LOAN CONDITIONALITIES AND ACCESSIBILITY BY CLIENTS IN MICROFINANCE INSTITUTIONS IN UGANDA:

A CASE OF PRIDE MICROFINANCE LTD

BY

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DECLARATION

I Godwin Agaba do hereby declare that this dissertation is a result of my own independent investigation. It has not been submitted to any other institution for any award and where it is indebted to the work of others, due acknowledgement has been done.

Signed: .... Date: ....

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APPROVAL

This research Report by Godwin Agaba titled "**Loan Conditionalities and Accessibility by Clients in Microfinance Institutions in Uganda: A Case of Pride Microfinance Ltd**" has been produced under our supervision and is now ready for submission to Uganda Management Institute with our approval.

Signature: .... Date: ....

DR. KARIM SSESANGA

Signature: .... Date: ....

DR. GODFREY MUGURUSI

DEDICATION

I dedicate this research report to my family. I owe them a lot.

ACKNOWLEDGMENT

I thank the Almighty God for having made me to reach this far.

I am grateful to my supervisors Dr. Karim Ssesanga and Dr. Godfrey Mugurusi who guided me throughout this research process. Thank you.

Great thanks go to my respondents from Pride Microfinance, Mbarara Branch. I thank them for their time.

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TABLE OF CONTENTS

DECLARATION i

APPROVAL ii

DEDICATION iii

ACKNOWLEDGMENT iv

CHAPTER ONE: INTRODUCTION 1

1.0 Introduction 1

1.1 Background to the study 1

1.1.1 Historical Background 1

1.1.2 Theoretical Background 3

1.1.3 Conceptual Background 5

1.1.4 Contextual Background 7

1.2 Statement of the problem 10

1.3 Purpose of the study 11

1.5 Research questions 12

1.6 Hypotheses of the study 12

1.7 Conceptual framework 13

1.8 Justification of the study 14

1.9 Significance of the study 15

1.10 Scope of the study 16

1.10.1 Geographical scope 16

1.10.2 Content scope 16

1.10.3 Time scope 17

1.11 Operational Definitions of Terms and Concepts 17

CHAPTER TWO: LITERATURE REVIEW 19

2.0 Introduction 19

2.1 Theoretical review 19

2.2 Collateral and Loan accessibility 21

2.3 Repayment Schedule and Loan accessibility 24

2.4 Cost of borrowing and Loan accessibility 26

2.5 Gaps in Literature Review 29

CHAPTER THREE : METHODOLOGY 30

3.1 Introduction 30

3.2 Research Design 30

3.3 Study Population 31

3.4 Sample size 32

3.5 Sampling Techniques and Procedure 33

3.6 Data Collection Methods 34

3.7 Data collection instruments 34

3.1.7 Self-Administrated Questionnaire 34

3.7.2 Interview guide 34

3.8 Reliability and Validity 35

3.8.1 Validity 35

3.8.2 Reliability 36
3.9 Data Analysis 37
3.9 Data Analysis 38
3.9.1 Quantitative data analysis 38
3.9.2 Qualitative data analysis 38
3.10 Ethical considerations 38
3.11 Limitations and Delimitations of the Study 39

CHAPTER FOUR: PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS 40
4.1 Introduction 40
4.2 Response Rate 40
4.3 Demographic Characteristics of the Sample 41
4.4 Empirical Findings on the Loan collateral security conditions and loan accessibility 45
4.4.1 Loan collateral conditions and loan accessibility 46
4.4.2 Repayment Schedules and Accessibility 55
4.4.3 Cost of borrowing and loan accessibility 64

CHAPTER FIVE: SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS 78
5.1 Introduction 78
5.2 Summary of the Study Findings 78
5.2.1 Loan Collateral Conditions and Loan Accessibility 78

5.2.2 Loan repayment schedule conditions and Loan Accessibility 79

5.2.3 Cost of borrowing conditions and Loan accessibility 79

5.3 Discussion of the study findings 80

5.3.1 Loan collateral conditions and loan accessibility at Pride Microfinance Uganda 80

5.3.2 Loan Repayment Schedules conditions and Loan Accessibility 83

5.3.3 Cost of borrowing Conditions and Loan Accessibility 85

5.4 Conclusions 87

5.4.1 Loan collateral conditions and Loan Accessibility 87

5.4.2 Loan repayment schedule conditions and Loan accessibility 87

5.4.3 Cost of borrowing conditions and Loan accessibility 88

5.5 Recommendations 88

5.5.1 Loan Collateral conditions and Loan Accessibility 88

5.5.2 Determine the effect of loan repayment schedule conditions on loan accessibility at Pride microfinance Uganda 89

5.5.3 Examine the effect of cost of borrowing conditions on loan accessibility at Pride microfinance Uganda 89

5.6 Areas for further research 89

REFERENCES 90

APPENDIX 1: Research Questionnaire

APPENDIX II: Interview schedule

APPENDIX II: Interview schedule

APPENDIX II: Interview schedule

ABSTRACT

The study investigated Loan Conditionalities and Accessibility in Microfinance Institutions in Uganda: A Case of Pride Microfinance Ltd. The objectives of the study were; to assess loan collateral security conditions on loan accessibility, to determine the effect of loan repayment schedule conditions on loan accessibility and to examine the effect of cost of borrowing conditions on loan accessibility at Pride microfinance Uganda. A descriptive study design was used which deployed both qualitative and quantitative approaches. Sampling techniques used were purposive and simple random sampling techniques.

The study findings established that Pride Microfinance Ltd charges collateral to offset losses in case of borrower default and that inadequate collateral makes it difficult in acquiring loans. It was also found out that collateral requirements reduce lending, loans are closely supervised and that and social collateral makes loans more secure. Pride Microfinance Ltd loans are set on flexible repayment schedules for clients, weekly collections of repayment installments, there are frequent meetings between our loans officers and our clients and that clients have to follow the microfinance schedules to repay borrowed loans. Tight repayment schedules attract some costs, high repayment rates are associated with benefits of repayment, repayment schedules inculcate fiscal discipline among our borrowers. There are high transactions costs, borrowers incur a wide range of costs beyond interest rates, there are travel times and lost time costs, borrowers incur group formation and screening costs, apply standard and stringent requirements on borrowers to determine their ability to repay, increase revenues by increasing costs of borrowing, borrowers' ability to repay is directly affected by our interest rate levels, incur high staff costs.

From the study findings, it is concluded that microfinance conditionalities like collateral security, high interest rates, transactions make it difficult for clients to access loans. Thus, such conditionalities have a positive effect on loan accessibility at Pride microfinance Uganda.

The study recommended that there should be other collaterals put as security for people to access loans and that the loan repayment schedule conditions should be made easy so that people can access loans. The cost of borrowing conditions should be reduced so that loan can be accessed by people.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Chapter one discusses the background of the study, problem statement of the study, purpose of the study, objectives of the study, research questions, hypotheses and conceptual framework, significance of the study, justification of the study, scope of the study and operational definitions that guided this research study on loan conditionalities on loan accessibility in microfinance institutions, a case of Pride Microfinance Uganda Limited.

1.1 Background to the study

The background to the study was discussed under four interlinked sections namely; a historical background, theoretical background, conceptual background and contextual background.

1.1.1 Historical Background

Microfinance is meant to provide small scale financial services to poor people. This is because majority of poor people have less access to financial services got from formal financial institutions (Ledgerwood, 1999). Example of good credit companies began as far as 1970s to offer financial services to the local communities in Indonesia (Robinson, 2001). In the days that followed during 1975, Muhammad Yunus; a Bangladeshi economist made major trial of lending money using 1.6 dollars and these were distributed to 45 people who regarded poor in their communities. This experiment aimed at assessing how best people can use the money advanced

to them in form of loan without giving in something to act as security for securing such a loan. These people were allowed to use this loan without paying any interest on it and it was discovered that using this money, most people were able to buy items for trade in time and would get better and fair prices. This proved to be working well for local people which was later be termed as a cornerstone for the of most leading and well pronounced micro credit leading banks in the world Grameen Bank (Robinson, 2001).

Microfinance institutions in Africa started blossoming 1980s, however, they grew stronger in the 1990s (Christopher, 1864). Initially, microfinance institutions were meant to provide micro-credit loans on a small basis and period. This was observed especially by low-income earners. However, this has changed drastically. This institution has grown beyond small credit alone, but it all goes inclusive by including; micro-savings, micro insurance, remittances among others. Most of these are aimed at changing the lives of the poor communities (Chowdhury, 2009).

Ideally, due to inability by low income earners to get access to financial support, it goes without saying that it is thought that such people cannot even put ideas in practices to change their lives. In such scenarios, they cannot manage businesses and daily activities due to failure to put in practice what they get in terms of financial resources. Accessing credit is can be a push in development of the lives of the poor especially those running small businesses. This is because by getting financial access means increase in income levels, creation of employment opportunities. This leads to reduction of poverty in such communities. (Christopher, 1864).

Access may mean getting the right in using something. In simple terms, low income communities get opportunities of accessing financial services (Encyclopedia free online dictionary (2011). Lack of loan requirements to access credit services by the poor people has

remained a various challenge in as far as access to financial services from microfinance companies. For instance, the banks put stringent measure one go through to get access to financial services from accredited money leading company, microfinance or commercial banks. These conditions may include; loan requirements, the amount of money one needs from the bank, the security for loan required and commitment to repay the loan (Yehuala, 2008).

Microfinance institutions are very good avenues for financial assistance to developing countries. These have turned out to be a generating factor of income in Africa and other countries still developing. This was once highlighted by Kofi Annan when he was opening the International day for Micro Credit institutions (2005). The main theme highlighted the importance of providing sufficient budget allocations aimed at alleviating vulnerability through increasing household earnings, increasing employment opportunities, paying school fees for the children, acquiring of health care services. With this put in place, people can make decisions accruing to their needs.

As of 2009, 17% of Ugandans had access to tier one financial services (commercial banks), 3% to tier two (credit institutions), 3% to tier three (MDIs), 3% to SACCOs, and 3% to MFIs.

1.1.2 Theoretical Background

This study was guided by Information Sharing Theory of Brown, as shown in Jappelli & Pagano (2007). Information Sharing Theory notes that lack of information by clients limits their chances of getting access to finance. Therefore formal financial institutions are there to provide such information to the public in terms of how to obtain loans, how to use such loans and borrowing terms and conditions. Availing of information to people allows them to negotiate on terms and conditions of loans they intend to borrow. This helps them use it well and be able to repay them.

Jappelli & Pagano (2002), in their report, they argued that most people who borrow money from microfinance organisations always try their best to pay back the loans for fear of being humiliated by their names being known to public as defaulters. Most people wo take credit from credit institutions try by all means to keep such information within confines one bank so that they chances of borrowing from other institutions is not jeopardized in case they fail pay in time or fail completely to meet their loan obligations (Jain, 2005).

In addition, giving data Theory could give lenders an opportunity to know individuals who fault on loans and they avoid such individuals, in same way, people who borrow also enjoy the benefit of knowing the microfinance institutions that offer a better deal in offering credit services and they will not be cheaped since there will be competition in the market (Djankov, McLiesh & Shleifer, 2007).

Related to above, some private credit bureaus depend on information obtained from other lenders. Lenders are involved information sharing because this is a base for them to understand how to choose good clients from bad ones. This helps them to avoid giving loans to bad clients who may fail to pay back (Pagano & Jappelli, 1993).

Related to the above, Information Theory helps in revealing competition among money lenders through discussing information relating to their clients. This sometimes hinders information sharing among competitors (Kallberg & Udell, 2003).

Information Sharing Model can be easily applied to the research understudy since most scholars and academicians have used it to show how significant it can be for both parties in this case the microfinance institution and the borrower is important in making informed decisions. This helps the financial institution decide whether to approve the loan or not. It also helps the borrower

decide whether to apply for a loan in a given financial institution or not basing on the available information on loan conditionalities.

1.1.3 Conceptual Background

Loan conditionalities are standards applied by financial institutions in determining the ability to repay loans. These conditionalities help in assessing credit worthiness of borrowers and guard against the risk of loss in case of non repayment. Conditionalities include; collateral security, interest rate, guarantors, and repayment period (Agarwal, 2010).

Access to credit refers to the availability of a supply of reasonable quality credit services at favourable terms such as reasonable cost, repayment period, grace period among others. Improved access to credit helps clients grow and advance their financial performance (Bamford, 1997).

Clients before obtaining loans, they must meet some credit conditions. These may include; loan payment period, cost involved in borrowing and loan amount. These are conditions borrowers have to meet before they can get access to loans. Such conditions sometimes limit loan borrowing as some people may fail to meet such conditions (Pandey, 1995).

Microfinance institutions charge various forms of collateral; Microfinance institutions may require their clients to hold a balance usually stated as a percentage of a loan. These percentages are not available for withdrawal by their clients (Ledgerwood,1999). Collateral may also take the form of assets pledged at a less than the actual market value of loan; assets like land, cattle and other physical assets such as jewelry, sewing machines, may by demanded by lenders.

Rogaly (2004) notes that like in Bangladesh, a borrower after pledging the assets might be restricted from using the assets pledged. Collateral can also be in form of personal guarantee, usually a guarantor is required by the lending institutions, this act as security incase the borrower fails to repay the loan or even he misuses the loan.

MFIs offer small loans for up 12 months repayment period. The majorities of microfinance institutions offer loans for a period of 3-4 months and require compulsory savings before a person or an organization becomes a client and subsequently access a loan (Okumu, 2007).

Microfinance institutions put payment schedules to help them recover their loans. These schedules may range weekly, monthly, quarterly and annually. These schedules reduce default rate because people can pay in small manageable amounts (Vogelgesang, 2003). In addition, to these schedules, loan officers have to continuously hold meetings with clients. These meetings are aimed at improving client trust in credit institutions and how they can track their loan recovery.

Some microfinance institutions put costs while clients are borrowing. These costs cover facilitie sued while processing the loan (Whited, 2004). Such costs may include; operating, administrative, insurance fees and an acceptable rate of return among others (Levasseur, 2002).

In support of the above, Okumu (2007) observed that MFIs put some high charges related to borrowing to their low income earners because this serves to recover their money. This is because some financial institutions do not keep proper records which may it difficult to track borrowers. Altman et al., (1998) asserted that giving small loans to poor people who do not possess collateral is a risky business and consumes a lot of time. This is because in case such people fail to pay, there is nothing to sale to recover the loans.

Also Rosenberg (2008) concurs with the Okumu in that there is evidence that small loans have costs. This is because such loans involve a lot of operating costs. This is a reason why some microfinance institutions charge costs to recover their time lost and other resources.

Therefore in this study, it was emphasized that Independent Variables i.e collateral, repayment schedules affect Dependent Variables i.e amount borrowed, frequency of access/number of times and timely approval. These are the concepts that formed the basis for this study.

