectives of the study.	18
1.6 Research questions.....	18
1.8 Significance of the study.....	19
CHAPTER TWO.....	21
2. LITERATURE REVIEW.	21
2.1 Introduction.	21
2.2 Effects of microfinance institutions on investment practices in households.	21
2.3 Effects of microfinance institutions on savings practices in households.	23
2.4 Effects of microfinance institutions on book keeping practices in households.	24
CHAPTER THREE.....	26
3. METHODOLOGY.	26
3.1 Introduction.	26
3.2 Research design.	26
3.3 Population of the study and sampling.	26
3.4 Sample size.....	26

3.5 Sampling techniques.	26
3.6 Instruments of data collection.....	26
3.7 Data quality control.	27
3.8 Research procedures.	28
3.9 Data analysis.....	28
3.10 Ethical considerations in the research study.	29
CHAPTER FOUR	30
4. DATA PRESENTATION, ANALYSES AND INTERPRETATION.....	30
4.1 Effects of microfinance institutions on investments practices of borrowed finances in households in Kayunga District.....	30
4.2 Effects of microfinance institutions on financial savings practices in households in Kayunga District	30
<u>4.3 Effects of microfinance institutions on book keeping practices in households in Kayunga District.....</u>	<u>20</u>
CHAPTER FIVE.....	43
5. SUMMARY, CONCLUSION AND RECOMMENDATIONS.	43
5.1 Introduction.	43
5.2 Summary of the findings.	43
<u>5.3</u> Conclusions	Error! Bookmark not defined.
5.4 Recommendation:	48

ACRONYMS.

AC:	Arua Campus.
AMFIU:	Association of microfinance institutions in Uganda.
BOU:	Bank of Uganda.
BMS:	Business management skills.
ECS:	Entandikwa credit scheme.
FINCA:	Foundation for international community assistance.
KDLG:	Kayunga district local government.
MDI:	Microfinance deposit-accepting institution.
MFED:	Ministry of finance and economic development.
MFIs:	Microfinance institutions.
MSC:	Microfinance support center.
MSMEs:	Micro small and medium enterprises.
MTCs:	Medium term competitiveness strategy.
PEAP:	Poverty eradication action plan.
PMA:	Plans for modernization of agriculture.
PMFL:	Pride microfinance limited.
UBOS:	Uganda Bureau of Statistics.
UCU:	Uganda Christian University.
UMRA:	Uganda Microfinance Regulatory Authority.

LIST OF TABLES.

Table 1:	Age of respondents.....	19
Table 2:	Gender of respondents.....	20
Table 3:	Educational level of respondents.....	20
Table 4:	Household size of respondents.....	21
Table 5:	Occupation of respondents.....	21
Table 6:	Microfinance institutions in Uganda.....	22
Table 7:	Effects of microfinance institutions on investment practices of borrowed finances in households in Kayunga District.....	23
Table 8:	Effects of microfinance institutions on financial savings practices in households in Kayunga District.....	26
Table 9:	Effects of microfinance institutions on book keeping practices in households in Kayunga District.....	29

ABSTRACT.

This research was conducted to find out the effects of micro finance institutions on financial management practices in households in Kayunga district. The researcher carried out the study by moving to a few selected households from Kayunga Town Council to the Bbaale Constituency.

Households in Kayunga district have access to capital to expand their business, 14% of the respondents strongly disagreed, 26% of the respondents disagreed, 10% of the respondents were not sure, 20% of the respondents agreed and 30% of the respondents strongly agreed. In addition borrowed funds are invested in income generating projects, 48% of the respondents strongly disagreed, 6% of the respondents disagreed, 14% of the respondents were not sure, 20% of the respondents agreed and 12% of the respondents strongly agreed. Borrowed funds are invested in asset accumulation, 14% of the respondents strongly disagreed, 26% of the respondents disagreed, 8% of the respondents were not sure, 32% of the respondents agreed and 20% of the respondents strongly agreed. So based on the results collected, most respondents agreed that borrowed funds are invested in asset accumulation by households.

Participation in MFIs activities has increased saving rates in households in Kayunga district, 10% of the respondents strongly disagreed, 20% of the respondents disagreed, 6% of the respondents were not sure, 34% of the respondents agreed and 30% of the respondents strongly agreed. Savings groups with accounts in MFIs contribute social capital to support households in problems, 22% of the respondents strongly disagreed, 10% of the respondents disagreed, 38% of the respondents were not sure, 20% of the respondents agreed and 20% of the respondents strongly agreed. According to that information, the lowest portion of respondents disagreed with the statement that saving groups with accounts in MFIs contribute social capital to support households in problems. Bookkeeping provides clear records of borrowed finances to ensure proper accountability, 4% of the respondents strongly disagreed, 16% of the respondents disagreed, 16% of the respondents were not sure, 34% of the respondents agreed and 30% of the respondents strongly agreed. Based on the results, the respondents tentatively agreed that MFIs provides clear records of borrowed finances to ensure proper accountability.

Establish clear financial goals, conduct thorough research, utilize employer benefits, focus on low-interest borrowing options, diversify investment, monitor and adjust investment strategies, build an emergency fund and seek professional financial advice, are some of the suggested measures that can improve ways of investing finances by households in Kayunga district. Diversification of financial products, enhanced financial literacy programs, use of technology for accessibility, incentives for savings, community-based savings group, regular monitoring and feedback, collaboration with local organizations and focusing on social impact measurement are some of the suggested measures to improve the performance of microfinance institutions on financial savings practices in households in Kayunga district.

Forster a culture of financial literacy, integrate bookkeeping with loan products, regular monitoring and feedback, create incentives for good bookkeeping, offer personalized financial counselling, implement group-based learning, provide training and workshop and develop user-friendly financial tools are measures on how microfinance institutions can improve on book keeping practices in households in Kayunga district.

CHAPTER ONE.

1.1 Introduction.

This chapter discusses the general background of the study, statement of the problem, purpose of the study, specific objectives, and scope of the study, definition of the operational terms and significance of the study.

1.2 Background to the study.

History of microfinance.

Microfinance isn't a new concept, small operations of this type have existed since the 18th century. The first occurrence of micro lending is attributed to the Irish Loan Fund system, introduced by Jonathan Swift, which sought to improve conditions for impoverished Irish citizens. In its modern form, micro financing became popular on a large scale in the 1970s.

The first organization to receive attention was the Grameen Bank, started in 1983 by Muhammad Yunus in Bangladesh. In addition to providing loans to its clients, the Grameen Bank also suggested that its customers subscribe to its "16 Decisions," a basic list of ways that the poor can improve their lives. The 16 decisions touch upon a wide variety of subjects, ranging from a request to stop the practice of issuing dowries upon a couple's marriage. In 2006, the Nobel Peace Prize was awarded to both Yunus and the Grameen Bank for their efforts in developing the microfinance system.

However, the microfinance institutions have been associated with challenges such as;

Client dropout and poor financial performance. According to James Onyutta the Managing Director FINCA Uganda, microfinance Institutions in Uganda seek to provide clients from poor households with a range of money management and banking services. Micro finance is important to the well-being of the society because it improves on the welfare, wealth and general standards of living for those people involved in micro finance activities. Despite Micro Finance Institutions effort to support the low income earners by providing financial services, a high rate of clients drop out has persisted.

The problem arising out of these excessive levels of client dropout is that they are likely to have negative effects on the financial performance of Micro Finance Institutions. James Onyutta's study revealed that dropouts are the most important factors that lead to losses, which in the long run lead to capital erosion. Dropouts affect profitability by reducing the interest earned on loans. Additionally, they lead to increase in operational costs that have the impact on profitability and capital growth since they lose interest earned on loans.