1.1.4 Contextual Background

The history of credit institutions in Uganda dates back to 1970s when most people especially in rural areas started forming revolving groups that pooled money in one source to support each of the organisation in times of need. This was later adopted by Community Based Organisation (CBOs) and microfinance institutions to increase financial deepening in Uganda where chances of the poor to get financial services were improved significantly. In Africa, Uganda has registered a vibrant and operational microfinance sector. This is mainly attributed to the stable micro and macro monetary policies in the country which enable investment opportunities. This reflected by relatively stable political and economy environment, more enterprising population where almost every household operates some form of retail or whole business (MF Transparency, 2011).

In Uganda, credit services are now being accessed from almost 24 operational commercial banks. In addition, there other many microfinance institutions, credit institutions both government and privately owned. In the country, there are four most prominent financial institutions and these include FINCA, PRIDE, UGAFODE, and UWFT and available information indicates that these institutions are doing serious work to increase financial

deepening in the country. However, there are other upcoming institutions which are penetrating virgin areas which are not yet covered by old ones and they have established themselves very quickly in as far as provision of financial services is concerned. This is not different from Mbarara because rivalry about winning more clients on each institutions side has spread into many parts or regions of the country (Wien, 2014).

Dropout rates are some of the challenges affecting quite number of microfinance in Uganda. This may mean that some clients take advantage of competition and go to other financial institutions which offer related cheaper loans than the former. Also, there may be a factor of when clients get unsatisfactory services. This is because also all services and products offered by these institutions are the same and the methods used do not differ and they are not normally changed to best suit customer needs (Wien, 2001).

Results from the Report of Census of Financial Institutions in Uganda of 2006, there were 1,271 institutional outlets (headquarters and branches) from 813 financial institutions of all types covering most districts of Uganda in offering credit services. Of these, 13% were by banks, 3% were by Credit Institutions, 8% were by MDIs, and 67% were by other financial institutions and associations not supervised by BOU, including SACCOs, private company MFIs, NGOs and Sub-County Development Associations (SIDAs) which have helped poor people in accessing loans.

According the MF Transparency report (2011) as reported to Market Mix, 2010, Centenary Bank was one of the active financial institution with the best number of active clients (25%) with best loan performance indicatoers of 68%. This was trailed by BRAC Uganda with 19.2% and Pride

Microfinance Limited was the third best performing institution a gross loan portfolio of 19.1% of active borrowers by then.

Micro Deposit Taking Institutions Act, 2003 was Uganda's first act to govern the microfinance sector, which by 2003 comprised of over 1500 MFIs. For the first time approved microfinance organizations were treated as formal regulated financial institutions and the Act created a new category called Micro Deposit-taking Institutions. In addition, the Act covers the areas of ownership, governance, management, operations, policies, financial prudence and audited accounts of these institutions. The Act also set a time-frame for the prohibition of use of compulsory savings as a requirement for microloans by non-licensed institutions. The first MDIs gained their licenses in 2004 and 2005. The currently regulated MFIs under this tier are FINCA Uganda, PRIDE Microfinance and Uganda Finance Trust (MF Transparency, 2011).

Pride Microfinance Limited (PMFL), is a Microfinance Deposit-Taking Institution (MDI) in Uganda licensed by the Bank of Uganda, the Central Bank and national banking regulator. It was founded in 1995 as a Non-Governmental Organization with the support of the Norwegian Agency for Development Cooperation with the major objective of offering credit to the poor, targeting those in the agricultural sector. In 1999, it was incorporated as a limited company and changed its name to Pride Africa Uganda Limited. In 2003, the Uganda government acquired 100 percent shareholding in the enterprise, changing the name to Pride Microfinance Limited.

Pride Microfinance Uganda Limited has 35 branches across the country offering services such as deposit products, loan products and many non-monetary services like sending and receiving money including other items especially Money Gram, infirmity, and calamity protection. These are being provide by insurance companies like Jubilee.

PMFL provides financial services the section of Ugandan population who are not served or are unable to access financial services through Ugandan Commercial Banks. PMFL's focus is the micro, small, and medium size entrepreneurs. As an MDI, PMFL is a Tier III Financial Institution. It is therefore prohibited from dealing in foreign exchange and cannot issue checking accounts. As of December 2013, the institution's total assets were valued at approximately US$56.84 million (UGX: 147.4 billion), with shareholders' equity of approximately US$18.1 million (BOU, 2014). As of December 2013, Pride Microfinance employed 585 people and served 373,667 customers. Pride Microfinance employed 585 people and served 373,667 customers (BOU Report, 2015).

This research was concerned with microfinance institutions because they were meant to provide financial services including credit services to poor who usually do not have requirements such as collateral to access credit facilities in Banks. The research used pride microfinance limited as the case of the study as it is one of the biggest microfinance providing institutions in the country with 35 locations across the country, 31 of which are fully-fledged branches and 4 being contact offices and therefore the results obtained were representative of the entire microfinance sector in the country.

1.2 Statement of the problem

Microfinance has helped the poor people especially in developing countries to change their lives in terms of income earning. This is as a result of access to affordable micro loans and other related financial services (Navajas et al, 2000). Providing financial products in the community can be seen as most important ways in reducing income inequalities in the country and also increasing general household earning and expenditure to meet their basic necessities of life. This

in long run will promote more entrepreneur business, improve general leaving standards living and create employment opportunities (Hossain et al., 2012).

There has been government intervention to improve Microfinance institutions' capacity in serving the poor like ensuring favourable climate for MFIs operations. However, despite such great efforts, Microfinance has not proved to be particularly sustainable due to weaknesses in their governance. For instance, 64% of people in Uganda did not have bank accounts and were not accessing credit either from registered or informal institution providing credit proves to be difficult due to credit terms that are perceived to be unfavorable and about 1% of the Ugandan Population borrows from microfinance institutions in 2010 (BOU Report, 2015). According to the Microfinance Transparency Annual Report (2011) & Nyangoma (2012), the number of loans by MFIs declined in the last quarter of financial year 2011/2012; falling from 12,881 to 11,641 a decline of 9.6%. Therefore, it was identified that various factors including collateral security, high interests rates, tight repayment schedules among others were leading to such decline of clients in microfinance institutions.

There was need to find solutions to the challenges faced by clients while trying to access loans from Microfinance institutions and identify why SACCOs continue to dominate the financial services sector as a source of financial services for many Ugandans especially in rural areas. Thus, the study sought to establish Loan Conditionalities and Accessibility by Clients in Microfinance Institutions in Uganda a Case Of Pride Ltd.

1.3 Purpose of the study

This aimed at investigating Loan Conditionalities and Accessibility by Clients in Microfinance Institutions in Uganda with Pride Microfinance Ltd.

1.4 Objectives of the study

This research was guided by objectives which included:

i. To assess the effect of loan collateral security on loan accessibility at Pride Microfinance Uganda.

ii. To determine the effect of loan repayment schedule on loan accessibility at Pride microfinance Uganda

iii. To examine the effect of cost of borrowing on loan accessibility at Pride microfinance Uganda.

1.5 Research questions

i. What is the effect of loan collateral security on loan accessibility at Pride microfinance Uganda?

ii. What is the effect of loan repayment schedule on loan accessibility at Pride Microfinance Uganda?

iii. What is the effect of cost of borrowing on loan accessibility at pride microfinance Uganda?

1.6 Hypotheses of the study

The research sought the validity of the following hypotheses:

i. Loan collateral security has a significant effect on loan accessibility at Pride microfinance Uganda.

ii. Loan repayment schedule has a positive effect on loan accessibility at Pride microfinance Uganda.

iii. Cost of borrowing has a positive effect on loan accessibility at pride microfinance Uganda.

1.7 Conceptual framework

Conceptual framework is a representation, either diagrammatically or in narrative form, of the main concepts or variables of the study, and their presumed relationship with each other. Therefore in this study, variables that were investigated include; loan conditionalities as an independent variable, loan accessibility and a dependent variable and government policy as a moderating variable.

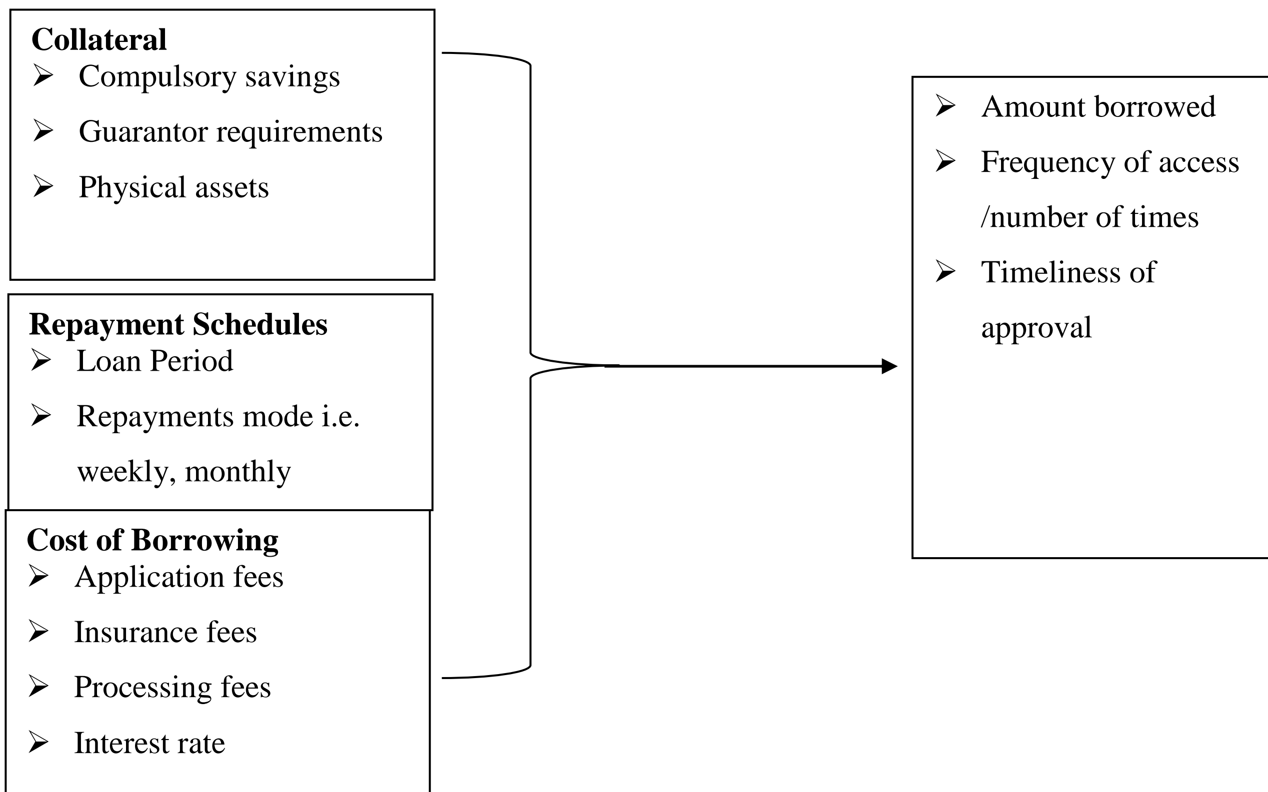

Figure I: Conceptual Framework illustrating the relationship between study variables

Source: Adopted from Agarwal, 2010, Nyangoma, 2012; McMahon, 2001 and modified by the researcher.

The above model illustrates interaction between two study variables. Independent variable elements include; collateral, repayment schedules and cost of borrowing. The dependent variables include; amount borrowed, frequency of access /number of times and timeliness of approval. Therefore, independent variable affects dependent variables, for instance if the MFI asks for high collateral security, it will affect the amount of the money borrowed and if it is less, the amount increases.

1.8 Justification of the study

Accessing of affordable financial services is the best engine of socio economic development. Therefore, extension and development in regard to provision of best credit services contains powers that can be used to propel people from their desolate state characterised by lack of enough funds to move their communities and societies to another level (Yehuala, 2008).

Therefore, accessing credit by the low income earners is significant contributor in changing growth and mindset for many people engaged in lesser dealings. This is because access to good credit increases income levels, creates employment opportunities. This helps in alleviation of poverty in communities. Poverty is alleviated through poor people accessing micro credit which enables them to overcome their income constraints and may get involved in several investments for example improvement of technology used in farming, especially improved inputs and this leads to an increased agricultural production (Chowdhurry, 2009).

One of the main objectives of small loans is to change the lives of the poor people due to better access to microcredit which is affordable by many. From the background above, without credit the poor cannot fight poverty, enterprises might not be able to expand and welfare of the poor may not improve. There is no known research on the impact of loan conditionalities like

collateral, repayment schedule and the cost of borrowing on the loan accessibility in microfinance institutions in Uganda. The researcher therefore conducted this study to establish the Loan Conditionalities on Loan Accessibility to Clients in the Microfinance Institutions, A Case of Pride Microfinance Ltd.

1.9 Significance of the study

The following ways from this study may be useful to different stakeholders below;

Government and other policy makers: The study findings may provide government and other policy makers the information that may help them design policies and rules for MFI's so that they can offer financial services like loans to the poorest of the poor in order to increase productivity and reduce poverty in the country. This is important as the poorest of the poor do not have collateral that is demanded by financial institutions including MFIs before they can be given loans for investment in their small and medium scale enterprises.

Financial Institutions: The findings may help MFI institutions come up with products that meet the needs of their clients most whom are poor without collateral. These clients now find it almost impossible to get credit from these MFIs because of the stringent conditions like collateral, application fees, guarantors among others.

Academicians: Study findings will be used as a basis for future research by academicians as it will add to the existing body of literature in the areas of Microfinance and conditionalities for access to credit in microfinance institutions. This could be through citing results of the study

Entrepreneurs: research results will help entrepreneurs know in details the conditionalities for accessing loans in microfinance institutions and hence better organize and position themselves s to obtain these credit facilities when needed.

1.10 Scope of the study

1.10.1 Geographical scope

The study was conducted at Pride Microfinance Limited, Mbarara Branch in Mbarara Municipality, Mbarara district in Uganda in East Africa. Mbarara district is bordered by Kiruhura in the East, Sheema (West), and Ntungamo located on Northern side. The study focused on the staff of Pride Microfinance Limited as key informants to this study since they were well informed about the study and other stakeholders in the banking sector, for example; customers who get financial services of pride microfinance. This area was chosen because most people have small and medium enterprises hence requiring them to access microfinance services to support their business.

1.10.2 Content scope

The study, because of limited time and lack of enough financial resources focused on loan conditionalities on loan accessibility in microfinance institutions in Uganda, a case of Pride microfinance, Mbarara branch. The research looked at conditionalities such as the collateral demanded, repayment schedule which includes the loan period and repayment mode i.e. weekly payments and monthly payments, cost of borrowing i.e. interest rates charged, applications fees, and insurance fees among others. It looked at how these conditionalities affect loan accessibility

i.e. loan approve period, loan amounts and the number of times one can get a loan in microfinance institution.

1.10.3 Time scope

The study covered the period of ten years that is from 2005 to 2015. This period was considered because it was characterized by economic hardships that compelled people to look for loans.

1.11 Operational Definitions of Terms and Concepts

Pride Microfinance Limited (PMFL), is a Microfinance Deposit-Taking Institution (MDI) in Uganda licensed by the Bank of Uganda, the Central Bank and national banking regulator.

Microfinance in this study will mean the provision of microcredit services to poor people. This is because these financial institutions provide small loans which are affordable to the low income earners that attract small interest and are paid within a short period of time (Chowdhury, 2009).

Loan: In this study it referred to amount of money requested by individuals or groups of persons who seek financial services to begin their private or group investments from Pride MFI.

Credit Accessibility referred to the ability of individuals and groups to obtain money or loan which are available to the community and can be easily got without going through a lot of stringent conditions.

Collateral: Collateral is defined as the security one has to present to the bank before one can get a loan from a Banking institution.

Repayment schedule: This means the time one will take to put up the loan taken from a banking institution.

Interest rates: The rate in percentage terms of the loan amount taken that will be charged per annum during the agreed repayment time.

Guarantors: These are people who stand surety for another person taking the loan. In case one fails to repay the loan, they are held responsible.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses strengths and weaknesses of theory that guided the study and review literature related to the objectives of the study. It examined available literature on the relationships between the different variables used in this study.

2.1 Theoretical review

As discussed in Chapter One, this research study was guided by Information Sharing Theory of Brown, Jappelli & Pagano (2007). According to this theory, Information sharing shared lenders may help in overcoming some obstacles financial market (Pagano & Jappelli, 1993). This may also help clients to be aware of the purpose of the loans obtained and this contributes to high repayment rates (Padilla & Pagano, 2000). It also helps lenders to avoid excessive lending costs by aiming at patronizing several financial institutions by borrowers (Bennardo et al., 2009).

In addition to the above, Klein (1993) observes that Material Partaking Theory is sometimes to encourage clients refund the borrowed funds in time without waiting for legal implications. This is because clients fear to face legal matter as after defaulting which helps financial institutions reduce extra costs.

In support of the above, Vercammen (1995) & Padilla & Pagano (2000) noted that financial institutions share credit information about clients especially defaulters. Therefore a client who has defaulted in one financial institution cannot get a lot in another. Therefore, this helps in

tracking defaulters and borrowers compelled to increase their projects and meet loan terms by paying more effort in their projects.

In addition, microcredit information helps outside financial institutions in tracking defaulters hence reducing transactional costs incurred by financial institutions in meeting their financial targets. Pagano (1997) noted that through reducing financial institution's bargaining power, Information Sharing among financial institutions may bring out high efforts to pay back by clients, which in turn may influence microfinance institutions to willing poor loaning charges and range of giving more financial services to the community.

Though improvement regarding the rivalry among financial institutions is attributed in most cases to open market economy where data is available to all people about products being offered by microfinance institutions, it may help in reducing credit availability, especially for new firms. Financial institutions which are stronger in the market are well placed to conduct inter-temporal support regarding offering affordable financial services which may create risk to advance loans to less stable and businesses in market (Petersen & Rajan, 1995).

In addition to above, financial lending may depend on the information shared among financial institutions (Padilla & Pagano 2000). Therefore, information sharing default information improves loan intake levels above a certain amount agreed upon before financial institutions can be able to provide information on their clients' behaviours and transactions.

Sharing information may also reduce challenges within and among credit institutions and this may in long run may lead to monopoly and exploitation of clients especially if few credit institutions remain in market and they refuse to share freely data on their transactional charges of their financial services (Thadden, 2005 & Sharpe, 2001). In addition, when a customer borrows

from many financial institutions, he/she can have both the positive incentives and the advantage to take so many services as to reduce default rates. Therefore, financial institutions in most cases are willing to offer more credit services to the clients with bank debts if they are willing to pay extra charges and interest on the advance loans which are given with conditions of strict recovery period among especially group borrowing.

It is important to note that failure on part of the clients to meet their loan obligations after being given financial services casts a bad for financial institutions which may compelled in some way to reduce the amount of money they had planned to offer the clients in order to avoid losses resulting from multiple borrowing since some financial institutions don't easily provide data about their clients, those who are defaulting on loan so that other can be strict or avoid giving loan to such groups or individual borrowers (Bennardo, Pagano, & Piccolo, 2009).

From my own analysis, without information sharing, some financial institutions may only lend to large firms, which can be able to pay and have collateral security. However, with sharing information among financial institutions can also offer credit to small individuals.

2.2 Collateral and Loan accessibility

According to Chikaza (2007), the principle aim of financial institutions is to maximize their client's deposits and this among others is through lending. However, lending is a risky venture as it may lead to loss of their client's deposits when borrowers fail to pay back the loans. Lenders have to be very careful of the adverse selection, usually this occurs when potential borrowers in most cases fail to meet their loan obligations and instead bring negative outcomes (loan default) and continue to ask more credit services.

According to Voordeckers (2006), argued that having proper security and guarantor for the credit the individual or groups of borrowers are seeking is only safe way when the microfinance institution can be assured of the commitment and ability of these borrowers to pay back the borrowed funds. The implication is that most retail businesses are faced many challenges and most of them close few months after opening and credit officers find it hard to trace the owners of such businesses which are sometimes used as for security and loan purposes can be reduced as a way of protecting microfinance institutions funds from being misused.

According to Nan Kaung (2007), collateral can have a significant negative effect on the financial institutions' lending where by some would be borrowers without adequate collateral required by the financial institution can be barred from acquiring the badly needed funds.

This seems to suggest that collateral can reduce the lending by the financial institutions despite saving them from the problem of moral hazard and adverse selection as Voordeckers (2006), points out. However, Voordeckers (2006) report does not reveal the level of reduction by which collateral reduce the lending of financial service in microfinance Institution.

In countries like Bangladesh, the social collateral is being adopted where groups are selected, this is adopted to reduce on the lending risks and on the other hand, monitoring so as to bring about proper management of borrowed funds (Rogaly (2004).

Lending institutions should waive collateral security requirement when they are lending; this points out the possibility of certain groups of the society which might be left out without loans, if they lack the needed collateral (Mukhejere, 2011).

Microcredit among MFIs is sometimes lend money out to clients who sometimes don't have sufficient security to ensure that when they default, then this security can be used to recover the borrowed funds. It should be noted however, that most clients for the credit microfinance institutions lack security and therefore when loans are tired to these conditions, most potential clients would automatically miss out. This may be due to people seeking out a loan facility may not be having any form of security, credit institutions which uses people in associations as security have been able to perform better. People borrowing comprises of diversity of approaches which ensure that peoples activities are visited and before giving them loan, the bank or credit institution is convinced of their capacity to pay back (Mukhejere, 2011).

Another important aspect explored in detail in the existing microfinance institutions best practice literature is the choice between offering group member loans or individual loans. MFIs often rely on social collateral within loan groups to guarantee their loans (Woolcock, 2001). Gomez & Santor (2001) noted that empirical evidence of the importance of social collateral. In an empirical study of 612 group borrowers and 52 individual borrowers in Canada, they reported that group lending and the presence of neighbors had a positive correlation with self-employment earnings in the community.

However, the study did not reveal to what extent collateral security conditions affect loan accessibility. Therefore this study disclosed the extent to which collateral security conditions affect loan accessibility in microfinance institutions in Uganda.

Woolcock (1999) observed that the aspect in giving loans a group of people in order to find out the challenges with such model of money borrowing. He conducted his study among five MFI institutions in Bangladesh, Ireland, and India. In his study, stressed that the success of lending

money to many people is mainly influenced in some way credit institution lending regulation, interest rate charged, their security, capacity and commitment to meet their loans obligations, and social cohesion between the borrowing group and employees of credit institutions. These were found not be much emphasized which led to poor performance of these microfinance institutions.

Navajas & Gonzalez (2000) analyzed the outreach of five Bolivian microfinance institutions and established in some way most borrowers are dare need of financial services and they were in poor state. The study further established that giving people loan in their associations increased their capacity to meet their loan obligations compared to when one person borrows. However in his study he did not point out the proportion of the well-off people who access microfinance services compared to those below the poverty line. Therefore this study seeks to bring out such comparison in the Uganda's finance sector particularly in the microfinance institutions a case of Pride Microfinance Mbarara branch.

However, Babajide (2007) report seems to exclude a few rich individuals in the community who access microfinance services. Therefore the present research hypothesized that there are some rich people who access microfinance services to develop themselves and the study seek to reveal the percentage of such individuals getting similar services compared to those below the poverty line and slightly above. In this case, findings show that in some instances rich people had a higher advantage of obtaining loans because they possess some requirements like collateral security required by the microfinance.

2.3 Repayment Schedule and Loan accessibility

Financial institutions in one of their requirements for landing loan out, it is ability to repay the borrowed money in shortest time possible. However, most academicians in economic and

microcredit lending propose a more user-friendly charges in form of interest rates, reasonable period to start paying back loan after the start of the investment period. This would in long run increase the household income and hence the capacity to refund the loan in shortest time possible (Erica Field and Rohini Pande, 2006).

Weekly collection of loans by microfinance institutions' officers has been a common method or approach employed by many credit organisations in recovering principal and interest rates charge on the money they have given out to clients. This has reduced the chances of defaulting on part of clients and significantly improved performance of the microfinance institutions. (Vogelgesang, 2005).

The Grameen Bank, one of the first and best-known MFIs, established this model in Bangladesh in the 1970s, and it has since become the classic model of micro-lending in many countries. Group lending and weekly collection of repayment installments are widely seen as the key aspects of microfinance that reduce default risk. Initiating repayments immediately likewise imposes discipline and reduces the likelihood that a client will take the money and run. This seems to suggest that borrowers whose business or enterprises generate revenue after a relatively long period of time such as farmers who get yields after four months are restricted from accessing these loan facilities with weekly repayment installments that are usually supposed to be made immediately after getting the loan.

Clients in most go extra mile to do other activities other than the business they invested borrowed loans in order to build their capacity to pay back the borrowed loans. This is mainly because at the time of borrowing they are given tightly structured periods for paying back their

loans. This is one of the methods of assessing the ability, capacity and trustworthy of clients if in future they need money from these microfinance institutions (Sanjay Jaina, 2002).

High repayment rates among financial institutions can be attributed to several advantages people who borrow from credit institutions enjoy, even those credit institutions enjoy those long tern benefits from the interest rates charged on clients. Relative moderate rates allow the credit organisations to give out a lot loans and earn big at the end of the day.

From above studies, little was talked about concerning the effect of loan repayment schedule conditions on loan accessibility, hence this study aimed at revealing such aspects to determine how loan repayment schedules impact the loan accessibility. It was found that Pride Microfinance Limited offers different repayment schedules especially weekly schedules. These help clients to pay small amounts which are easily manageable.

2.4 Cost of borrowing and Loan accessibility

It important to note that credit organisations usually give out little amounts of money for people seeking out for financial services. This has come from their experience with low income earners that small amounts of money are easy to monitor their profitability in business and easy to pay by most clients (Moh'd Al-Azzam et al., 2012).

Clients incur loan charges stretching starting with costs related filing the members and visiting their sites in case of people are seeking for loan in a group, all charges of opening an account charges on loan as interest, transport costs and charges meet in checking for security, financial report all incurred by the borrowing group (Christabell, 2009).

Loan transactions cost may involve several charges incurred by lenders beyond interest payments, for example application fees, service fees, photographs among others. The most aspect transactions cost is clients' travel time and that spent in obtaining the loan. Lost time from work is an important aspect part of the loan cost for most clients. The addition of costs such as the cost of transport costs and inconveniences shows that the efficient opportunity sets of clients would vary not only with the size of their portfolios, but also with the physical location and the opportunity cost of their time (Masuko & Murufu, 2003).

In assessing the creditworthiness of borrowers, microfinance institutions apply standard and stringent requirements to determine the performance of the business and the ability of the clients to meet their credit obligations. In most cases, credit institutions charge a lot of profit from the loans given so that if some clients default on loan, then they can compensate for loss from these profits charged from other clients who are able to meet their loan obligations (Mukhejere, 2011).

It is important to note that attracting more clients to the credit institution, requires the company to have enough money to give to clients with undue delays in advancing the loans. This should be done in way that costs of borrowing such as interest rates are kept at affordable rates in order not to scare way potential borrowers (AMFIU, 2009). Therefore this study intends to identify the interest rate level, application fees, and other costs that were not clearly brought out in these studies.

In most cases, the world's poorest clients incur the world's uppermost costs for small business growth loans. The high costs of traditional microfinance loans limit their effectiveness as a poverty-fighting tool. Offering loans at interest and fee rates of 37% means that borrowers who do not manage to earn at least a 37% rate of return may actually end up becoming poorer as a

result of borrowing the loans. Many researches have revealed that the activities of microfinance institutions are dragged behind because of high defaulting rates, lack of security from many borrowers and multiple loan borrowing (Masuko & Murufu, 2003).

The amount of money charged by among financial institutions in most cases influence the clients' capacity to meet their loan obligations. In support of this (Mukhejere, 2011) stressed the need to have borrowing requirements among credit institutions to be reasonable and affordable to many potential borrowers in community because when they find it relatively cheaper to repay their loans, they will borrow more funds and their businesses will perform well. When interest rates are high among financial institutions, clients will be less interested in seeking for financial services from credit institutions.

Indirect evidence that poor clients cannot mind about paying high interest rates is drawn from Perry (2002) who observed that MFI clients borrow loans to use it make more money through money lending services presumably successfully lending at rates higher than their MFI charges. The poor clients who cannot get MFI membership are thus willing to pay higher rates than that charged by the MFI. Robinson (2004) also argues that interest rates charged to microfinance clients should cover all costs and that the working poor people can afford these rates which are relatively low compared to borrowing from money lenders alternatives. In the same manner, Fafchamps (1997) adds that simulation methodology show that interest rate subsidizations have less impact on whether poor in India invest in non-divisible and irreversible profitable projects.

However, in his study he does not bring out clearly the effect of cost borrowing conditions on loan accessibility hence need to carry out this study in Uganda a case of Pride Microfinance Limited. Findings show that costs involved in loan processing affect the accessibility of loans.

Things like a lot of paper work, time spent waiting for loan approval affect the frequency of loan accessibility in Pride Microfinance Limited.

2.5 Gaps in Literature Review

As noticed from above, microfinance institutions require borrowers to meet some conditions before they are advanced credit. These conditionalities include; borrowing costs like application fees, screening fees and agreeing to repay the loan at set interest rates. Other requirements; include repayment schedules which are usually weekly or, monthly deposits and sometimes collateral which is in form of personal guarantee for individual loans or forced savings with the MFIs.