Lack of transparency and measurable results, according to Aaron Cowans in 2011 in his research on the performance measurement and improvement at FINCA, he found that stakeholders including microfinance clients, funders, and governments, demand greater transparency and measurable results from microfinance institutions. The industry has come under increased scrutiny to demonstrate the impact of microfinance on the poor, the lack of transparency and measurable results can undermine the credibility and effectiveness of micro financial institutions.

Limited access to formal financial services. Opio Moses a sugarcane worker with Mehta sugarcane company and a resident of Kayonza sub county on 30th/may/ 2023, explained that for as much as micro financial institutions have improved access to financial services for many Ugandans, a significant proportion of the population in Kayunga District Kayonza in particular still have no access to formal deposit-taking institutions. He further explains that people fail to access financial services from MFIs due to long distances, ignorance, and small operational coverage of the MFIs in Kayunga District. This has to a greater extent affected number of people accessing the services rendered by these MFIs.

List of microfinance institutions in Uganda.

The following are some of the examples of regulated Micro Financial Institutions in Uganda. They are supervised and regulated by the Uganda Microfinance Regulatory Authority (UMRA).

FINCA Uganda.

Is an affiliate of FINCA INTERNATIONAL, started operations in 1992 in Jinja, as the first program in Africa. Today it is the largest program in the global FINCA INTERNATIONAL network and is one of the leading microfinance institutions in Uganda, currently having over twenty-seven branches in Uganda.

Pride Microfinance Limited.

Pride Microfinance Limited (PMFL), is a microfinance institution in Uganda. It is licensed by the Bank of Uganda and national banking regulator. PMFL provides financial services to that segment of the Ugandan population who are not served or are unable to access financial services through Ugandan commercial banks. PMFL's focus are the micro, small, and medium size entrepreneurs.

UGAFODE Microfinance Limited.

UGAFODE is a microfinance institution in Uganda. It is registered and licensed as microfinance deposit-accepting institution (MDI) by the Bank of Uganda, the central bank and national banking regulator.

Objectives of microfinance institutions in Uganda.

Microfinance institutions in Uganda have several major objectives, which are aimed at addressing the financial needs of low-income individuals and groups, and contributing to poverty alleviation. The objectives are as follows:

According to Kasangaki (2006) microfinance is a relatively new approach to financial services delivery that focuses mainly on the poor, marginalized and those who generally have limited or no access to formal financial services. He also states that the major objectives of microfinance are therefore providing the poor with access to financial services as well as an opportunity for them to build their financial capacity and ability to grow to financial self-sufficiency. Microfinance services are delivered in a fashion where criteria for borrowing money are relaxed and no expensive collateral is required to secure loans, no complicated paperwork, no formal or bureaucratic procedures are followed and no intimidating offices and bank staff are involved.

Chris Kasangaki further explains that in recent times microfinance has also become a channel for empowering women due to the fact that in poorest countries women constitute the majority of the poor and “unbanked”. It is well known that in many societies, women are unable to participate in economic activity to the extent that their male counterparts do. This has put them at a serious disadvantage and in some cases led to their suffering, domestic violence, and aggravated poverty. Microfinance therefore provides women with the easiest opportunity to access the financial backing they need to start their own businesses and a chance to actively participate in the economy.

Microfinance has improved the status of women and made them more active in decision-making in a way not possible before. Such empowerment also contributes tremendously to gender equity and family welfare.

In conclusion, he explains that Microfinance has also become a multi-purpose tool that development actors use to tackle not mere financial needs of communities but also many other aspects of peoples' lives. According to Askari Bank in Islamabad Pakistan in 1991, Microfinance institutions are to build long term relationship by delivering transformative customer experience, responsible banking, innovative technology, aiming to be employer of first choice and shaping opportunities that grow shareholders value.

The extent to which microfinance institutions have succeeded and failed to achieve their major objectives.

According to Mustafa Sindan a resident of Nakyessa parish, he claims that microfinance institutions have helped in financial Inclusion and Access to Services. He further explains that Microfinance institutions have played a crucial role in providing access to financial services to the poor, marginalized, and those with limited or no access to formal financial services in Uganda. In addition, he says poverty Alleviation and Empowerment, these institutions have empowered the poor financially, enhancing their economic well-being and contributing to poverty alleviation.

According to Rusdy Hartungi (2007), microfinance institutions have actively worked towards empowering people and communities, promoting self-determination, and fostering active participation in economic development. They have engaged in advocacy efforts to influence the development of appropriate policy frameworks for microfinance practitioners and have participated in developing regulatory frameworks for tier 4 institutions.

However, microfinance institutions have to some extent failed to meet their goals and objectives as explained below;

In the microfinance business, there is trade-off between outreach and sustainability. According to Milton Friedman (1970), 'the poor stay poor, not because they are lazy, but because they have no access to capital'. There has been a long-standing debate over the trade-off between 'outreach' (the ability to reach poorer and more remote people) and 'sustainability' (the ability to cover operating costs).

Critics have raised concerns about the interest rates charged by microfinance institutions and the profit orientation of some for-profit microfinance departments, suggesting that they may be making money off the poor. The Paradoxical Case against Interest Rate Caps for Microfinance - And: How Fintech and RegTech Resolve the Dilemma - Dirk A. Zetzsche & Tsany Ratna Dewi. Since 2010 approximately 40 developing countries and transitional economies imposed interest rate caps. This article analyses the impact of these interest rate caps on microfinance institutions.

Introducing the taxonomy of soft, mezzo and hard interest rate caps we take a stance against hard interest rate caps arguing that the downsides of such hard caps outweigh the benefits. The article is structured as follows; In part II, it shows that regulatory materials published in the context of cap implementation reveals four justifications for imposing interest rate caps, including consumer and client protection, fraud prevention and exploitation by deceptive credit providers, support for a particular strategic industry or sector, and combating anti-competitive behavior where the costs of credit exceed the actual cost of lending plus a reasonable profit margin.

Unintended Consequences. Some practices used to achieve the objectives of poverty reduction and empowerment have had unintended consequences that undermine these objectives. In conclusion, while microfinance institutions in Uganda have made significant progress in achieving their major objectives of financial inclusion, poverty alleviation, empowerment, and advocacy, they have also faced challenges particularly regarding interest rates and unintended consequences of their practices.

1.3 Statement of the problem.

There are several financial institutions in Uganda and Kayunga district in particular. The donor agencies and the government agencies are working hand-in-hand to extend financial services to the poor who do not have collateral security to access loans from the MFIs. This is through the introduction of MFIs despite this move there has been no considerable change in the living conditions of the poor people as explained below;

People still continue to live below the poverty line. According to the technical report about the results of the Uganda poverty map update exercise that was conducted by Uganda Bureau of Statistics (UBOS) in close collaboration with UNICEF and the World Bank, it states that of the total population living below the national poverty line, the share located in the northern region reduced between 2013 and 2017, from 44 percent to 33 percent (under the national poverty line). In eastern region, out of the total number of poor individuals, the proportion who live in the eastern region increased between 2013 and 2017, from 25 percent to 36 percent. It is likely that even bigger changes might be happening below the regional level.

However even with the advance operations of microfinance institutions in Uganda, people in Kayunga district still continue to lack access to basic necessities like food, shelter, education and health services. People still Continue to live in poor houses, have one meal in a day, have malnourished children, lack school fees, they are unable to pay high medical bills and yet there are many MFIs in Kayunga district and they fail to complete payment of their loans.

This called for a research study like this to establish the effects of microfinance institutions on financial management practices in households in Kayunga district.

1.4 Purpose of the study.

To find out the effects of micro finance institutions on financial management practices in households in Kayunga district.

1.5 Specific objectives of the study.

To find out the effects of microfinance institutions on investment practices in households in Kayunga District.

To find out the effects of microfinance institutions on saving practices in households in Kayunga District.

To find out the effects of microfinance institutions on book keeping practices in households in Kayunga District.

1.6 Research questions.

What are the effects of microfinance institutions on investments practices in households in Kayunga District?

What are the effects of microfinance institutions on savings practices in households in Kayunga District?

What are the effects of microfinance institutions on book keeping practices in households in Kayunga District?

1.7 Scope of the study.

Geographical scope.

Kayunga District is located in the Central Region of Uganda. It covers an area of approximately 1,587.8 square kilometers (613.1 square miles). The district is situated in the Eastern part of the country, bordered by the district of Mukono to the West, Jinja to the East, Kamuli to the Northeast, and Luweero to the Northwest.

Content scope.

The content scope of the study is to find out the effects of microfinance institutions on investment practices, savings practices and book keeping practices in households in Kayunga District.

Time scope.

The research study is derived from various sources between 2018 and 2024. This timeframe was selected because during this period, MFIs had expanded their operations in the whole of Kayunga district. This offered the best case study for the topic in question.

1.8 Significance of the study.

Addressing Challenges and Enhancing Performance. Research studies help identify the factors that pose challenges to the effective performance of microfinance institutions in Uganda, where there are growing calls for an effective microfinance sector by the government and donors to address poverty, understanding and addressing these challenges is crucial. The findings of such studies can benefit policy makers, academics, managers of microfinance institutions, and research students by providing insights that can help regulate microfinance activities, appreciate the context of the microfinance sector, and improve the overall performance of these institutions.

Promoting Sustainable Growth and Development. Microfinance institutions play a significant role in the economic and social development of Uganda. Research studies are important for defining a balanced sustainability approach that considers financial, environmental, social, and governance dimensions as equally important. These studies can establish the relationship between various sustainability indicators and determine different sustainability profiles for microfinance institutions.

Additionally, regular training and capacity building recommended by research studies can help improve financial management skills and enhance the businesses and income of the local population, contributing to overall development.

Understanding the Impact on Vulnerable Populations. Research studies provide valuable insights into the impact of microfinance on vulnerable populations, such as low-income individuals and marginalized communities. A systematic literature review and bibliometric analysis of studies indexed on the ISI Web of Science database between 2012 and March 2021 found that a holistic approach should be adopted to boost microfinance outcomes through a better understanding of their beneficiaries. This reinforces the idea that microfinance constitutes a distinct field of development thinking, and indicates that a more holistic approach should be adopted to boost microfinance outcomes.

Empowering Beneficiaries and Addressing Challenges. Research studies help in identifying the challenges faced by the beneficiaries of microfinance and in understanding how microfinance can empower them. For example, in India, a study highlighted the problems faced by beneficiaries in availing microfinance, such as difficulties in approaching authorities for loans.

Understanding these challenges through research is crucial for policymakers and microfinance institutions to address these issues and improve the overall experience for the beneficiaries.

Advancing Knowledge and Understanding. Research studies contribute to the advancement of knowledge in the field of microfinance by providing insights into various aspects such as the impact of microfinance on women's empowerment, the performance of microfinance institutions in different ideological contexts, and the role of micro savings in stimulating financial performance in Sub-Saharan Africa. These studies offer valuable empirical evidence and analysis that can be used by other scholars to build on existing theories, develop new frameworks, and deepen the understanding of the complexities of microfinance and its implications for economic and social development.

CHAPTER TWO.

2. LITERATURE REVIEW.

2.1 Introduction.

Various attempts have been made to understand the impact of microfinance institutions on financial management practices in households. This chapter reviews some of the literature in relation to the topic.

2.2 Effects of microfinance institutions on investment practices in households.

Microfinance institutions (MFIs) have grown multi-fold despite the difficulties they face (van Rooyen 2012). They have significantly contributed to economic and social benefits (Meckernan 2002, Roodman and Morduch 2005, Pati 2017). The growth has resulted in MFIs being one of the world's most comprehensive developmental tools with the highest number of beneficiaries (van Rooyen 2012). The following are some of the literature on the effects of MFIs on investment practices in households;

Poverty alleviation is the prime reason for the recognition of MFIs (Pati 2017, Chowdhury and Mukhopadhaya 2012, Razaque 2010, Vasimilai and Narender 2007, Roodman and Morduch 2005, Dhakal 2007). According to the Asian Development Bank and Beisland (2018), MFIs provide financial services to low-income families to fulfill their financial requisites. In addition to the financial services, they also provide social services. Microfinance became the messiah of the poor as they contribute to income consumption and asset accumulation. However, the effects vary based on the poverty levels, gender and continued participation.

Hyper (1998) defines MFIs simply as bringing sustainable financial services to the low income earners who are usually small and middle class. Though emphasis has been put on the poor this is not always the case, the poor who do not have the assets do not have access to loans yet these loans are meant to improve their living conditions. For the poor households the opportunities for productive use of loans are often limited, the weekly meetings are time consuming and the risks of taking the loans that are repayable on a weekly basis are unacceptably high.

In the words of Elizabeth Rhyne Etal (1994) “financial services do not create economic opportunities directly, rather they help people and enterprises position themselves to take advantage of opportunities”. Most microfinance institutions provide substantial business education to enable their clients take advantages of opportunities that could enable them prosper in their business and some of the MFIs lack the business management skills.

Ruther Ford (1997) argue that, the exclusion of the poorest is probably driven on the emphasis on credit delivery by most other microfinance institutions, which scant attention to the needs of the poorest for somewhere, safe and accessible to put their savings. Microfinance institutions only give loans to individuals who have ongoing businesses neglect of the poor who have no capital to start a business yet the major aim of the institution is to improve the living standard of the poor. Being segregative, they fail to improve the standard of living of the poor. Microfinance has demonstrated its potential to make significant strides towards reducing their vulnerability improving their livelihood, paying for basic health care and financing their children’s education. Many microfinance institutions have demonstrated an ability to provide financial services to the poor people on a sustainable basis. But this has not always materialized because they mismanage the loans given to them and they end up in debts.

According to Otero and Rhyne 1994, Yaqub 1995 and Todd 1996, continued access to loans has long been viewed as one of the most important incentives to repay. Given the value that the poor place on having access to financial services. It is clear that the better the quality of these financial services, the more the clients will value and asses them and thus the more the liking they are to continue to meet their obligations. However, Mazin (1994) notes “in developing countries survival of low families may compel all members to engage in productive activities. In spite of the little improvement in total household earnings, a woman’s status is likely to be affected by increase in the bargaining power as a result of her crucial contributions to family subsistence. Stuart Rutherford argues that such microfinance loans are “advances against future savings”. Loans are increasingly becoming the way of fulfilling those multi-million dreams especially with so many banks opening up making accessibility to loans simpler. Daily monitor Thursday (1st August 2009).

2.3 Effects of microfinance institutions on savings practices in households.

Microfinance institutions increase opportunities for poor section of every society by helping them to access credit and introducing the habit of saving. The major reasons formal financial institutions financially exclude the poor is associated with high risks and high costs. There is enormous amount of uncertainty with regard to the repayment capacity of the poor. Information regards to credit is inadequate or unavailable, expenditure and income patterns of the poor are irregular, and the majority of the poor do not have collateral. In addition to these, high probability of exposure to systematic risks including crop failure or commodity price fluctuation is fairly high, thus lending to the poor is a high risk investment with high probabilities of default (Maren 2010).

Microfinance institutions increases opportunities for poor section of every society by helping them to access credit and introducing the habit of saving. And the emergence of these institutions has been seen as a solution for low domestic savings through accessing the rural poor households in financial services. Webster and Fidler (1999) viewed access of financial services to the poor as a tool to escape from poverty through investing in income generating activities and introducing the habit of saving in rural poor households. in many low income countries, however, the prevailing operation of the formal financial institutions is inefficient to provide sustainable financial facilities to the poor due to high transaction cost of providing financial services. To overcome this serious problem, in most developing countries financial inclusion has become a popular concept among politicians. To this end, economic reforms aimed at increasing the accessibility of financial services to the poor, are key factors for politicians and are still subject to a lot of research (Beck 2009)

According to innovations in microfinance (Bamako 2000), mobilizing micro and small savings can help MFIs reach financial self-sufficiency. In fact, introducing savings facilities may considerably improve an MFI's client outreach, while increasing demand and controlling costs in its operations. Through deposit activities, an MFI can lower their capital costs and build a sustainable base for expansion. An institution will gain the confidence of potential depositors only if perceived risks are reduced by good operational performance that is both visible to and tangible for the client.