From the literature above, microfinance institutions require some form of collateral before they can advance loans to clients. Therefore, there are few studies on the effect or impact of loan collateral required by the Microfinance institutions on their clients' decision to apply for loans in these institutions and the current research sought to bridge the missing link. From the secondary data source, it can be inferred that there are few known research studies that have ever been done on the impact of repayment schedule i.e. weekly repayment, monthly payment and loan period on loan accessibility in microfinance institutions in Uganda.

As observed in secondary sources above, it can be concluded that the cost of borrowing which includes costs like interest charged, application fees, insurance among others have an impact on loan access in microfinance institutions. However, there are few studies done in Uganda to find out the impact of these costs of borrowing on loan accessibility. This research therefore sought to fill this gap by carrying the study on the loan conditionalities which include; costs of borrowing on loan accessibility in Uganda, a case of Pride Microfinance Limited.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

Chapter three presents the research design, study population, sample size, sampling techniques and procedures, data collection methods, reliability and validity, ethical considerations and Data analysis that were employed.

3.2 Research Design

Research design is the research process that involves the overall assumptions of the research to methods of data collection and analysis (Kyerewaa, 2010). Burns and Grove (2003) define a research design as "a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings", while Parahoo (1997) describes a research design as "a plan that describes how, when and where data are to be collected and analyzed".

Cabraall (2011), stressed that selecting method may depend on the objectives of the study that can be used to answer the study questions. This study employed the descriptive method of research design that included the survey element of data collection.

According to Saunders et al., (2009), Survey method is usually popular strategy while studying business research. This is because it enables huge amounts of data to be collected from the field and in a highly economical way. In this situation, questionnaires were used and data was standardized and it was easily understood and easy to compare the characteristics and association of variables under study.

This method was sued because it gained a deeper understanding for the problems that were being investigated through different sources of information, as well as to be able to describe a general picture of the reliability in which the problem is involved (Sekaran, 2012).

The descriptive study was applied in order to identify relationship between the variables; the descriptive study was preferred due to its suitability in describing the study characteristics and determining the association of variables. Hence both quantitative and qualitative study approaches were used.

3.3 Study Population

Sekaran (2012) contends the target population that is the entire collection of events, individuals, or objects which can be investigated.

The target population of the study was clients and employees of Pride Microfinance Ltd. As of December 2014, Pride Microfinance served 416,635 customers (BOU Report, 2015). The survey population consisted of respondents whoever borrowed from MFIs particularly Pride MFI like the Boda-boda men, market attendants, micro, small and medium enterprises and selected individuals from the society who acquired loans for a period not exceeding five years back and officials of Pride microfinance, particularly those in the loans issuing section.

The study was confined to Mbarara Branch because of the resource factors. Clients were selected because they were the ones who face the challenges of loan requirements. Employees were considered because they were the ones who handle issues of loans in the microfinance.

3.4 Sample size

Sekaran and Bougie (2012) define a sample as a subset of the population, comprising some members selected from it.

Since the target population is finite, i.e. Pride Microfinance has 416,635 customers (BOU, 2015).

The study therefore used a sample size of 394 respondents which included pride microfinance clients who took a large number compared to other respondents, employees of Pride Microfinance Mbarara Branch such as credit officers, tellers, supervisors and managers to back up information from the clients. This was determined using both purposive and simple random sampling. Both methods were convenient for the study and they gave a better degree of precision

From Krejcie and Morgan Table of sample determination, a population of 75,000 and above, but below 1,000,000 gives a sample size of 382. The study therefore used a sample size of 382 clients since the total number of customers of Pride microfinance (416,615) was above 75,000 but below 1,000,000.

The research also used a sample size of 12 employees of Pride Microfinance Mbarara Branch such as credit officers, tellers, supervisors and managers to collaborate information got from the clients.

Table 3.1: Showing Population Sample Size

Category	**Target population**	**Sample size**	**Sampling techniques**
Pride microfinance clients	382	290	Simple random
Managers	02	02	Purposive sampling
Credit officers	06	06	Purposive sampling
Supervisors	02	02	Purposive sampling
Tellers	02	02	Purposive sampling
Total	**394**	**302**	

Source: Pride Microfinance, 2017

3.5 Sampling Techniques and Procedure

The researcher used purposive and simple random sampling techniques. Simple random sampling was chosen because it ensures high degree of representativeness by subjects. (Kothari, 2004)**.** Purposive sampling enabled the researcher to select key informants that had sufficient knowledge about the topic under study e.g. loan officers who directly deal with loan applications, the managers and supervisors who have inputs in decision to give loans or not to applicants among others. Their responses were collaborated with responses from the clients of Pride Microfinance Limited, Mbarara branch during analysis.

Simple random sampling was used in which every single person in the community has same opportunity of being picked as a subject. This mainly focused on clients of the Pride Microfinance Limited especially those who acquired loans and other forms of service.

3.6 Data Collection Methods

The study employed both primary data and secondary data sources. Structured questionnaires, interview guides, and document review were the key methods of data collection for the study carried out at Pride Microfinance Ltd, Mbarara branch.

3.7 Data collection instruments

The researcher employed a well-designed survey with both open and close-ended questions. The closed ended questions were formulated in form of Likert scale which was used to make participants select best answer from the options that were provided.

3.1.7 Self-Administrated Questionnaire

There was one Self-Administered Questionnaire (SAQ) directed towards the employees in Pride Microfinance Ltd. This set of SAQ started with a main title; followed by an introductory letter and had sections; Section A with questions on background variables to classify employees (marital status as married, single), according to academic qualification (Diploma, Bachelors, Masters) Section B was on the independent variable in the study that is loan conditionalities. Section C was on the dependent variable (loan accessibility). To ease administration, most questions in the instrument were closed-ended, that is having options given. This SAQ were advantageous to the study because, it was less expensive compared to other methods, cover a wide geographical area and offers greater assurance of anonymity (Moti et al, 2012).

3.7.2 Interview guide

Interview guide is an instrument of data collection used to obtain data beyond the SAQs (Onyina, 2013). This method involved face to face interaction between the researcher and few selected

key informants which allows for more elaborative conservation. The interview guide was advantageous because it allowed probing, prompting and clarification of unclear information given by respondents (Onyina, 2013). This method is used because it allows for deeper understanding of the research topic under investigation.

The researcher used this method to get responses from Pride Microfinance Limited, Mbarara Branch clients because most of them were not well educated or not educated at all and would rather talk than write, and the researcher was able to clarify or paraphrase questions when respondents were confused. The interview guide contained a series of questions in two parts. One part had questions about the background characteristics such as marital status, age, sex, education level among others. The second section had questions concerning the objectives of the research study.

3.8 Reliability and Validity

Validity and reliability measure quality control which is about ensuring acceptable levels of data or information collected.

3.8.1 Validity

According to Orodho (2009), validity of instruments refers to the degree to which the sample of the test represents the content that the test is designed to measure. In order to maintain consistency and relevance to the problem, questionnaire items were formulated around aspects of the problem being investigated. The instruments were first validated by the supervisors to confirm that the items would solicit the required information and based on their suggestions necessary corrections were effected to improve validity of the instruments.

The reliability was determined by computing the alpha as in the case of validity and an alpha of CVI of 0.7 was considered the instrument to ensure reliability of the data.

The researcher ensured validity of research instruments by subjecting the instruments to the scrutiny of research experts, whose recommendation was used to refine the instruments designed to garner the expected study results. Study further ensured validity in way of subjecting the instruments to rating by two experts and the Content Validity Index (CVI) was then computed using the formulae:

$$CVI = \frac{\text{Selected options by respondents that are considered applicable}}{\text{Total number of items under investigation}}$$

If CVI was greater than the recommended 0.7 validity for an instrument, it would mean the questionnaire was considered valid for the study as illustrated below;

CVI = 38/46 =0.822 Thus since the CVI was 0.822 which is higher than the recommended 0.7, the researcher deemed the instruments valid for this study.

3.8.2 Reliability

A data collection instrument must be reliable. This means that it should have the ability to consistently yield the same results when repeated measurements are undertaken of the same individuals under the same conditions (Orodho, 2009). To determine reliability of research instruments, the researcher administered the same questionnaires to few individuals before going to the field as a pilot study. To ensure reliability of data and to measure internal consistency, Cronbach’s Alpha reliability coefficient was performed.

Table 3:2: Cronbach Alpha Reliability Results

Variables	Alpha Cronbach's coefficient	No retained
Loan collateral security conditions	0.921	12
Repayment schedules	0.850	10
Cost of borrowing	0.846	13
Loan accessibility	0.818	11
Entire data collection tool	0.913	46

Table 3:2 above shows Cronbach's Alpha reliability coefficient of 0.921 for loan collateral security conditions with 12 items, 0.850 for repayment schedules with 10 items, 0.846 for cost of borrowing with 13 items, 0.818 for loan accessibility with 11 items and 0.913 for all the items under study equivalent to 46 items. The questionnaire therefore passed the test of reliability for each of the study variables since they were all greater than 0.7, given that the level of the coefficient that is adequate is any value equal to or greater than 0.7 (Amin, 2005). The questionnaire was therefore suitable for data collection.

3.9 Data Analysis

A data collection instrument must be reliable. This means that it should have the ability to consistently yield the same results when repeated measurements are undertaken of the same individuals under the same conditions (Orodho, 2009). To determine reliability of research instruments, the researcher administered the same questionnaires to few individuals before going

to the field as a pilot study. The researcher categorized all the responses and assigned values to them depending on the responses which were given.

3.9 Data Analysis

3.9.1 Quantitative data analysis

For quantitative data analysis, data was obtained from close-ended responses and analyzed using the descriptive option of Statistical Package Social Scientist (SPSS) computer package. This method was preferred because it is modern, faster and simplifies the analyzing of data as shown in chapter four.

3.9.2 Qualitative data analysis

Qualitative data analysis was analyzed basing on existing themes and sub themes, major events, and critical information on the objectives. Quotations and other interpretations were used to back up qualitative data. This helped the researcher draw conclusions concerning the relationships and differences found in the research results.

3.10 Ethical considerations

The purpose of the research was to encourage people to participate freely without fear of the information given to be used for other purpose. The researcher assured them that was not fabrication of data, plagiarism, falsifying, ensuring code of conduct and misrepresenting the research findings. Aspects to do with honesty, objectivity, confidentiality and integrity during data collection and reporting research findings were abided to by the researcher and the selected research assistants during the whole process. Clearance was sought from the Uganda Management Institute research coordinator and the research supervisor while consent of the

respondents was sought from the case study administrators before the questionnaires and interview guides were administered to the respondents. The researcher did not ask questions about respondents private lives. The researcher assured the respondents of confidentiality of their information emphasizing that it was solely for academic purposes by showing them letters of introduction.

3.11 Limitations and Delimitations of the Study

Delayed acceptance and cooperation from respondents, especially those who considered the information to be confidential and thought that the survey was for purposes of Tax collection.

Data was not easily availed to the researcher due to the fear and mistrust some people have about the researcher, however, the stated limitation was solved by obtaining an introductory letter from the faculty in order to eliminate such mistrust and fear by some respondents.

There was unwillingness by respondents to complete questionnaires as some saw the exercise as unbeneficial to them, however, this problem was solved through data cleaning when entering it in the SPSS program for final research purposes.

Some of the questions seemed too hard for some respondents to understand hence necessitating more time to explain the questions; however, such a limitation was solved by deploying a number of research assistants in order to eliminate the problem of limitations in time factor.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

The study examined the assessment of loan conditionalities on accessibility of loans in microfinance institutions in Uganda: a case of pride microfinance ltd. This chapter presents and discusses the findings of the study. The chapter also presents the analysis and interpretation of results. The presentations are done according to the specific objectives and hypotheses. The first section presents the response rates. The second section presents the background information of the respondents. The third section presents descriptive and inferential statistical results along the three study objectives.

4.2 Response Rate

Response rate may refer to the total amount of questionnaires that were answered and returned after data collection expressed in percentages. The research covered a total of 392 respondents who included; Pride Microfinance Clients, Manager, Credit Officer, Supervisor and Teller but the study managed to access 302 respondents, which represents a response rate of 77%.

Table 4.1: Response rate

Response	Frequency	Percent
Responded	302	77
Not responded	90	23
Total	392	100.0

Source: Primary data, 2017: n = 302

The information above shows that 77% responded and 23% not responded and according to Creswell (2003) notes that getting more than 60% is more excellent which was obtained in this study.

4.3 Demographic Characteristics of the Sample

Respondents were asked about their level of education, gender, current job title, years in the current job, and age. The data is necessary because it ensures the respondents who contributed information had same characteristic and knowledge of information required. This was meant to determine the accurateness of the data collected and analysed. The study results demographic characteristics like education, current job title and age as given below.

Table 4.2: Response rate

Gender	Frequency	Percent
Male	183	60.6
Female	119	39.4
Total	302	100.0

Source: Primary data, 2017: n = 302

The findings from Table 4.2 showed that the majority respondents were male with 60.6% and female with 39.4%. This implies that the study was dominated by male. This implies that males were accessing loans more than men from the microfinance.

Table 4.3: Respondents by current job title

Current job title	Frequency	Percent
Pride Microfinance Clients	290	96.0
Manager	2	.7
Credit Officer	6	2.0
Supervisor	2	.7
Teller	2	.7
Total	302	100.0

Source: Primary data, 2017: n = 302

The results in Table 4.3 show that the biggest proportion 290 (96%) of the study respondents were pride microfinance clients, followed by credit officers 6 (2%), manager had 0.7%,

supervisor had 0.7% and teller had 0.7%. The results on the overall show that most study respondents were pride microfinance clients. This implies that Pride Microfinance Limited has many clients.

Table 4.4: Respondents' longevity in service at Pride Microfinance

Years	Frequency	Percent
0-1 year	50	16.6
2-3Years	100	33.1
4-5 Years	90	29.8
6-9 years	40	13.2
10-19 years	22	7.3
Total	302	100.0

Source: Primary data, 2017: n = 302

The results in Table 4.4 also show that an overwhelming majority 100 (33.1%) of the study respondents had spent between 2-3 years working with the microfinance institution where as 22 (7.3%) had worked for between 10-19 years. This implies that Pride Microfinance Limited has less retention rate of clients as the percentage of longevity reduces with time.

Table 4.5: Age of respondents

Age bracket	Frequency	Percent
25-30 years	102	33.8
31-36 years	50	16.6
37-42 years	30	9.9
43-48 years	20	6.6
49-54 years	60	19.9
55-60 years	40	13.2
Total	302	100.0

Source: Primary data, 2017: n = 302

Information above shows that most 102 (33.8%) participants were between 25-30 years, 60 (19.9%) were between 49-54 years, 50 (16.6%) were between 31-36 years and 40 (13.2%) were between 55-60 years. This implies that most of the clients are still young. These are upcoming youths venturing into business.

Table 4.6: Respondents' Level of Education

Education level	Frequency	Percent
Diploma	40	13.2
Bachelor	200	66.2
Master level	10	3.3
Others	52	17.2
Total	**302**	**100**

Source: Primary data, 2017: n = 302

From results, majority 200 (66.2%) of the respondents were of bachelor degree, 52 (17.2%) others were 40 (13.2%) were diploma holders and 10 (3.3%) had masters degree. This implies that both Pride Microfinance Limited staff and clients are well educated. This works well for the Microfinance because the staff are qualified to do work and clients use well the finances borrowed. Besides, the respondents were able to read and interpret questionnaire.

4.4 Empirical Findings on the Loan collateral security conditions and loan accessibility

In this section, descriptive statistics were presented. The descriptive statistics used were frequencies and mean.

In order to easily understand ways how collateral security conditions influence loan accessibility, the employees were asked to select the best answer from the opinions provided in Likert scale

with 1 (SD) Strongly Disagreed, 2 (D) Disagree, 3 Uncertain/not sure, 3 (A) Agree and 5 (SA) Strongly Agreed. The results are given as detailed herein.

4.4.1 Loan collateral conditions and loan accessibility

Table 4.7: Showing views on loan collateral security conditions and loan accessibility

Item Responses		Frequency	Percent	Mean
We charge collateral to offset losses in case of borrower default	SD	11	4.0%	3.95
	D	21	6.6%	
	Uncertain	32	10.6%	
	A	144	47.7%	
	SA	94	31.1%	
Borrowers with inadequate collateral find difficulty in acquiring loans	SD	20	6.3%	4.03
	D	14	5.0%	
	Uncertain	19	6.3%	
	A	135	44.7%	
	SA	114	37.7%	
Our collateral requirements reduce our lending	Strongly Disagree	14	4.6%	3.80
	Disagree	39	12.9%	
	Not sure	44	14.6%	
	Agree	101	33.4%	
	Strongly Agree	104	34.4%	

Collateral is necessary for maintaining members' social standing	SD	4	1.3%	3.19
	D	151	50.0%	
	Uncertain	17	5.6%	
	A	45	14.9%	
	SA	85	28.1%	
We reduce lending risks by charging high collateral security	SD	42	13.9%	3.43
	D	41	13.6%	
	uncertain	36	11.9%	
	A	111	36.8%	
	SA	72	23.8%	
There is improved monitoring and proper management of borrowed funds	SD	11	3.3%	3.59
	D	38	12.9%	
	uncertain	77	25.5%	
	A	115	38.1%	
	SA	61	20.2%	
Our loans are closely supervised	Strongly Disagree	1	.3%	3.78
	Disagree	49	16.2%	
	Not sure	24	7.9%	
	Agree	169	56.0%	
	Strongly Agree	59	19.5%	
Collateral saves us form a possible	SD	11	3.3%	

moral hazard	D	33	11.3%	3.61
	Uncertain	55	18.2%	
	A	169	56.0%	
	SA	34	11.3%	
There is reduction in usage of loans for un prescribed reasons	SD	11	3.3%	3.48
	D	56	18.9%	
	Uncertain	43	14.2%	
	A	163	54.0%	
	SA	29	9.6%	
The rewards and motivators encourage people borrow and pay back	SD	6	1.7%	3.60
	D	40	13.2%	
	Uncertain	82	27.5%	
	A	117	38.7%	
	SA	57	18.9%	
Social collateral makes loans more Secure	SD	67	22.2	3.01
	D	46	15.6	
	Uncertain	32	10.3	
	A	129	42.7	
	SA	28	9.3	

Source: Primary data 2017: n = 302

The study findings showed that banks charge collateral to offset losses in case of borrower defaults with majority 47.7% agreeing, 31.1% strongly agreeing while 6.6% disagreed and 3.6% strongly disagreed, whereas the other 10.9% were Not sure. Such findings imply that the

collateral the client deposits with Bank before accessing a loan facility can be used by the bank to offset the losses incurred if such a client fails to pay back their loan amounts. This implies that such collateral security affects the accessibility of the loans as some clients may not have such securities. To this, one staff had this to say;

> *Now imagine you give someone money and you do not obtain something that will make that person remain thinking about of not losing their property, do you think that person can pay back. It would be like giving them a gift. So as a bank, we make sure we obtain something valuable compare to the money given out so that id the person fails to pay, we sell it and recover part of the money.*

The study findings further showed that majority Agreed 44.7%, that borrowers with inadequate collateral find difficulty in acquiring loans 37.7% strongly Agreed with is matter while strongly Disagreed 6.3%, Disagreed 5.0% and Not sure 6.3%. Therefore, this limits the amount of the money clients can borrow.

The study findings showed that collateral requirements reduce lending with majority Strongly Agreed 34.4%, Agreed 33.4%, while Not sure 14.6%, Disagreed 12.9% and Strongly Disagreed 4.6% with the position. This is because some clients do not have these securities, hence fail to obtain money.

The study findings showed further that collateral is not necessary for maintaining members' social standing in the community with majority Disagreed 50.0%, strongly disagreed 1.3%, while Strongly Agreed 28.1%, Agreed 14.9% and Not sure 5.6%.

The study findings further showed that microfinance reduce lending risks by charging high collateral security with majority Agreed 36.8%, Strongly Agreed 23.8%, while Strongly Disagreed 13.9%, Disagreed 13.6% and Not sure 11.9%. This implies that some clients may take advantage of the financial institutions and go away with money and fail to pay back intentionally. Therefore, if some fail to pay, their collateral security can be sold to recover part of the money borrowed.

Similarly there is improved monitoring and proper management of borrowed funds with majority Agreed 38.1%, strongly agreed 20.2%, while Not sure 25.5%, Disagreed 12.9% and Strongly Disagreed 3.3%. This implies that Pride Microfinance Limited is doing a good job because this helps clients to utilize well the funds borrowed and paying back becomes easy.

The study findings similarly showed that loans are closely supervised with majority Agreed 56.0%, Strongly Agreed 19.5%, while Disagreed 16.2%, Not sure 7.9% and Strongly Disagreed 0.3%. This implies that good supervision of the loans make clients use funds effectively and can be able to pay back in time.

The study findings showed further that collateral saves microfinance from a possible moral hazard with majority Agreed 56.0%, Strongly Agreed 11.3%, while Not sure 18.2%, Disagreed 11.3% and Strongly Disagreed 3.3%.

The study findings showed that there is reduction in usage of loans for unprescribed reasons agreed 54.0%, Strongly Agreed 9.6%, while Disagreed 19.5%, Not sure 14.2% and 2.6% Strongly Disagreed. This implies that clients fear to lose their property in offering collateral security to the bank which reduces the use of loans.

The study findings further showed that the rewards and motivators encourage people to borrow and pay back with majority Agreed 38.7%, Strongly Agreed 18.9%, while Not sure 27.5%, Disagreed 13.2% and Strongly Disagreed 1.7%. This implies that some good clients are recognized which gives them morale to come back and borrow again and encourages others to borrow.

The study findings further showed that social collateral makes loans more secure with majority Agreed 42.7%, strongly agreed 9.3% while strongly disagreed 22.2%, Disagreed 15.6% and Not sure 10.3%. This implies that if a client offers collateral security, they have to use money efficiently so that they do not lose their property used as collateral. To this, one client had this to say:

> *You see this house is the only one property I have and my family which I got from my father. Now if I don't work hard and pay the loan and it is taken, where will my family go. My father had many children and the land was divided among us and there is no land left. Sometimes we skip meals, but we have to pay the loan.*

The study findings therefore imply that loan collateral security conditions affects loan accessibility since banks charge collateral to offset losses in case of borrower default, borrowers with inadequate collateral find difficulty in acquiring loans, collateral requirements reduce lending, collateral is not necessary for maintaining members' social standing in the community and microfinance reduce lending risks by charging high collateral security and this affects accessibility.

Null Hypothesis 1: Loan collateral security conditions have a positive effect on loan accessibility at Pride microfinance Limited

The researcher proceeded to test the hypothesis on whether loan collateral security conditions positively affect loan accessibility.

Table 4.8: Pearson correlation

Item		We charge collateral to offset losses in case of borrower default	Borrowers with inadequate collateral find difficulty in acquiring loans	Our collateral requirements reduce our lending	We reduce lending risks by charging high collateral security
We charge collateral to offset losses in case of borrower default	Pearson Correlation	1	.352**	.455**	.069
	Sig. (2-tailed)		.000	.000	.235
	N	302	302	302	302
Borrowers with inadequate collateral find difficulty in acquiring loans	Pearson Correlation	.352**	1	.243**	-.153**
	Sig. (2-tailed)	.000		.000	.008
	N	302	302	302	302
Our collateral requirements reduce our	Pearson Correlation	.455**	.243**	1	-.036

lending	Sig. (2-tailed)	.000	.000		.536
	N	302	302	302	302
We reduce lending risks by charging high collateral security	Pearson Correlation	.069	-.153**	-.036	1
	Sig. (2-tailed)	.235	.008	.536	
	N	302	302	302	302

**. Correlation is significant at the level of 0.01 (2-tailed).

From the field, study findings showed that Pride Microfinance Limited charge collateral to offset losses in case of borrower default, borrowers with inadequate collateral find difficulty in acquiring loans, collateral requirements reduce lending, and they reduce lending risks by charging high collateral. This implies that there is a strong correlation between the collateral, borrowers with inadequate collateral finding difficulty in acquiring loans and lending reduce risks. The hypothesis that loan collateral security conditions have a positive effect on loan accessibility is held. Therefore, collateral has a significant effect on loan accessibility at Pride Microfinance.

Table 4.9: ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
We charge collateral to offset losses in case of borrower default	Between Groups	118.671	4	29.668	47.156	.000
	Within Groups	186.853	297	.629		
	Total	305.523	301			
Borrowers with inadequate collateral find difficulty in acquiring loans	Between Groups	95.835	4	23.959	26.556	.000
	Within Groups	267.953	297	.902		
	Total	363.788	301			
Our collateral requirements reduce our lending	Between Groups	193.413	4	48.353	63.921	.000
	Within Groups	224.667	297	.756		
	Total	418.079	301			

Source: SPSS generated

The study findings in table 4.9 show that the ANOVA results of the relationship between microfinance charge collateral to offset losses in case of borrower default, borrowers with inadequate collateral find difficulty in acquiring loans and collateral requirements reduce our lending is positive and shows that loan collateral conditions have a positive effect on loan

accessibility at Pride microfinance Uganda. Thus the hypothesis loan collateral conditions have a positive effect on loan accessibility is upheld. Therefore, collateral requirements have a significant effect on loan accessibility is accepted.

4.4.2 Repayment Schedules and Accessibility

Table 4.10: Respondents' views on Repayment Schedules and Loan Accessibility

Item responses		Frequency	Percentage	Mean
We set flexible repayment schedules for our customers	SD	62	20.5%	3.20
	D	44	14.6%	
	Uncertain	42	13.9%	
	A	79	26.2%	
	SA	75	24.8%	
There are weekly collections of repayment installments	SD	47	15.9%	3.30
	D	53	17.2%	
	uncertain	31	10.3%	
	A	102	33.8%	
	SA	69	22.8%	
There are frequent meetings between our loans officers and our customers	SD	32	10.6%	3.43
	D	32	10.6%	
	Uncertain	57	18.9%	
	A	135	44.7%	
	SA	46	15.2%	
The clients are required to repay	Strongly Disagree	12	4.0	3.75

their loans in tightly structured installments	Disagree	36	11.9	
	Not sure	52	17.2	
	Agree	119	39.4	
	Strongly Agree	83	27.5	
There are costs of imposing rigid repayment structures	SD	9	2.6%	3.67%
	D	54	18.2%	
	Uncertain	14	4.6%	
	D	178	58.9%	
	SA	47	15.6%	
High repayment rates are associated with benefits of repayment	Strongly Disagree	42	13.9%	3.27
	Disagree	51	16.9%	
	Not sure	48	15.9%	
	Agree	105	34.8%	
	Strongly Agree	56	18.5%	
Our repayment schedules inculcate fiscal discipline among our borrowers	SD	21	6.6%	4.02
	D	1	0.3%	
	Uncertain	30	9.9%	
	A	151	50.3%	
	SA	99	32.8%	
The fiscal discipline imposed by frequent repayments prevents loan defaults	Strongly Disagree	9	3.0%	3.33
	Disagree	110	36.4%	
	Not sure	1	0.3%	
	Agree	137	45.4%	

	Strongly Agree	45	14.9%	
Our clients are willing to stay on track with repayment schedules	Strongly Disagree	1	0.3%	4.31
	Disagree	8	2.6%	
	Not sure	1	0.3%	
	Agree	177	58.6%	
	Strongly Agree	115	38.1%	
The weekly collections reduce loan defaults	Strongly Disagree	18	6.0%	4.21
	Disagree	12	4.0%	
	Not sure	12	4.0%	
	Agree	106	35.1%	
	Strongly Agree	154	51.0%	

Source: Primary data 2017: n = 302

The study findings showed that microfinance set flexible repayment schedules for clients with majority 47.7% agreeing, 31.1% strongly agreeing while 6.6% disagreed, 3.6% strongly disagreed, and 10.9% were Not sure. This implies that good repayment schedules help clients to pay back well. This enables them to borrow again. To this one staff had this to pay,

> *Ya, as a bank we understand that money is always hard to get and you know well these rural people mostly depend on small businesses and farming. So, we put there schedules with small amounts of money to be paid and to me this has worked for me because all my clients appreciate. Even if it were you, paying something like 5,000 or 20,000 is easy than waiting to pay like 100,000 at once a month.*

The study findings further showed that there are weekly collections of repayment installments with majority Agreed 44.7%, strongly Agreed 37.7% while strongly Disagreed 6.3%, Disagreed 5.0% and Not sure 6.3%. This implies weekly repayments help clients to pay small amounts that are easy to collect and pay in time. This helps them to finish payment in time.

The study findings showed that there are frequent meetings between our loans officers and our clients with majority Strongly Agreed 34.4%, Agreed 33.4%, and while Not sure 14.6%, Disagreed 12.9% and Strongly Disagreed 4.6%. This implies that frequent meetings help to know what challenges clients face and how they can be helped to pay the funds borrowed. To this one client had this to say,

> *My son, I was chosen as a chairperson of our group. We got a loan, but wherever one member delays to pay, it is me who is called to explain why the money is not paid as if am the one supposed to pay. To avoid this, we agreed as a group with our loan officer to be meeting every two weeks to harmonise our payment issues. To tell the truth, this has worked for me and I thank very much our loan officer who is always there for us.*

The study findings showed further that clients are supposed to repay their loans in given structured installments with majority Disagreed 50.0%, strongly disagreed 1.3%, while Strongly Agreed 28.1%, Agreed 14.9% and Not sure 5.6%. This implies that structured installments are favout clients and this helps them to pay in time. This is arrived after studying the client's ability to pay.