One of the major challenges for MFIs in establishing effective savings programs is transforming their corporate culture and capabilities to support new services. Equally important is the involvement of governments in the regulation and supervision of institutions capturing savings from the public. Well-designed and well-delivered deposit services can lead to the successful intermediation of financial services by MFIs' reducing their dependency on external funding and generating a stable stream of capital to support financial operations. By offering savings services, MFIs gain several important advantages.

2.4 Effects of microfinance institutions on book keeping practices in households.

Microfinance institutions (MFIs) play a significant role in providing financial services to low-income households, particularly in developing countries. They offer small loans, savings accounts, and other financial products that are often inaccessible through traditional banking systems. This access to finance can have profound effects on household bookkeeping practices as quoted by different literature;

Improved financial literacy, access to microfinance often comes with training and support in financial management. This education helps households understand the importance of tracking income and expenses, leading to better bookkeeping practices. As families learn to manage their finances more effectively, they become more adept at maintaining records of their financial transactions. In addition, structured savings and budgeting, many MFIs encourage or require borrowers to save a portion of their income. This practice not only helps in building a safety net but also necessitates a more structured approach to budgeting. Households begin to categorize their expenses and savings, which enhances their overall financial management skills. The discipline of saving can lead to more meticulous record-keeping as families track their savings goals alongside their expenditures. (Investopedia 2021)

Increased Accountability, the nature of microfinance often involves group lending, where members are accountable to one another. This social pressure can motivate households to keep better records to ensure they can meet their repayment obligations. The need to report to peers can enhance the accuracy and frequency of bookkeeping.

Diversification of income sources, with access to microloans, households can invest in small businesses or other income-generating activities. This diversification requires more detailed bookkeeping to track the performance of different income streams. Families may start using ledgers or digital tools to monitor their earnings and expenses from various sources. Coping with financial shocks, MFIs provide a buffer against financial shocks by enabling households to save and borrow. When families face unexpected expenses, they are more likely to have a plan in place, which includes keeping accurate records of their financial situation. This preparedness can lead to improved bookkeeping practices as families learn to anticipate and manage financial challenges. Lastly, empowerment of women, many MFIs focus on empowering women by providing them with access to financial resources. This empowerment often translates into better financial management within households, as women typically take on the responsibility of budgeting and bookkeeping. Studies have shown that when women control financial resources, they tend to invest more in their families' education and health, further emphasizing the importance of accurate financial records. (Investopedia 2021).

According to Ledgerwood (1998), Microfinance targets poverty using the strategy of financial inclusion by providing key financial services to unemployed or low-income individuals or groups who otherwise would have no other access to financial services. It primarily provides various financial services, such as microcredit, micro-insurance, and micro-savings, to poor individuals to help them in escaping economic deprivation through entrepreneurship and self-employment (Elhadidi, 2018). Mader (2013) further explains, empowering households to enhance their socioeconomic performance. Despite notable growth in adoption of the microfinance, yet there is a great conflict among researchers regarding the poverty alleviation impact of microfinance. Some researchers are of the view that microfinance does not help the poor rather it increases their indebtedness and vulnerability thus failing to achieve its prime objective of serving the poor. On the other hand, some studies have shown a positive impact of microfinance on women empowerment and households' economic wellbeing (Al-Mamun et al., 2018 and Al-Shami et al., 2018).

CHAPTER THREE

3. METHODOLOGY.

3.1 Introduction.

This chapter discusses the methodology used to gather information. Its contents are; introduction, research design, population of study, sampling method, sample size, research instruments, validity of instruments, reliability of the data collected, proposed data analysis and limitations of the study.

3.2 Research design.

The researcher used the descriptive survey research design to conduct the study and collect data to answer research questions. Descriptive study design enabled the researcher to describe and characterize particular phenomenon or population. It helped the researcher to collect data on the characteristics, behaviors and opinions of a sample without attempting to establish causal relationships.

3.3 Population of the study and sampling.

The research study was carried out among the various clients of MFIs and staffs of MFIs in Kayunga district. The target population consisted of residents of Kayunga district who were beneficiaries of MFIs. According to the results of the 2017 Population Census, Kayunga had a total population of 370,210 people.

3.4 Sample size.

The research study was carried with sample size of 50 people in total and constituted of MFIs clients, staffs and the Local Government Officials in Kayunga District.

3.5 Sampling techniques.

Simple Random sampling.

The researcher granted each of the clients and staffs of MFIs as well as Local Government staffs to be selected. The researcher used this method because the population is relatively small and homogeneous.

3.6 Instruments of data collection.

The method of data collection is a survey based on the use of questionnaires.

Survey and Questionnaires.

The researcher designed series of questions in a systematic and standardized way in order to gather specific information related to the research topic. The questions were both open-ended and closed-ended. Questionnaires were relatively cheap compared to other data collection methods, such as in-depth interviews or focus groups.

Document Review.

The researcher analyzed quantitative and qualitative data found in existing primary documents, such as public records and personal documents, to strengthen and support the data that is collected through other quantitative methods. The researcher also reviewed and extracted data from secondary sources, such as government publications, books, websites, and previously published case studies.

Qualitative method.

The researcher used qualitative methods to explain what quantitative methods cannot put in numerical figures. It deeply explains findings in words. This enables the figures found in quantitative research methods to be understood well.

Questionnaires.

The researcher set close-ended and open-ended questions designed to gather information from the various respondents.

3.7 Data quality control.

Validity of the instruments.

The researcher compared his own research work to the work of other previous researchers who had carried out research in the same field. The researcher also considered the views of expert researchers to clarify whether instruments measured accurately what they were supposed to measure.

Reliability of the data collected.

The researcher tested the consistency, stability and repeatability of the collected data. It showed the same results after being tested using various methods and sample groups.

3.8 Research procedures.

Identifying the Research Problem, the researcher identifies a clear and specific research problem. Here the researcher narrowed down a broad idea into a focused research question that guided the entire study. The researcher developed a research plan, once the research problem was established, the next step was for the researcher to create a research plan or methodology. This plan outlined the overall approach to the study, including the design, methods, and procedures for data collection and analysis.

The researcher chose research methods and decided on the specific methods to collect and analyze data. This included surveys, interviews and many others. Data Collection, the researcher implemented the chosen methods to gather data. The researcher followed standardized procedures to enhance the reliability and validity of the data collected. For instance, using consistent instructions and protocols helped minimize biases and errors.

Data Analysis, after data collection, the researcher analyzed the data to draw conclusions, analysis should align with the research questions and objectives outlined in the research plan.

The researcher interpreted the results, once the data was analyzed, the researcher interpreted the findings in the context of the original research problem. This step involved discussing the implications of the results, how they relate to existing literature, and any potential limitations of the study. In conclusion, the researcher reported findings, compiled the findings into a report.

3.9 Data analysis.

The quantitative and qualitative data analysis involved editing and coding techniques. During editing, the researcher ensured accuracy, consistency and had to show the relationship between the independent and dependent variables. The analytical methods included the use of tables and frequencies.

3.10 Ethical considerations in the research study.

Informed Consent, the researcher informed participants about the nature of the research, including any potential risks and benefits, and must voluntarily agree to participate. This process ensured that individuals made an educated decision about their involvement. Voluntary participation, participation in the research study was entirely voluntary. The researcher ensured that participants understood they could withdraw from the study at any time without any negative consequences. Anonymity and Confidentiality, the researcher protected the identity of participants. The researcher also kept information from participants private, confidential and only accessible to authorized personnel. This was particularly important in sensitive research areas. The researcher minimized harm during the research study. This included physical, psychological, and emotional risks. The researcher avoided exploiting vulnerable populations and ensure equitable access to the benefits of research.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSES AND INTERPRETATION.