The study findings further showed that there are costs of imposing rigid repayment structures with majority Agreed 36.8%, Strongly Agreed 23.8%, while Strongly Disagreed 13.9%, Disagreed 13.6% and Not sure 11.9%. This implies that imposing rigid repayment structures makes clients fail pay back in time and the required amounts. This affects both the clients and financial institution. To this one staff had this to say,

> *My friend, I am here as a worker. The institution instructed me with its cash, so I have the obligation to be held accountable for whatever happens to this cash. Therefore to avoid such, I have to set standards for clients to pay. Sometimes, it is better to give out less than giving out more and end losing the institution's cash.*

Similarly high repayment rates are associated with benefits of repayment with majority Agreed 38.1%, strongly agreed 20.2%, while Not sure 25.5%, Disagreed 12.9% and Strongly Disagreed 3.3%. This implies that clients who pay well, they are recognized and can be given more loans in time with a lot of ease. This helps them to grow their businesses.

The study findings similarly showed repayment schedules inculcate fiscal discipline among borrowers with majority Agreed 56.0%, Strongly Agreed 19.5%, while Disagreed 16.2%, Not sure 7.9% and Strongly Disagreed 0.3%. This implies that repayment schedules help clients to plan well how they can pay back. The schedule acts as a reminder and clients keep in mind that at such a date I have to pay a loan.

The study findings showed further that the fiscal discipline imposed by frequent repayments prevents loan defaults with majority Agreed 56.0%, Strongly Agreed 11.3%, while Not sure 18.2%, Disagreed 11.3% and Strongly Disagreed 3.3%. This implies that if the repayment schedules are followed well, most clients can pay their loans well. This reduces the default rate.

The study findings showed that clients are willing to stay on track with repayment schedule agreed 54.0%, Strongly Agreed 9.6%, while Disagreed 19.5%, Not sure 14.2% and Strongly Disagreed 2.6%. This implies that staying on the repayment plan helps them to plan well how to pay back the borrowed money.

The study findings further showed that there the weekly collections reduce loan defaults with majority Agreed 38.7%, Strongly Agreed 18.9%, while Not sure 27.5%, Disagreed 13.2% and Strongly Disagreed 1.7%. The study findings above imply that loan repayment schedules directly affect loan accessibility because microfinance set flexible repayment schedules for our clients, there are weekly collections of repayment installments, there are frequent meetings between our loans officers and our clients, borrowers are meant to pay back loans in firmly structured installments, there are loan costs of imposing inflexible repayment structures, high repayment rates are associated with benefits of repayment, repayment schedules inculcate fiscal discipline among our borrowers, fiscal discipline imposed by frequent repayments prevents loan defaults, clients are willing to stay on track with repayment schedule and there the weekly collections reduce loan defaults and the payment schedules affects loan accessibility.

Hypothesis 2: Loan repayment schedule conditions positively affect loan accessibility at Pride microfinance Uganda

Table 4.11: Pearson correlations

		We set flexible repayment schedules for our clients	There are weekly collections of repayment installments	Our clients are required to repay their loans in tightly structured installments	Our repayment schedules inculcate fiscal discipline among our borrowers
We set flexible repayment schedules for our clients	Pearson Correlation	1	.512**	.376**	-.089
	Sig. (2-tailed)		.000	.000	.124
	N	302	302	302	302
There are weekly collections of repayment installments	Pearson Correlation	.512**	1	.433**	-.016
	Sig. (2-tailed)	.000		.000	.784
	N	302	302	302	302
Our clients are required to repay their loans in tightly	Pearson Correlation	.376**	.433**	1	.464**
	Sig. (2-tailed)	.000	.000		.000

structured installments	N	302	302	302	302
Our repayment schedules inculcate fiscal discipline among our borrowers	Pearson Correlation	-.089	-.016	.464**	1
	Sig. (2-tailed)	.124	.784	.002	
	N	302	302	306	302

Findings showed that Pride Microfinance loans are set on flexible repayment schedules for clients, there are weekly collections of repayment installments, clients are supposed to take back borrowed loans in closely structured installments, and fiscal discipline imposed by frequent repayments prevents loan defaults. From the findings therefore we accept the null hypothesis that loan repayment schedule conditions have a positive effect on loan accessibility at Pride microfinance Uganda. The hypothesis that loan repayment schedule conditions have a positive effect on loan accessibility at Pride microfinance Uganda is upheld meaning that loan repayment schedule conditions have a significant effect on loan accessibility.

Table 4.12: ANOVA results from the tested hypothesis 2

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
We set flexible repayment schedules for our clients	Between Groups	235.736	4	58.934	41.248	.000
	Within Groups	424.344	297	1.429		
	Total	660.079	301			
There are weekly collections of repayment installments	Between Groups	143.199	4	35.800	23.587	.000
	Within Groups	450.775	297	1.518		
	Total	593.974	301			
Our clients are required to repay their loans in tightly structured installments	Between Groups	87.766	4	21.942	23.307	.000
	Within Groups	279.601	297	.941		
	Total	367.368	301			

Source: SPSS generated data

The ANOVA relationship between setting flexible repayment schedules for our clients, there are weekly collections of repayment installments and people are meant to take back the money borrowed in tightly schedule installments is positive and this imply that loan repayment schedule conditions positively affect loan accessibility at Pride microfinance Uganda**.**

4.4.3 Cost of borrowing and loan accessibility

Table 4.13: Showing respondents views on cost of borrowing and loan accessibility

Item Responses		Frequency	Percentage	Mean
There are high transactions costs	SD	50	16.6%	3.88
	D	2	0.3%	
	Uncertain	2	0.3%	
	A	131	43.7%	
	SA	117	39.1%	
Our borrowers incur a wide range of costs beyond interest rates	SD	13	4.0%	3.43
	D	45	14.9%	
	Uncertain	102	34.1%	
	A	85	28.1%	
	SA	57	18.9%	
There are travel time and lost time costs	SD	8	3.3%	3.99
	D	11	4.0%	
	Uncertain	61	20.2%	
	A	118	39.4%	
	SA	103	34.1%	
Our borrowers incur group formation and screening costs	SD	60	20.2%	3.81
	D	2	0.3%	
	Uncertain	2	0.3%	
	A	108	36.1%	
	SA	130	43.0%	

We apply standard and stringent requirements on borrowers to determine their ability to repay	Strongly Disagree	30	9.9%	3.77
	Disagree	47	15.6%	
	Not sure	11	3.6%	
	Agree	87	28.8%	
	Strongly Agree	127	42.1%	
We increase our revenues by increasing costs of borrowing	SD	17	6.0%	3.97
	D	3	1.3%	
	Uncertain	66	22.2%	
	A	102	33.8%	
	SA	113	37.4%	
Our borrowers' ability to repay is directly affected by our interest rate	SD	18	5.6%	3.73
	D	12	4.0%	
	Uncertain	73	24.5%	
	A	131	43.4%	
	SA	68	22.5%	
We incur high staff costs	SA	24	8.0%	3.61
	D	33	10.6%	
	Uncertain	62	20.5%	
	A	100	33.1%	
	SA	83	27.5%	
Benefits we get from commercialization outweigh the costs we incur	Strongly Disagree	27	8.9%	3.39
	Disagree	55	18.2%	
	Not sure	65	21.5%	

	Agree	83	27.5%	
	Strongly Agree	72	23.8%	
Low charges, make borrowers more motivated to borrow	SD	24	7.6%	3.61
	D	31	10.6%	
	Uncertain	73	24.2%	
	A	87	28.8%	
	SA	87	28.8%	
Our borrowers incur costs of filling paper	SD	2	0.3%	3.98
	D	11	3.6%	
	Uncertain	66	22.2%	
	A	136	45.0%	
	SA	87	28.8%	
Big charges by credit institutions reduce efforts for fighting income gaps	SD	25	8.3%	4.12
	D	8	2.6%	
	uncertain	2	0.3%	
	A	140	46.7%	
	SA	127	42.1%	
High interest rates increase chances of loan defaults	SD	2	0.3%	4.09
	D	8	3.0%	
	Uncertain	86	28.8%	
	A	70	23.2%	
	SA	135	44.7%	

Source: Primary data 2017: n = 302

The study findings showed that there are high transactions costs with majority 43.4% agreeing, 39.4% strongly agreeing while 0.3% disagreed, 16.6% strongly disagreed, and 0.3% were Not sure. This implies that loans are sometimes expensive because the financial institutions also want to get back their funds. Therefore, the clients have to incur some high costs which increases costs.

The study findings further showed that borrowers incur a wide range of costs beyond interest rates with majority agreed 28.1%, strongly agreed 18.9% while disagreed 14.9%, strongly disagreed 4.0% and Not sure 34.1%. This implies that in some instances some clients may have to pay service fees, processing fees among others which may increase the wide range of costs related to the borrowed loans. To this one client had this to say,

> *My dear, I almost gave up that loan. At first I went there and they gave forms to fill. I filled them and took them back. They told me to wait for their call, they called after two. When I reached there, they told me to give them my National Identity Card. I had given my card to my son to keep for me and he went with it to school in his case. I had to incur transport to go there. All this was money which I did not have, but survived on borrowing. I got the loan, but I had used part of it in running here and there.*

The study findings showed that there are travel times and lost time costs with majority strongly agreed 34.4%, agreed 39.4%, while Not sure 19.9%, disagreed 4.0% and those who strongly

disagreed were 2.3%. This implies that processing loans takes some time beginning from client visitation, assessment and training. This wastes a lot of time upto the time of loan approval.

The study findings show that borrowers incur group formation and screening costs with majority strongly agreeing 43.0%, agreed with 36.1%, strongly disagreed 20.2%, disagreed were 0.3%and 0.3% were Not sure. This implies that clients who borrow in a group, they come together and contribute funds for processing their loans. In case they fail to raise the required amounts, it may not be possible to obtain the loan. This affects the accessibility of the loans.

The study findings showed further that microfinance apply standard and stringent requirements on borrowers to determine their ability to repay with majority strongly agreed 42.1%, agreed 28.8% while strongly disagreed 9.6%, disagreed15.9% and were Not sure 3.6%. This implies that clients who obtain loans are the ones qualified for the loan. Studying well clients help to pay back well because they have the ability.

The study findings further showed that microfinance increase revenues by increasing costs of borrowing with majority Agreed 33.8%, Strongly Agreed 37.4%, while strongly disagreed 5.3%, Disagreed 1.3% and were Not sure 22.2%. This implies that microfinance make money from revenues charged on the loans. Therefore, this helps microfinance to increase their revenues.

Similarly there is borrowers' ability to repay is directly affected by the interest rate levels with majority agreed 43.4%, strongly agreed 22.5%, while Not sure 24.8%, disagreed 4.0% and strongly disagreed 5.3%. This implies that high interest rates affect the repayment rate because if

the client is paying a lot of money, some may fail to pay which may affect their accessibility of loans in the later days.

The study findings showed further that microfinance customers incur high staff costs with majority agreed 32.5%, strongly agreed 28.1%, while Not sure 20.5%, disagreed 10.6% and strongly disagreed 8.3%. This implies that the microfinance staff who go to make client visitation and supervise require some funds to run all these activities. This affects the loan accessibility because some clients fail to raise such costs.

The study findings showed that benefits got from commercialization outweigh the costs incurred agreed 27.5%, strongly agreed 23.8%, while disagreed 18.5%, Not sure 21.5% and strongly disagreed 8.6%. This implies that both clients and microfinance make money from commercialization of their loans. This is because the money is used and this helps them to make get benefits out of funds.

The study findings further indicated when charges are low, borrowers are motivate to seek credit with majority agreed 28.8%, strongly agreed 28.8%, while Not sure 24.2, disagreed 10.6% and strongly disagreed 7.6%. This implies that low interest rates attract mores clients. This is because clients pay less money on the amounts borrowed. And this makes it easy to pay back the borrowed money. In the same way, if the clients pay with ease, they can borrow more and more.

The study findings further showed that borrowers incur costs of filling paper work with majority agreed 45.0%, strongly agreed 28.8% while strongly disagreed 0.3%, disagreed 3.6% and Not sure 22.2%. This implies that borrowing a loan is a process and involves a lot of processes. These processes are tedious and they waste a lot of time and money. This increases cost which may affect the clients and sometimes prevent them to pay back.

The study findings further showed that much charges from earlier credit giving institutions made them less attractive to clients and this made less relevant in their work of reducing poverty levels with majority Agreed 46.7%, strongly agreed 42.1% while strongly disagreed 8.3%, Disagreed 2.6% and Not sure 0.3%. This implies that high costs make clients pay large amounts of money which because of high interest rates. This sometimes increases the default rate. This implies that if the microfinance set high limits that prevent the clients obtain the loans, clients remain poor. The poverty rates can be reduced when clients obtain loans and use them to get out of poverty. However, if they fail to get such loans, they remain in high poverty levels.

The study findings further showed that high interest rates increase chances of loan defaults with majority Agreed 23.5%, strongly agreed 44.4% while strongly disagreed 0.3%, Disagreed 3.0% and Not sure 28.8%. The study findings from the table showed that there are high transactions costs, borrowers incur a wide range of costs beyond interest rates, there are travel times and lost time costs, borrowers incur group formation and screening costs, microfinance apply standard and stringent requirements on borrowers to determine their ability to repay, microfinance increase revenues by increasing costs of borrowing, borrowers' ability to repay is directly affected by the interest rate levels, microfinance customers incur high staff costs, benefits we get from commercialization outweigh the costs we incur, borrowers incur costs of filling paper work, high loan costs of conventional microfinance loans limit our effectiveness in fighting poverty and high interest rates increase chances of loan defaults and therefore the cost of borrowing and loan accessibility is dependent on one another.

Table 4.14: Respondents' views about loan accessibility

Statements	SD	D	uncertain	A	SA
Big transactions costs hinder clients from accessing loans	10.9%	19.2%	17.9%	35.8%	16.2%
We charge collateral before advancing loans to our clients	3.0%	9.3%	17.9%	34.4%	35.4%
We require borrowers to meet our conditions before they are advanced credit	7.0%	7.9%	15.6%	49.0%	20.5%
Our repayment schedules favour our clients	10.6%	4.6%	14.6%	31.8%	38.4%
Clients cannot access loans if they have inadequate collateral	0.3%	3.6%	15.6%	50.0%	30.5%
Poor clients are unable to access our loans	18.9%	35.4%	17.5%	12.6%	15.6%
We set tightly structured repayment schedules	15.9%	12.6%	5.3%	29.1%	37.1%
We have weekly collection of repayments for our clients	10.3%	25.8%	0.3%	38.4%	25.2%
We also have monthly payments arrangements for our clients	7.0%	14.9%	0.3%	48.3%	29.5%
The overall cost of borrowing has an impact on loan accessibility	10.3%	12.9%	0.3%	42.1%	34.4%
We require personal guarantees or forced savings for individual loans	14.9%	19.2%	3.3%	38.1%	24.5%

Source: Primary data 2017: n = 302

The study findings showed that high transactions costs hinder clients from accessing loans with majority 35.8% agreeing, 16.2% strongly agreeing while disagreed 19.2%, strongly disagreed 10.9% and 17.9% were Not sure. This implies that if the costs of obtaining the loan are high, sometimes clients fail to meet such charges. This limits their chances of obtaining loans.