4.1 Introduction.

This chapter majorly focuses on the data collected, analyses and interpretation based on the facts got from the respondents. In examining, the researcher conducted the studies in Kayunga district and looked at the effects of microfinance institutions on financial management practices in households in Kayunga district.

4.2 Demographic information.

Table 1 showing the age of the respondents.

Age	Frequency	Percentage (%)
Under 18	15	30
18-30	13	26
31-45	07	14
46-60	10	20
60+	05	10
Total	50	100

Source: Primary data

According to the above data 30% of the respondents were under 18 years, 26% fall between the age of 18-30 years, 14% fall between the age of 31-45 years, 20% fall between the age of 46-60 years and 10% are above 60 years. So based on the data above, both the young and old are involved in microfinance businesses.

Table 2 showing the gender of the respondents.

Sex	Frequency	Percentage (%)
Male	30	60
Female	20	40
Total	50	100

Source: Primary data

According to the data above, 60% of the respondents are male and 40% of the clients are female and no respondent fell under the other option. Most clients of MFIs seem to be male.

Table 3 showing the educational level of the respondents.

Level of education	frequency	Percentage (%)
No formal education	16	32
Primary education	10	20
Secondary education	17	34
Tertiary education	07	14
Total	50	100

Source: Primary data

According to the above data, 32% of the respondents had no formal education, 20% of the respondents had primary education, 34% of the respondents had secondary education, and 14% of the respondents had tertiary education. Based on the data above most of the clients of MFIs attained secondary level education of which they constitute 34% of the total percentage of the respondents.

Table 4 showing household size.

Household size	frequency	Percentage (%)
1-3	18	36
4-6	23	46
7-10	05	10
10+	04	8
Total	50	100

Source: Primary data

According to the data above, 36% of the respondents have a household capacity of 1-3 members, 46% of the respondents have a household capacity of 4-6 members, 10% of respondents have a household capacity of 7-10 members and 8% of the respondents have a household capacity of 10+ members. Based on the information above, most households in Kayunga district fall under the capacity of 4-6 members.

Table 5 occupation of respondents.

Occupation	Frequency	Percentage (%)
Employed	25	50
Self-employed	17	34
Unemployed	08	16
Total	50	100

Source: Primary data

According to the data above, 50% of the respondents are employed, 34% of the respondents are self-employed and 16% of the respondents are unemployed. The data above shows that most of the respondents in Kayunga district are employed.

Table 6 microfinance institutions of respondents.

Institution	Frequency	Percentage (%)
FINCA Uganda	20	40
Pride microfinance limited	06	12
UGAFODE microfinance limited	04	8
Others (specify)	20	40
Total	50	100

Source: primary data

According to the data above, 40% of the respondents are clients of FINCA Uganda, 12% of the respondents are clients of Pride microfinance limited, 8% of the respondents are clients of UGAFODE microfinance limited and 40% of the respondents are clients of other microfinance institutions. Based on the information provided, FINCA holds the biggest number of clients in Kayunga district.

Objective one: To find out the effects of microfinance institutions on investments practices of borrowed finances in households in Kayunga district.

Table 7 Effects of MFIs on investments of borrowed finances.

s/n	Effects of MFIs on investments of borrowed finances	Responses					Total	
		SD	D	NS	A	SA		
1	Some households in Kayunga district have access to capital to expand their business	07	13	05	10	15	50	Frequency
		14	26	10	20	30	100	Percentage (%)
2	Borrowed funds are invested in income generating projects	24	03	07	10	06	50	Frequency
		48	6	14	20	12	100	Percentage (%)
3	Borrowed funds are invested in asset accumulation by households	07	13	04	16	10	50	Frequency
		14	26	8	32	20	100	Percentage (%)
4	Borrowed finances are used to diversify investments to mitigate risks	25	05	06	09	05	50	Frequency
		50	10	12	18	10	100	Percentage (%)
5	The borrowed funds have been invested in sustaining businesses by households	07	03	00	10	30	50	Frequency
		14	6	00	20	60	100	Percentage (%)

Source: Primary data

Based on the point of some households in Kayunga district have access to capital to expand their business, 14% of the respondents strongly disagreed, 26% of the respondents disagreed, 10% of the respondents were not sure, 20% of the respondents agreed and 30% of the respondents strongly agreed. Based on the results, the highest portion of respondents strongly agreed to the point that households in Kayunga district get access to capital to expand their business.

On the point of borrowed funds are invested in income generating projects, 48% of the respondents strongly disagreed, 6% of the respondents disagreed, 14% of the respondents were not sure, 20% of the respondents agreed and 12% of the respondents strongly agreed. Based on the results gathered, most respondents strongly disagreed against the point that borrowed funds are invested to generate income.

On the point of borrowed funds are invested in asset accumulation, 14% of the respondents strongly disagreed, 26% of the respondents disagreed, 8% of the respondents were not sure, 32% of the respondents agreed and 20% of the respondents strongly agreed. In relation to the results obtained, most respondents agreed that borrowed funds are invested in asset accumulation by households.

On the point of borrowed finances are used to diversify investments to mitigate risks, 50% of the respondents strongly disagreed, 10% of the respondents disagreed, 12% of the respondents were not sure, 18% of the respondents agreed and 10% of the respondents strongly agreed. Based on information gathered, the highest portion of respondents strongly disagreed about borrowed finances being used to diversify investments to mitigate risks.

On the point of borrowed funds have been invested in sustaining business by households, 14% of the respondents strongly disagreed, 6% of the respondents disagreed, none of the respondents were sure, 20% of the respondents agreed and 60% of the respondents strongly agreed. Conclusively, the highest percentage of respondents strongly agreed that borrowed funds have been invested in sustaining business by households.

In opinions of respondents, MFIs in Kayunga district have led to increased investment capacity, access to larger investment, long-term financial stability, financial literacy, decision-making, influence on finance consumption patterns are some of the effects of borrowed finances on the investments of households in Kayunga district.

The respondents made the following suggestions to the contributions of MFIs on the investment practices in households in Kayunga district, establish clear financial goals, conduct thorough research, utilize employer benefits, focus on low-interest borrowing options, diversify investment, monitor and adjust investment strategies, build an emergency fund and seek professional financial advice.

Objective two: To find out the effects of microfinance institutions on financial savings practices in households in Kayunga district.

Table 8 Effects of MFIs on financial savings practices in households in Kayunga district

s/no	Effects of MFIs on financial savings practices in households in Kayunga district	Responses					Total
		SD	D	NS	A	SA	
1	Participation in MFI activities has increased savings rates in households in Kayunga district	05	10	03	17	15	Frequency
		10	20	6	34	30	Percentage (%)
2	Savings groups have accounts in MFIs to contribute to social capital to support homesteads in problems	11	05	19	10	05	Frequency
		22	10	38	20	10	Percentage (%)
3	Savings in MFIs have improved financial security of households	03	09	08	22	08	Frequency
		6	18	16	44	16	Percentage (%)
4	Households with savings in MFIs have access to emergency funds during periods of crisis	03	07	00	30	10	Frequency
		6	14	00	60	20	Percentage (%)
5	MFIs in Kayunga district have encouraged group savings in households in the district	06	10	04	07	23	Frequency
		12	20	8	14	46	Percentage (%)

Source: primary data

On the point of participation in MFIs activities has increased saving rates in households in Kayunga district, 10% of the respondents strongly disagreed, 20% of the respondents disagreed, 6% of the respondents were not sure, 34% of the respondents agreed and 30% of the respondents strongly agreed. Based on the results, a greater portion of the respondents agreed upon the point that participation in MFIs has increased savings rates in households in Kayunga district.