The study findings further showed that microfinance charge collateral before advancing loans to clients with majority Agreed 34.4%, strongly Agreed 35.4% while strongly Disagreed 3.0%, Disagreed 9.3% and Not sure 17.9%. This implies that collateral helps the microfinance to obtain money from clients. This is because clients fear to lose their property put as security. Therefore, they have to pay back in time.

The study findings showed that microfinance require borrowers to meet conditions before they are advanced credit with majority strongly agreed 20.5%, agreed 49.0%, while Not sure 15.6%, disagreed 7.9% and strongly disagreed 7.0%. This implies that clients who meet borrowing conditions are qualified to borrow the loans. This means that the clients will be able to pay back in time because they have the capacity to pay.

The findings showed further that repayment schedules favour our clients with majority agreed 31.8%, strongly agreed 38.4%, while strongly disagreed 10.6%, disagreed 4.6% and Not sure 14.6%. This implies good repayment schedules help the clients to pay well. This is good for both the clients and the microfinance because they both benefit. Clients obtain loans which help them to do business while the microfinance gets revenue to run their businesses.

The study findings further showed that clients cannot access loans if they have inadequate collateral with majority agreed 50.0%, strongly Agreed 30.5%, while strongly disagreed 0.3%, disagreed 3.6%, and Not sure 15.6%. This implies that clients with no collateral security may fail to pay back and the microfinance loses because it has nothing to sell and recover the funds. Therefore, the collateral security can be sold if the client fails to pay.

Similarly poor clients are unable to access our loans with majority Agreed 12.6%, strongly agreed 15.6%, while Not sure 17.5%, disagreed 35.4% and strongly disagreed 18.9%. This implies that in some instances, poor clients can use money in non-profitable ventures like weddings, paying school fees, building houses which cannot make profits. Therefore, this affects their ability to pay back. Hence, microfinance do not normally encourage borrowing loans to poor clients.

The study findings similarly showed that microfinance set tightly structured repayment schedules with majority agreed 29.1%, strongly agreed 37.1%, while disagreed 12.6%, Not sure 5.3% and strongly disagreed 15.9%. This implies that tight schedules make clients stay on cause and they are always reminded of paying date. This helps the microfinance obtain their money borrowed to clients.

The study findings showed further that microfinance have weekly collection of repayments for clients with majority agreed 38.4%, strongly agreed 25.2%, while Not sure 0.3%, disagreed 25.8% and strongly disagreed 10.3%. This implies that weekly payment schedules help clients to pay little money, but in consistence. This makes them to pay well the borrowed loans.

The study findings showed that there are also have monthly payments arrangements for our clients agreed 48.3%, strongly agreed 29.5%, while disagreed 14.9%, Not sure 0.3% and strongly disagreed 7.0%. This monthly payment arrangement makes clients plan well how to pay their loans. The plans make both the microfinance to follow the schedules of payment. These schedules make them monitor the payment period which makes them obtain the borrowed funds.

The study findings further showed the overall cost of borrowing has an impact on loan accessibility with majority agreed 42.1%, strongly agreed 34.4%, while Not sure 0.3%, disagreed 12.9% and strongly disagreed 10.3%. This implies that if the costs are high, they affect clients' ability to borrow the loans. This is because the costs of the loans are high which may not be possible to raise, hence failure to obtain loans.

The findings further showed that microfinance require personal guarantees or forced savings for individual loans with majority Agreed 38.1%, strongly agreed 24.5% while strongly disagreed 14.9%, Disagreed 19.2% and Not sure 3.3%. The study findings from the table imply that high transactions costs hinder clients from accessing loans, microfinance charge collateral before advancing loans to our clients, microfinance require borrowers to meet our conditions before they are advanced credit, repayment schedules favour our clients, clients cannot access loans if they have inadequate collateral, poor clients are unable to access our loans, microfinance set tightly structured repayment schedules, microfinance have weekly collection of repayments for clients, there are also have monthly payments arrangements for our clients, the overall cost of borrowing has an impact on loan accessibility and microfinance require personal guarantees or forced savings for individual loans and this directly affect loan accessibility.

Hypothesis 3: Cost of borrowing conditions positively affects loan accessibility at pride microfinance Uganda.

Table 4.15: Pearson correlations

Correlations

		There are high transactions costs	Our borrowers incur a wide range of costs beyond interest rates	There are travel time and lost time costs	We increase our revenues by increasing costs of borrowing
There are high transactions costs	Pearson Correlation	1	.281**	.515**	.268**
	Sig. (2-tailed)		.000	.000	.000
	N	302	302	302	302
Our borrowers incur a wide range of costs beyond interest rates	Pearson Correlation	.281**	1	.440**	.320**
	Sig. (2-tailed)	.000		.000	.000
	N	302	302	302	302
There are travel time and lost time costs	Pearson Correlation	.515**	.440**	1	.527**
	Sig. (2-tailed)	.000	.000		.000
	N	302	302	302	302

We increase our revenues by increasing costs of borrowing	Pearson Correlation	.268**	.320**	.527**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	302	302	302	302

Results above showed high transactions costs, borrowers incur a wide range of costs beyond interest rates, there are travel times and lost time costs, and there is increase in revenues by increasing costs of borrowing. Therefore, we accept the hypothesis that costs of borrowing conditions have a positive effect on loan accessibility at pride microfinance Uganda. Thus, costs of borrowing conditions have a significant effect on loan accessibility at pride microfinance Uganda.

Table 4.16: ANOVA results from the tested hypothesis

		R^2	Df	Mean	Ff	Sign.
There are high transactions costs	Between Groups	75.257	4	18.814	11.290	.000
	Within Groups	494.915	297	1.666		
	Total	570.172	301			
Our borrowers incur a wide range of costs beyond interest rates	Between Groups	151.777	4	37.944	56.841	.000
	Within Groups	198.263	297	.668		
	Total	350.040	301			
There are travel time and lost time costs	Between Groups	169.658	4	42.414	119.586	.000
	Within Groups	105.339	297	.355		
	Total	274.997	301			

Source: SPSS generated

Results from Table 4.16 show that the ANOVA relationship between high transactions costs, borrowers incur a wide range of costs beyond interest rates and there are travel time and lost time costs is positive and therefore cost of borrowing conditions have a positive effect on loan accessibility at pride microfinance Uganda. Thus, costs of borrowing conditions have a significant effect on loan accessibility at pride microfinance Uganda.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study specifically set out to: assess loan collateral security conditions on loan accessibility at Pride Microfinance Uganda, determine the effect of loan repayment schedule conditions on loan accessibility at Pride microfinance Uganda and examine the effect of cost of borrowing conditions on loan accessibility at Pride microfinance Uganda. This chapter presents the summary, discussion, conclusions and recommendations of the study findings.

5.2 Summary of the Study Findings

5.2.1 Loan Collateral Conditions and Loan Accessibility

The study findings showed that banks charge collateral to offset losses in case of borrower default with majority 47.7% agreeing, 31.1% strongly agreeing while 6.6% disagreed and 3.6% strongly disagreed, where as the other 10.9% were Not sure. The study findings further showed that majority Agreed 44.7%, that borrowers with inadequate collateral find difficulty in acquiring loans 37.7% strongly Agreed with is matter while strongly Disagreed 6.3%, Disagreed 5.0% and Not sure 6.3%.

From the study findings it was found out that pride microfinance charge collateral to offset losses in case of borrower default, borrowers with inadequate collateral find difficulty in acquiring loans, collateral requirements reduce our lending, collateral is necessary for maintaining members' social standing in the community, reduce lending risks by charging high collateral

security, there is improved monitoring and proper management of borrowed funds, loans are closely supervised, collateral saves us form a possible moral hazard, there is reduction in usage of loans for un prescribed reasons, the rewards and motivators encourage borrowing and paying back and social collateral makes loans more secure.

5.2.2 Loan repayment schedule conditions and Loan Accessibility

The study findings showed that microfinance set flexible repayment schedules for our clients with majority 47.7% agreeing, 31.1% strongly agreeing while 6.6% disagreed, 3.6% strongly disagreed, and 10.9% were Not sure. The study findings further showed that there are weekly collections of repayment installments with majority Agreed 44.7%, strongly Agreed 37.7% while strongly Disagreed 6.3%, Disagreed 5.0% and Not sure 6.3%.

The study findings also showed that pride microfinance loans are set on flexible repayment schedules for clients, there are weekly collections of repayment installments, there are frequent meetings between our loans officers and our clients, clients must pay their loans in tightly scheduled installments, there are loan costs of imposing stiff repayment structures, high repayment rates are associated with benefits of repayment, repayment schedules inculcate fiscal discipline among our borrowers, the fiscal discipline imposed by frequent repayments prevents loan defaults, clients are willing to stay on track with repayment schedules and the weekly collections reduce loan defaults.

5.2.3 Cost of borrowing conditions and Loan accessibility

The study findings showed that there are high transactions costs with majority 43.4% agreeing, 39.4% strongly agreeing while 0.3% disagreed, 16.6% strongly disagreed, and 0.3% were Not

sure. The study findings further showed that borrowers incur a wide range of costs beyond interest rates with majority agreed 28.1%, strongly agreed 18.9% while disagreed 14.9%, strongly disagreed 4.0% and Not sure 34.1%.

The study findings further revealed that there are high transactions costs, borrowers incur a wide range of costs beyond interest rates, there are travel times and lost time costs, borrowers incur group formation and screening costs, apply standard and stringent requirements on borrowers to determine their ability to repay, increase our revenues by increasing costs of borrowing, borrowers' ability to repay is directly affected by our interest rate levels, incur high staff costs, benefits we get from commercialization outweigh the costs we incur, low charges, motivate borrowers and seek for financial services, borrowers incur costs of filling paper work, high borrowing costs of usual microfinance loans limit MFIs' effectiveness in fighting economic crisis and high interest rates increase chances of loan defaults. From the findings above we can conclude cost of borrowing is passed onto the customer and this determines whether one can access loan from pride microfinance.

5.3 DISCUSSION OF THE STUDY FINDINGS

5.3.1 Loan collateral conditions and loan accessibility at Pride Microfinance Uganda

The study findings showed that pride microfinance charge collateral to offset losses in case of borrower default, borrowers with inadequate collateral find difficulty in acquiring loans, collateral requirements reduce our lending, collateral is necessary for maintaining members' social standing in the community, reduce lending risks by charging high collateral security, there is improved monitoring and proper management of borrowed funds, loans are closely supervised, collateral saves us form a possible moral hazard, there is reduction in usage of loans for un

prescribed reasons, social collateral makes loans more secure. This means that the microfinance institution charge collateral to offset losses in cases a borrower defaults. Such situation creates an environment whereby microfinance institution would sale off such properties in a case the borrower defaults and the institution would not make losses.

The study findings are in line with according to Chikaza (2007) who states that the principle aim of financial an institution is to maximize their client's deposits and this among others is through lending. However, lending is a risky venture as it may lead to loss of their client's deposits when borrowers fail to pay back the loans. Lenders have to be very careful of the adverse selection, usually this occurs when potential borrowers who are most likely to produce undesirable outcomes (loan default) are the ones who seek out loans.

The study findings further agree with Voordeckers (2006) who states that security can be one of the ways new and little individual's capacity to borrow and pay back the funds. The main argument is that honest and trust is difficult virtue, so trusting the new clients is very hard when they fail to present reasonable security that can be used to recover the borrowed funds. If the security is not well convincing may force MFI to make unprescribe purpose which can reduce as a way of protecting microfinance institutions funds from being misused.

According to Nan Kaung (2007) such study findings are true and that collateral can have a significant negative effect on the financial institutions' lending where by some would be borrowers without adequate collateral required by the financial institution can be barred from acquiring the badly needed funds. This seems to suggest that collateral can reduce the lending by the financial institutions despite saving them from the problem of moral hazard and adverse selection as Voordeckers (2006), points out. However Voordeckers (2006) report doesn't reveal

the level of reduction by which collateral reduce the lending of financial service in microfinance Institution.

These study findings are in agreement with Rogaly (2004) who state that in countries like Bangladesh, the social collateral is being adopted where groups are selected, this is adopted to reduce on the lending risks and on the other hand, monitoring so as to bring about proper management of borrowed funds. However, Mukhejere (2011) asserts that lending institutions should waive collateral security requirement when they are lending; this points out the possibility of certain groups of the society which might be left out without loans, if they lack the needed collateral. Microcredit in some financial institutions is often extended without proper collateral security. If collateral securities were a requirement for clients, most MFI clients would be unable to participate due to their severe poverty levels. Because clients do not have substantial capital, MFIs focus on using social collateral, via group lending. Group lending encompasses a variety of methodologies, but all are based on the principal of joint liability by all members in a group.

And according to Woolcock (2001), under joint liability, each group member is made liable for the loans of other group members. If one member defaults, the other group members must pay to cover the loan from their own incomes, and if they do not, they lose access to future loans. It is thus in each member's interest to ensure that the other members pay. Social collateral also works through reputational effects on group members in which repayment of loans is seen by group members as necessary to maintain their social standing in the community.

This research study was guided by information sharing theory of Brown, Jappelli & Pagano (2007). Information Sharing Theory suggests that for MFIs in order to avoid multiple borrowing

by increasing the capacity of people to pay back the borrowed. Therefore, partaking information between clients of different microfinance staff helps both to understand each other. The microfinance study well the clients that are borrowing money and clients understand how to borrow and use the borrowed loans. This makes it possible for clients to pay back.

5.3.2 Loan Repayment Schedules conditions and Loan Accessibility

The study findings showed that pride microfinance loans are set on flexible repayment schedules for clients, there are weekly collections of repayment installments, there are frequent meetings between our loans officers and our clients, it is compulsory for clients to repay their loans in strict arrangements installments, there are loan costs of imposing tight repayment structures, high repayment rates are associated with benefits of repayment, repayment schedules inculcate fiscal discipline among our borrowers, the fiscal discipline imposed by frequent repayments prevents loan defaults, clients are willing to stay on track with repayment schedules and the weekly collections reduce loan defaults. From such findings, it can be interpreted that if loans are well managed, clients are highly likely not to default on loan repayment and this will reduce on nonperforming loans. Therefore, loan accessibility is determined by the flexibility repayment schedules for clients and costs on loan repayment. Such study findings are supported by agree with Erica Field and Rohini Pande (2006) who stated that majority of microfinance institutions' contracts require that payments of loans given out should be begin straightaway when the people seeking financial services are finally given such opportunity. It can be argued that for microfinance institutions to benefit from the loans given out, then they need to put standard interest rates that are charged on credit so that so many people are encouraged to borrow and pay back, this will also risk the risks of multiple barrowing.