On the point of savings groups with accounts in MFIs contribute social capital to support households in problems, 22% of the respondents strongly disagreed, 10% of the respondents disagreed, 38% of the respondents were not sure, 20% of the respondents agreed and 20% of the respondents strongly agreed. According to that information, the lowest portion of respondents disagreed with the statement that saving groups with accounts in MFIs contribute social capital to support households in problems.

On the point of savings in MFIs have improved financial security of households, 6% of the respondents strongly disagreed, 18% of the respondents disagreed, 16% of the respondents were not sure, 44% of the respondents agreed and 16% of the respondents strongly agreed. So based on the results, the highest percentage of the respondents agreed that savings in MFIs have improved financial security of households in Kayunga district.

On the point of households with savings in MFIs have access to emergency funds during periods of crisis, 6% of the respondents strongly disagreed, 14% of the respondents disagreed, none of the respondents was not sure, 60% of the respondents agreed and 20% of the respondents strongly agreed, based on the results, majority of the respondents agreed that households with savings in MFIs have access to emergency funds during periods of crisis.

On the point of MFIs in Kayunga district have encouraged group savings in households in the district, 12% of the respondents strongly disagreed, 20% of the respondents disagreed, 8% of the respondents were not sure, 14% of the respondents agreed and 46% of the respondents strongly agreed. So based on the results, the respondents relatively agreed that MFIs in Kayunga district have encouraged group savings in households in Kayunga district.

In the opinions of the respondents MFIs in Kayunga district have impacts on economic empowerment, diversification of savings products, financial literacy and increased access to financial services.

Diversification of financial products, enhanced financial literacy programs, use of technology for accessibility, incentives for savings, community-based savings group, regular monitoring and feedback, collaboration with local organizations and focusing on social impact measurement are some of the suggested measures to improve the performance of microfinance institutions on financial savings practices in households in Kayunga district.

Objective three: To find out the effects of microfinance institutions on book keeping practices in households in Kayunga district.

Table 9 Effects of MFIs on book keeping practices in households in Kayunga district.

s/no	Effects of MFIs on book keeping practices in households in Kayunga district	Responses					Total
		SD	D	NS	A	SA	
1	Provides clear records of borrowed finances to ensure proper accountability	02	08	08	17	15	Frequency
		4	16	16	34	30	Percentage (%)
2	Records of savings in the MFIs enables them to know their account balance	00	05	06	29	10	Frequency
		00	10	12	58	20	Percentage (%)
3	Provides records of investments done with funds from MFIs	09	13	02	08	18	Frequency
		18	26	4	16	36	Percentage (%)
4	Shows records of loan servicing to establish balance carried forward	24	10	05	09	02	Frequency
		48	20	10	18	4	Percentage (%)
5	Clear records of funds saved in the MFIs which help in making investment decisions in households in Kayunga district	16	11	12	08	03	Frequency
		32	22	24	16	6	Percentage (%)

Source: primary data

On the point that bookkeeping provides clear records of borrowed finances to ensure proper accountability, 4% of the respondents strongly disagreed, 16% of the respondents disagreed, 16% of the respondents were not sure, 34% of the respondents agreed and 30% of the respondents strongly agreed. Based on the results, the respondents tentatively agreed that MFIs provides clear records of borrowed finances to ensure proper accountability.

On the point that bookkeeping records of savings in the MFIs enables them to know their actual balance, none of the respondents strongly agreed, 10% of the respondents disagreed, 12% of the respondents were not sure, 58% of the respondents agreed and 20% of the respondents strongly agreed. So based on the findings, largest portion of respondents agreed that records of savings in the MFIs enables them to know their actual balance.

On the point that bookkeeping provides records of investments done with funds from MFIs, 18% of the respondents strongly disagreed, 26% of the respondents disagreed, 4% of the respondents were not sure, 16% of the respondents agreed and 36% of the respondents strongly agreed. So based on the results, a high portion of respondents strongly agreed that bookkeeping provides records of investments done with funds from MFIs.

On the point that bookkeeping shows records of loan servicing to establish balance carried forward, 48% of the respondents strongly disagreed, 20% of the respondents disagreed, 10% of the respondents were not sure, 18% of the respondents agreed and 4% of the respondents strongly agreed. So based on the findings, majority of the respondents strongly disagreed that book keeping shows records of loan servicing to establish balance carried forward.

On the point that bookkeeping shows clear records of funds saved in the MFIs which help in making investments decisions in households in Kayunga district, 32% of the respondents strongly disagreed, 22% of the respondents disagreed, 24% of the respondents were not sure, 16% of the respondents agreed and 6% of the respondents strongly agreed. So based on the findings, majority of the respondents strongly disagreed that bookkeeping shows clear records of funds saved in MFIs which help in making investment decisions in households in Kayunga district.

In the opinions of respondents, MFIs in Kayunga district have contributed to record keeping in the following ways, promotion of financial discipline, and development of basic financial skills, encourage clients to save alongside borrowing, access to financial services, empowerment through financial literacy, long-term financial stability.

Forster a culture of financial literacy, integrate bookkeeping with loan products, regular monitoring and feedback, create incentives for good bookkeeping, offer personalized financial counselling, implement group-based learning, provide training and workshop and develop user-friendly financial tools are measures suggested by respondents on how microfinance institutions can improve on book keeping practices in households in Kayunga district.

CHAPTER FIVE

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS.

5.1 Introduction.

This chapter consists of the summary, conclusions and recommendations about the findings and analysis of the effects of microfinance institutions on financial management practices in households in Kayunga district.

The purpose of the study was to examine the effects of microfinance institutions on financial management practices in households in Kayunga district with specific objectives of;

To find out the effects of microfinance institutions on investments practices, savings practices and book keeping practices in households in Kayunga district.

5.2 Summary of the findings.

On the age of respondents, 30% of the respondents were under 18years, 26% were between the years of 18-30, 14% were between the years of 31-45, 20% were between the years of 46-60 and 10% were in the years of 60+. On gender of respondents, 60% of the respondents were male and 40% were female. In addition, the education levels of respondents were as follows, 32% of the respondents had no formal educational level, 20% of the respondents attained primary level education, 34% of them attained secondary education and 14% of the respondents attained tertiary education. On the household size of the respondents, 36% of the respondents lived in households of 1-3 members, 46% of the respondents lived in households of 4-6 members, 10% of the respondents lived in the households of 7-10 members and 8% of the respondents lived in the households of 10+ members. On the occupation of the respondents, 50% of the respondents were employed, 34% of the respondents were self-employed and 16% of the respondents were unemployed. On MFIs, 40% of the respondents were clients of FINCA, 12% of the respondents were clients of Pride microfinance institution limited, 8% of the respondents were clients of UGAFODE microfinance limited and 40% of the respondents were in other microfinance institutions.

These findings were based on the effects of microfinance institutions on investments practices of borrowed finances in households in Kayunga district; On the point of some households in Kayunga district have access to capital to expand their business, 14% of the respondents strongly disagreed, 26% of the respondents disagreed, 10% of the respondents were not sure, 20% of the respondents agreed and 30% of the respondents strongly agreed. Based on the results, the highest portion of respondents strongly agreed to the point that households in Kayunga district get access to capital to expand their business.

On the point of borrowed funds are invested in income generating projects, 48% of the respondents strongly disagreed, 6% of the respondents disagreed, 14% of the respondents were not sure, 20% of the respondents agreed and 12% of the respondents strongly agreed. Based on the results gathered, most respondents strongly disagreed against the point that borrowed funds are invested to generate income. On the point of borrowed funds are invested in asset accumulation, 14% of the respondents strongly disagreed, 26% of the respondents disagreed, 8% of the respondents were not sure, 32% of the respondents agreed and 20% of the respondents strongly agreed.

In relation to the results obtained, most respondents agreed that borrowed funds are invested in asset accumulation by households. On the point of borrowed finances are used to diversify investments to mitigate risks, 50% of the respondents strongly disagreed, 10% of the respondents disagreed, 12% of the respondents were not sure, 18% of the respondents agreed and 10% of the respondents strongly agreed. Based on information gathered, the highest portion of respondents strongly disagreed about borrowed finances being used to diversify investments to mitigate risks. On the point of borrowed funds have been invested in sustaining business by households, 14% of the respondents strongly disagreed, 6% of the respondents disagreed, none of the respondents were sure, 20% of the respondents agreed and 60% of the respondents strongly agreed. Conclusively, the highest percentage of respondents strongly agreed that borrowed funds have been invested in sustaining business by households.

In opinions of respondents, MFIs in Kayunga district have led to increased investment capacity, access to larger investment, long-term financial stability, financial literacy, decision-making, influence on finance consumption patterns are some of the effects of borrowed finances on the investments of households in Kayunga district. In conclusion, the respondents made the following

suggestions to the contributions of MFIs on the investment practices in households in Kayunga district, establish clear financial goals, conduct thorough research, utilize employer benefits, focus on low-interest borrowing options, diversify investment, monitor and adjust investment strategies, build an emergency fund and seek professional financial advice. The above findings were in agreement to the observations of Sadam Iki a staff of FINCA 2024, Kayunga branch.

These findings were based on the objective of the effects of microfinance institutions on financial savings practices in household in Kayunga district; On the point of participation in MFIs activities has increased saving rates in households in Kayunga district, 10% of the respondents strongly disagreed, 20% of the respondents disagreed, 6% of the respondents were not sure, 34% of the respondents agreed and 30% of the respondents strongly agreed. Based on the results, a greater portion of the respondents agreed upon the point that participation in MFIs has increased savings rates in households in Kayunga district.

On the point of savings groups with accounts in MFIs contribute social capital to support households in problems, 22% of the respondents strongly disagreed, 10% of the respondents disagreed, 38% of the respondents were not sure, 20% of the respondents agreed and 20% of the respondents strongly agreed. According to that information, the lowest portion of respondents disagreed with the statement that saving groups with accounts in MFIs contribute social capital to support households in problems. On the point of savings in MFIs have improved financial security of households, 6% of the respondents strongly disagreed, 18% of the respondents disagreed, 16% of the respondents were not sure, 44% of the respondents agreed and 16% of the respondents strongly agreed. So based on the results, the highest percentage of the respondents agreed that savings in MFIs have improved financial security of households in Kayunga district.

On the point of households with savings in MFIs have access to emergency funds during periods of crisis, 6% of the respondents strongly disagreed, 14% of the respondents disagreed, none of the respondents was not sure, 60% of the respondents agreed and 20% of the respondents strongly agreed, based on the results, majority of the respondents agreed that households with savings in MFIs have access to emergency funds during periods of crisis.

On the point of MFIs in Kayunga district have encouraged group savings in households in the district, 12% of the respondents strongly disagreed, 20% of the respondents disagreed, 8% of the respondents were not sure, 14% of the respondents agreed and 46% of the respondents strongly agreed. So based on the results, the respondents relatively agreed that MFIs in Kayunga district have encouraged group savings in households in Kayunga district. In the opinions of the respondents MFIs in Kayunga district have impacts on economic empowerment, diversification of savings products, financial literacy and increased access to financial services. In conclusion, diversification of financial products, enhanced financial literacy programs, use of technology for accessibility, incentives for savings, community-based savings group, regular monitoring and feedback, collaboration with local organizations and focusing on social impact measurement are some of the suggested measures to improve the performance of microfinance institutions on financial savings practices in households in Kayunga district. These findings are in contrary to the opinions of Ochora Walter a staff at Pride microfinance, 2024 Kayunga branch.

These findings were based on the findings about the effects of microfinance institutions on book keeping practices in households in Kayunga district; On the point that bookkeeping provides clear records of borrowed finances to ensure proper accountability, 4% of the respondents strongly disagreed, 16% of the respondents disagreed, 16% of the respondents were not sure, 34% of the respondents agreed and 30% of the respondents strongly agreed. Based on the results, the respondents tentatively agreed that MFIs provides clear records of borrowed finances to ensure proper accountability.

On the point that bookkeeping records of savings in the MFIs enables them to know their actual balance, none of the respondents strongly agreed, 10% of the respondents disagreed, 12% of the respondents were not sure, 58% of the respondents agreed and 20% of the respondents strongly agreed. So based on the findings, largest portion of respondents agreed that records of savings in the MFIs enables them to know their actual balance. On the point that bookkeeping provides records of investments done with funds from MFIs, 18% of the respondents strongly disagreed, 26% of the respondents disagreed, 4% of the respondents were not sure, 16% of the respondents agreed and 36% of the respondents strongly agreed. So based on the results, a high portion of respondents strongly agreed that bookkeeping provides records of investments done with funds from MFIs.

On the point that bookkeeping shows records of loan servicing to establish balance carried forward, 48% of the respondents strongly disagreed, 20% of the respondents disagreed, 10% of the respondents were not sure, 18% of the respondents agreed and 4% of the respondents strongly agreed. So based on the findings, majority of the respondents strongly disagreed that book keeping shows records of loan servicing to establish balance carried forward. On the point that bookkeeping shows clear records of funds saved in the MFIs which help in making investments decisions in households in Kayunga district, 32% of the respondents strongly disagreed, 22% of the respondents disagreed, 24% of the respondents were not sure, 16% of the respondents agreed and 6% of the respondents strongly agreed. So based on the findings, majority of the respondents strongly disagreed that bookkeeping shows clear records of funds saved in MFIs which help in making investment decisions in households in Kayunga district.

In the opinions of respondents, MFIs in Kayunga district have contributed to record keeping in the following ways, promotion of financial discipline, and development of basic financial skills, encourage clients to save alongside borrowing, access to financial services, empowerment through financial literacy, long-term financial stability. In conclusion, foster a culture of financial literacy, integrate bookkeeping with loan products, regular monitoring and feedback, create incentives for good bookkeeping, offer personalized financial counselling, implement group-based learning, provide training and workshop and develop user-friendly financial tools are measures suggested by respondents on how microfinance institutions can improve on book keeping practices in households in Kayunga district. The above findings were in contrary to the opinions of Nampija Fazira, loan officer Kitimbwa savings Sacco, 2024, Kayunga district.

5.3 Conclusions.

Based on the objective to find out the effects of microfinance institutions on investments practices of borrowed finances in households in Kayunga district, the highest percentage of respondents strongly agreed on the point that some households in Kayunga district have access to capital to expand their business, the highest percentage of respondents strongly disagreed on the point that borrowed funds are invested in income generating projects, a fair percentage of respondents agreed on the point that borrowed funds are invested in asset accumulation by households, biggest percentage of respondents strongly disagreed on the point that borrowed finances are used to diversify investments to mitigate risks. Lastly, none of the respondents was sure on the point that

the borrowed funds have been invested in sustaining businesses by households. These findings reflect on how impactful MFIs have been on investment practices of borrowed finances in households in Kayunga district.

Based on the objective to find out the effects of microfinance institutions on financial savings practices in households in Kayunga district, the highest percentage of respondents agreed on the point that participation in MFI activities has increased savings rates in households in Kayunga district, the highest percentage of respondents agreed on the point that Savings in MFIs have improved financial security of households, the biggest percentage of respondents agreed that households with savings in MFIs have access to emergency funds during periods of crisis, lastly a small percentage of respondents were not sure on the point that MFIs in Kayunga district have encouraged group savings in households in the district. In conclusion, MFIs have greatly improved on the savings practices in households in Kayunga district.