The study findings were also supported by Vogelgesang (2003) who observed that weekly collection of repayment installments by loan officers is one of the key aspects of microfinance that is believed to reduce default rate in the absence of collateral security and make lending to the poor viable. In addition, frequent meetings with a loan officer may improve client trust in loan officers and their willingness to stay on track with repayments.

Grameen Bank, is considered to be among the first and best-known MFIs, established this model in Bangladesh in the 1970s, and it has since become the classic model of micro-lending in many countries. Group lending and weekly collection of repayment installments are widely seen as the key aspects of microfinance that reduce default risk. Initiating repayments immediately likewise imposes discipline and reduces the likelihood that a client will take the money and run. This seems to suggest that borrowers whose business or enterprises generate revenue after a relatively long period of time such as farmers who get yields after four months are restricted from accessing these loan facilities with weekly repayment installments that are usually supposed to be made immediately after getting the loan. This further agrees with Sanjay Jaina (2002) who asserted that borrowers are usually supposed to take back the borrowed financial services from strict controlled payments, sometimes following financial allocation.

Given tolerable agreement about the relevant of credit microfinance institutions in society in their quest to improve access to financial services in rural areas that always not covered by most commercial banks. These MFIs need to put standard lending rates to enable most people in rural areas to access the much needed financial services. Good repayment rates are indeed largely associated with better loan benefits both for the MFIs and the borrowers. They enable the microfinance institutions to reduce the interest rate it charges to the borrowers, thus reducing the

financial cost of credit and allowing more borrowers to have access to it. From the above studies little has been talked about concerning the effect of loan repayment schedule conditions on loan accessibility hence this study aims at revealing such aspects to determine how loan repayment schedules impact the loan accessibility.

5.3.3 Cost of borrowing Conditions and Loan Accessibility

The study findings showed that there are high transactions costs, borrowers suffer a wide range of loan costs beyond interest rates. For example there are travel times and lost time costs, clients incur group formation costs and screening costs, apply standard and strict requirements on borrowers to determine their ability to repay, increase revenues by increasing costs of borrowing, borrowers' ability to repay is directly affected by interest rate levels, incur high staff costs, benefits got from commercialization outweigh the costs incurred, borrowers incur costs of filling paper work, huge loan costs of conventional microfinance loans limit our effectiveness in fighting poverty and high interest rates increase chances of loan defaults. From the findings above it can be conclude cost of borrowing is passed onto the customer and this determines whether one can access loan from pride microfinance. This was reinforced by a key informant who noted that, "To access loan a client is requested to have some in the account and should be having enough collateral as a security in order to access loan". The above study findings can be interpreted to show that the microfinance institution only gives secured loans to clients who have got collaterals. Such study findings are supportive of Moh'd et al, (2012) opinions that credit organisations offer little amounts to the members of the community to enable them start income generating activities and improve their household incomes. Charges regarding providing microfinance services among most credit institutions is much due to defaulting of clients on loans.

The study findings are in support of Christabell, (2009) assertions that borrowers incur cost ranging from cost associated in screening group member (group borrowing), cost of forming a group, cost of negotiating with the lender, cost of filling paper work, transportation to and from the financial institution, cost of time spent on project appraisal and cost of attending meetings. Borrower transactions cost mainly involve various charges imposed by lenders beyond interest payments such as application fees, services fees and photographs among others. The most important transactions cost is borrower's travel time and time spent in obtaining the loan. Lost time from work is an important part of the transactions cost for most borrowers. Also Masuko (2003) asserts that the addition of loan costs like the of transport costs and inconveniences costs indicate that the efficient opportunity sets of borrowers would vary not only with the size of their portfolios, but also with the physical location and the opportunity cost of their time

These findings were also supported by Stiglitz and Weiss, (1981) who stated that in assessing the creditworthiness of borrowers, microfinance institutions apply standard and stringent requirements to determine the performance of the business and the ability to refund credit received from the MFIs. MFIs which give out financial services have always conflicting interests to make, they can choose to charge big amounts on loans given and then restrict many potential clients from accessing the funds, or choose to charge reasonable amounts and get many clients.

It is important to note that when MFIs charge a lot of interest on loans, the number of borrowers will automatically reduce and this has never been one of the purpose of MFIs, they are established to offer loans and also earn a profit on such loans (AMFIU, 2009). Therefore this study identified the interest rate level, application fees, and other costs that were not clearly brought out in these studies. The poorest people in the community normally pay the world's highest cost for small business growth. The high costs of conventional microfinance loans reduce

their efficiency as a poverty-fighting tool. Offering loans at high interest of 37% mean that borrowers who do not manage to earn at least a 37% rate of return may actually end up becoming poorer as a result of borrowing loans. Studies elsewhere have shown that the transactions cost of accessing, comprise a serious impediment to the acquisition of credit (Masuko, 2003). The findings agree with Herath (1994) observed that high costs loan borrowing result from these two sources discourage small business people, artisans, entrepreneurs from availing themselves to formal credit.

5.4 CONCLUSIONS

In light of the study findings, several conclusions were made;

5.4.1 Loan collateral conditions and Loan Accessibility

As observed from above, we can easily say that microfinance charge collateral to offset losses in case of borrower default, borrowers with inadequate collateral find difficulty in acquiring loans and collateral requirements reduce our lending is positive and shows that loan collateral conditions have a positive effect on loan accessibility at Pride microfinance Uganda. Thus the hypothesis loan collateral conditions have a positive effect on loan accessibility is upheld. Therefore, collateral requirements have a significant effect on loan accessibility is accepted.

5.4.2 Loan repayment schedule conditions and Loan accessibility

From the study findings, it is concluded that Pride Microfinance Limited loans are set on flexible repayment schedules for clients, there are weekly collections of repayment installments, clients are required to pay back their loans in strict structured arrangements, and financial discipline imposed by frequent repayments prevents loan defaults. From the findings therefore we accept the null hypothesis that loan repayment schedule conditions have a positive effect on loan

accessibility at Pride microfinance Uganda. The hypothesis that loan repayment schedule conditions have a positive effect on loan accessibility at Pride microfinance Uganda is upheld meaning that loan repayment schedule conditions have a significant effect on loan accessibility.

5.4.3 Cost of borrowing conditions and Loan accessibility

From the study findings, it is concluded that there are high transactions costs, borrowers incur a wide range of costs beyond interest rates, there are travel times and lost time costs, and there is increase in revenues by increasing costs of borrowing. Therefore costs of borrowing conditions have a positive effect on loan accessibility at pride microfinance Uganda. Thus, costs of borrowing conditions have a significant effect on loan accessibility at pride microfinance Uganda.

5.5 RECOMMENDATIONS

Based on the study conclusions, a number of recommendations were made:

5.5.1 Loan Collateral conditions and Loan Accessibility

That there should be other collaterals put as security for people to access loans. For example, other than land and houses as security, microfinance institutions should be compelled to accept like cows, goats and any other thing. This way it will help many more people access loans. This means that microfinance or banks should accept other collaterals as such goats or sheep as a security.

5.5.2 Determine the effect of loan repayment schedule conditions on loan accessibility at Pride microfinance Uganda

That loan repayment schedule conditions should be made easy so that people can access loans. Therefore, loan repayment schedule and a borrower's history determine accessibility and this would help people come for loans. This means that loan repayment schedule should be made easy for that they can access loan.

5.5.3 Examine the effect of cost of borrowing conditions on loan accessibility at Pride microfinance Uganda

That the cost of borrowing conditions should be reduced so that loan can be accessed by people, this means that the cost of borrowing is passed onto the customer and this determines whether one can access loan from pride microfinance. This implies that cost of loan borrowing should be reduced to allow loan accessibility.

5.6 AREAS FOR FURTHER RESEARCH

The study investigated the effect of loan collateral on loan accessibility at Pride Microfinance. Future research should focus on the following areas;

i) Loan Collateral and Loan Accessibility in Microfinance institutions in Uganda.

ii) Loan Collateral and loan Accessibility in commercial banks in Uganda.

iii) Factors influencing loan Accessibility in Microfinance institutions in Uganda.

iv) The effect of interest rate on Loan Accessibility in Microfinance and Commercial Banks in Uganda.

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APPENDIX 1: Research Questionnaire

A questionnaire to examine Loan Conditionalities and Accessibility by Clients in Microfinance Institutions in Uganda, a Case Study of Pride Microfinance

Dear respondent,

I am Godwin Agaba carrying out an academic research on Loan Conditionalities and Accessibility by Clients in Microfinance Institutions in Uganda, a Case Study of Pride Microfinance**.** The purpose of this study and its findings is purely academic. I kindly request for your assistance by sparing some of your precious time to answer the following questions. I would appreciate your honest opinions and please be assured that your responses will be completely anonymous and therefore any information you provide in here will be treated with strict confidentiality.

QUESTIONNAIRE NUMBER		

Section A: Institutional Information		
01	Name of the microfinance institution:	
02	Location of the main office/Branch:	
03	Number of employees	Males

		.... Females: .... Total:	
04	Ownership structure:	Local : ....1 Foreign: 2	Enter the correct code ☐

Section B: Personal profile of the respondent			
05	Gender of respondent	Male: ....1 Female: 2	Enter the correct code
06	Current job title		....
07	Years spent working in this microfinance institution	1-1 Years ....1 2-3Years ....2 4-5 Years ....3 6-9 years ....4 10-19 years 5	Enter the correct code
08	Age of the respondent (in complete years)		....
09	Level of education	Diploma ....1 Bachelor ....2 Master level ....3 Other ....4 Specify	Enter the correct code

For the following questions, please tick the number of your choice as indicated in the key

1. Strongly Disagree	2. Disagree	3. Not Sure	4. Agree	5. Strongly Agree

INDEPENDENT VARIABLES					
Section C: Loan collateral security conditions and loan accessibility					
We charge collateral on small scale personal business to gauge their ability to borrow	1	2	3	4	5
We charge collateral to offset losses in case of borrower default	1	2	3	4	5
Borrowers with inadequate collateral find difficulty in acquiring loans	1	2	3	4	5
Our collateral requirements reduce our lending	1	2	3	4	5
Collateral is necessary for maintaining members' social standing in the community	1	2	3	4	5
We reduce lending risks by charging high collateral security	1	2	3	4	5
There is improved monitoring and proper management of borrowed funds	1	2	3	4	5
Our loans are closely supervised	1	2	3	4	5
Collateral saves us form a possible moral hazard	1	2	3	4	5
There is reduction in usage of loans for unprescribed reasons	1	2	3	4	5
There is an incentive and justification to lend and repay	1	2	3	4	5
Social collateral makes loans more secure	1	2	3	4	5
Section D: Repayment schedules and loan accessibility					
We set flexible repayment schedules for our clients	1	2	3	4	5
There are weekly collections of repayment instalments	1	2	3	4	5
There are frequent meetings between our loans officers and our clients	1	2	3	4	5

Our clients are required to repay their loans in tightly structured instalments	1	2	3	4	5
There are costs of imposing rigid repayment structures	1	2	3	4	5
High repayment rates are associated with benefits of repayment	1	2	3	4	5
Our repayment schedules inculcate fiscal discipline among our borrowers	1	2	3	4	5
The fiscal discipline imposed by frequent repayments prevents loan defaults	1	2	3	4	5
Our clients are willing to stay on track with repayment schedules	1	2	3	4	5
The weekly collections reduce loan defaults	1	2	3	4	5
Section E: Cost of borrowing and loan accessibility					
There are high transactions costs	1	2	3	4	5
Our borrowers incur a wide range of costs beyond interest rates	1	2	3	4	5
There are travel time and lost time costs	1	2	3	4	5
Our borrowers incur group formation and screening costs	1	2	3	4	5
We apply standard and stringent requirements on borrowers to determine their ability to repay	1	2	3	4	5
We increase our revenues by increasing costs of borrowing	1	2	3	4	5
Our borrowers' ability to repay is directly affected by our interest rate levels	1	2	3	4	5
We incur high staff costs	1	2	3	4	5
Benefits we get from commercialisation outweigh the costs we incur	1	2	3	4	5
When interest rates are low, our borrowers are willing to borrow					
Our borrowers incur costs of filling paper work	1	2	3	4	5
High costs of traditional microfinance loans limit our effectiveness in fighting poverty	1	2	3	4	5
High interest rates increase chances of loan defaults	1	2	3	4	5

DEPENDENT VARIABLE					
Section F: Loan accessibility					
High transactions costs hinder clients from accessing loans	1	2	3	4	5
We charge collateral before advancing loans to our clients	1	2	3	4	5
We require borrowers to meet our conditions before they are advanced credit	1	2	3	4	5
Our repayment schedules favour our clients	1	2	3	4	5
Clients cannot access loans if they have inadequate collateral	1	2	3	4	5
Poor clients are unable to access our loans	1	2	3	4	5
We set tightly structured repayment schedules	1	2	3	4	5
We have weekly collection of repayments for our clients	1	2	3	4	5
We also have monthly payments arrangements for our clients	1	2	3	4	5
The overall cost of borrowing has an impact on loan accessibility	1	2	3	4	5
We require personal guarantees or forced savings for individual loans	1	2	3	4	5
Thank you					

APPENDIX II: Interview schedule

Dear respondent,

My name is Agaba Godwin, a student of Uganda Management Institute. Am conducting an academic research intended to examine **Loan Conditionalities and Accessibility by Clients in Microfinance Institutions in Uganda, Pride Microfinance**. The purpose of this study and its findings is purely academic, thus i kindly request for your assistance by sparing some of your precious time to answer the following questions. I would appreciate your honest opinions and please be assured that your responses will be completely anonymous and therefore any information you provide in here will be treated with strict confidentiality.

Thank you.

Key questions

1. Tell me about this Microfinance institution? (Probe for the years in existence, number of staff, the management structure etc...).

2. Tell me about loan conditionalities set in your microfinance? (probe and ensure the respondents provides details about all the requirements for loan acquisition).

3. What is the relationship between collateral security and loan accessibility in this microfinance institution? (Elaborate with examples).

4. What is the relationship between loan repayment schedule and loan accessibility in this microfinance institution? (Elaborate with examples).

5. What is the relationship between coast of borrowing and loan accessibility in this microfinance institution? (Elaborate with examples).

6. What strategies are being put in place to increase loan accessibility by clients in your microfinance institution? (please explain in detail).

7. Any other information.

Thank you once again

End

QUESTIONNAIRE NUMBER

Section A: institutional Information			
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03	Number of employees	Males .... Females: .... Total:	
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05	Gender of respondent	Male: ....1 Female: 2	Enter the correct code
06	Current job title		....
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		6-9 years ....4 10-19 years 5	
0 8	Age of the respondent (in complete years)		....
0 9	Level of education	Diploma ....1 Bachelor ....2 Master level ....3 Other ....4 Specify	Enter the correct code

For the following questions, please tick the number of your choice as indicated in the key

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