Based on the objective to find out the effects of microfinance institutions on book keeping practices in households in Kayunga district, the lowest percentage of respondents strongly disagreed MFIs provide clear records of borrowed finances to ensure proper accountability, the highest percentage of respondents agreed that MFIs provide bookkeeping records that enables clients to know their account balance, the smallest percentage of respondents were not sure that bookkeeping provides records of investments done with funds from MFIs, a high percentage of respondents strongly disagreed that bookkeeping shows records of loan servicing to establish balance carried forward. Lastly, a relatively high percentage of respondents strongly disagreed on the point that Clear records of funds saved in the MFIs which help in making investment decisions in households in Kayunga district. In conclusion, MFIs have to a certain small extent contributed to the book keeping practices in households in Kayunga district.

5.4 Recommendation:

According to wandera Richard (client Bbaale Ku Ntiko credit Sacco, 2024), opportunity cost is one of the effects of borrowed finances on the investments of households in Kayunga district. When households allocate borrowed funds to one investment, they may miss out on other potential lucrative opportunities. This can lead to suboptimal investment decisions based on the urgency of debt repayment. Creditworthiness and investment opportunities, a household's ability to borrow is often tied to its creditworthiness. Better credit scores can lead to lower interest rates,

allowing for more favorable borrowing terms and encouraging larger or riskier investments. In addition he also mentions inflation hedge, borrowing can be a strategic move during periods of low interest rates and rising inflation. Households may invest borrowed funds in real estate or commodities, which historically act as inflation hedges, potentially protecting their purchasing power. (Sadam Iki, FINCA client, 2024). Impact on savings rates. Increased borrowing can lead to reduced savings. Households may prioritize debt repayment over saving for future investments, which can limit their long-term financial growth and resilience. (Balidawa Veriano, 2024). Psychological factors. The perception of being in debt can affect household confidence in making further investments. Fear of financial instability may lead to more conservative investment strategies, even if the underlying financial situation remains stable. (Ssemuju David, client Bugerere Sacco, 2024).

Flexible saving options. Many MFIs offer various savings products tailored to different needs, such as high-interest savings accounts or goal-specific savings plans, making it easier for households to save. In addition Mustafa further explains that linking savings to credit is another effect. MFIs often links savings to access to credit, encouraging households to save in order to qualify for loans. This creates a cycle of savings and borrowing that can improve financial resilience. (Sindan Mustafa, client FINCA, 2024). Building credit histories. Regular saving and repayment of loans through MFIs help household build credit histories, improving their access to other financial services and potentially lower interest rates in the future.

Furthermore, increased investment in small businesses. With improved savings practices, households are better positioned to invest in or expand small businesses, leading to enhanced economic activity and job creation. (Katende Kevin, client Bbaale Kuntiko savings cooperative, 2024). Psychological benefits. The act of saving can instil a sense of achievement and confidence, positively influencing household attitudes toward financial management and planning for the future. In addition long-term financial goals, MFIs encourage households to set and work toward long-term financial goals, such as education or home ownership, fostering a culture of saving for the future. Community development, by promoting savings and financial literacy, MFIs contribute to broader community development, enhancing economic stability and resilience at the community level. (Opio Moses, client Kitimbwa savings group, 2024).

Increased financial literacy. MFIs often provide training on financial management and book keeping, helping households understand income, expenses, and savings. This education encourages better tracking of financial transactions. Formalization of finances. Access to microfinance leads household to formalize their financial records. Borrowers may start keeping more accurate records of their cash flows to manage loan repayments and monitor business performance. (Juma Balinya, staff FINCA, 2024). Budgeting practices, with the introduction of loans and savings programs, families often adopt budgeting practices to allocate funds for various needs, including loan repayments, which improves their overall financial planning. Savings culture, MFIs promote savings as part of their services. Households begin to keep detailed records of their savings, fostering a habit of tracking both income and expenditure. (Ochora Walter, staff Pride microfinance limited, 2024). Investment tracking, as households invest in small businesses or income-generating activities using microloans, they tend to monitor their investments more closely, leading to better bookkeeping regarding profit and loss. (Nampija Fazira, loan officer Kitimbwa savings Sacco, 2024).

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QUESTIONNAIRE

APPENDIX 1: QUESTIONNAIRE GUIDE

THE EFFECTS OF MICROFINANCE INSTITUTIONS ON FINANCIAL MANAGEMENT PRACTICES IN HOUSEHOLDS IN KAYUNGA DISTRICT.

My name is Adriko Godfrey, a student of Uganda Christian University offering a Bachelor's Degree in Business Administration (BBA). I am carrying research on 'the effects of microfinance institutions on financial management practices in households in Kayunga district. I kindly request you to provide the necessary information having chosen you to be one of the respondents to enable me complete the research study successfully. This questionnaire is for academic purposes only and the information provided is confidential.

Thank you in advance.

SECTION A:

DEMOGRAPHIC INFORMATION:

(Tick the correct answer)

1. Age:

Under 18. 18-30. 31-45. 46-60. 60+.

2. Gender:

Male. Female.

3. Educational Level:

No formal education. Primary education. Secondary education.
Tertiary education.

4. Household Size:

1-3 members. 4-6 members. 7-10 members.
10+members

5. Occupation:

Employed. Self-employed. Unemployed.

6. Which microfinance institution are you registered with?

FINCA Uganda. Pride Microfinance limited
UGAFODE microfinance limited others specify

For these sections, indicate the level of your agreement with the given statements based on the scale below;

Strongly disagree	Disagree	Not sure	Agree	Strongly Agree
(SD)	(D)	(NS)	(A)	(SA)
1	2	3	4	5

For the open-ended questions, write your views in the space provided.

OBJECTIVE ONE: To find out the effects of microfinance institutions on investments practices of borrowed finances in households in Kayunga district.

s/no	Effects of MFIs on investments of borrowed finances	Responses				
		SD	D	NS	A	SA
1	Some households in Kayunga district have access to capital to expand their business					
2	Borrowed funds are invested in income generating projects					
3	Borrowed funds are invested in asset accumulation by households					
4	Borrowed finances are used to diversify investments to mitigate risks					
5	The borrowed funds have been invested in sustaining businesses by households					

6. In your own opinion (s), what is (are) the effects of borrowed finances on the investments of households in Kayunga district?

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7. Suggest measures that can improve ways of investing borrowed finances by households in Kayunga district.

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OBJECTIVE TWO: To find out the effects of microfinance institutions on financial savings practices in households in Kayunga district.

s/no	Effects of MFIs on financial savings practices in households in Kayunga district	Responses				
		SD	D	NS	A	SA
1	Participation in MFI activities has increased savings rates in households in Kayunga district					
2	Saving groups with accounts in MFIs contribute social capital to support households in problems					
3	Savings in MFIs have improved financial security of households					
4	Households with savings in MFIs have access to emergency funds during periods of crisis					
5	MFIs in Kayunga district have encouraged group savings in households in the district					

6. In your own opinions, what is (are) the effect (s) of microfinance institutions on financial saving practices in households in Kayunga district?

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7. Suggest measures to improve the performance of microfinance institutions on financial saving practices in households in Kayunga district.

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OBJECTIVE THREE: To find out the effects of microfinance institutions on book keeping practices in households in Kayunga district.

s/no	Effects of MFIs on book keeping practices in households in Kayunga district	Responses				
		SD	D	NS	A	SA
1	Clear records of borrowed finances to ensure proper accountability					
2	Records of savings in the MFIs enables them to know their account balance					
3	Provides records of investments done with funds from MFIs					
4	Shows records of loan servicing to establish balance carried forward					
5	Clear records of funds saved in the MFIs which help in making investment decisions in households in Kayunga district					

6. In your own opinions, what is (are) the effects of microfinance institutions on book keeping practices in households in Kayunga district?

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7. Suggest measures on how microfinance institutions can improve on book keeping practices in households in Kayunga district.

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Thank You!