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Informal rural credit schemes and their impact on rural livelihoods in Kabarole district, Uganda: a network approach

Andrew Ellias State

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**Informal Rural Credit Schemes and
their Impact on Rural Livelihoods in
Kabarole District, Uganda: A Network
Approach**

2000

**INFORMAL RURAL CREDIT SCHEMES AND THEIR
IMPACT ON RURAL LIVELIHOODS IN KABAROLE
DISTRICT, UGANDA: A NETWORK APPROACH**



BY

ANDREW ELLIAS STATE

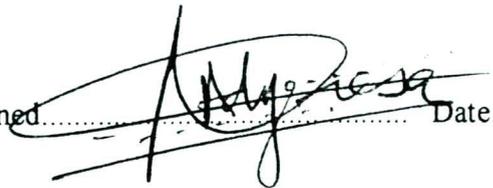
**DEPARTMENT OF SOCIOLOGY
MAKERERE UNIVERSITY**

**A RESEARCH THESIS SUBMITTED AS PARTIAL FULFILLMENT
FOR THE AWARD OF THE MASTER OF ARTS (SOCIOLOGY)
DEGREE OF MAKERERE UNIVERSITY**

JUNE, 2000

DECLARATION

I hereby declare that this thesis is my original work and has not been submitted for a degree in any other University

Signed  Date June 2000

This thesis has been submitted for examination with authority as a University Supervisor.

Signed  Date June 2000
Edward K. Kirumira (First Supervisor)

DEDICATION

To my wife and daughter Kamakune.

ACKNOWLEDGEMENTS

This study has come to what it is because of the many social network relations among different actors. My special heartfelt thanks goes to my wife, companion and friend, AMOOTI; who has had to bear the inconvenience of being denied the husbands comfort that I may have provided but because of this thesis! I hope I have done what your desires were.

I acknowledge the great contributions my academic teachers and supervisors have done as to make this thesis a success. **First**, Dr. Edward K. Kirumira, Senior Lecturer and Head, Department of Sociology for his endurance and humour in the endless consultations I have had to make, sometimes without an appointment. His timely intellectual, moral and collegial encouragement gave me the impetus to complete this thesis. I owe a lot to him especially in the theoretical thinking that is embedded in this work. **Second**, Associate Professor Rwabukwali B. Charles, my second supervisor, was an inspiring supervisor especially in good writing skills and academic guidance. His insistence on having research data speak for itself in the presentation made this thesis look the way it is. To them I say **"MWEBALE MUNO" (THANK YOU VERY MUCH)**.

I am grateful to the Department of Sociology and Makerere University for giving me the scholarship to study. This has given me the necessary tools and environment to grow intellectually in Sociology. My thanks also go to Dr. Andrew Mickleburgh, MA course coordinator, Department of Sociology for the encouragement he usually gave to the MA class. My thanks go to the Government of Uganda and the School of Postgraduate Studies and Research (SPGS) for giving the research grant that enabled me to conduct the research. Special thanks go to Mrs. Twinomukunzi Roy who supported my grant application even after it lying in limbo for many years. Thanks go to Mr. Mbaaga Frank and the late Mr. Asowa who read and approved my first research proposal in 1995.

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ABSTRACT

The major aim of the study was to analyze how social network relations can be used to understand the contributions of IRCS to a better quality of life in Kabarole district, Uganda. The assumption of the study is that credit can be a catalyst to a better life in the rural areas by enabling farmers and rural artisans to purchase inputs, hire labour, and acquire basic necessities. Secondly, that a vast majority of the rural poor in most developing countries have limited access to credit services in order to improve their livelihoods. In most times, they have had to resort to the informally constituted credit schemes through a social network relation that act as a buffer in the absence of the formal credit sector. Hence, the network analysis in this study is used to contextualise the development, formation, operation and impact of informal rural credit schemes (IRCS) on rural livelihoods.

The study design was a cross sectional survey on the IRCS activities in rural areas. The conceptual concern of this study is network analysis. The model of analysis proposed assumes that social network relations in form of IRCS flourish where there are people who have similar interests, are close knit friends, neighbours, or village mates, with somewhat same resource base.

The major findings of the study indicate that socio-cultural contexts of the people greatly influence the nature and form of social network relations created. Membership to informal rural credit schemes is based on age, sex, and marital status and socio economic statuses in the community. It is also possible; then, that people will make new friends from informal credit schemes as to further their social network ties. In most times, the groups and/or associations formed have been used as a social insurance against problems that are likely to arise. The findings also indicate that the people to improve the well being in the rural areas have used IRCS. The improvements include a good diet, health care; construction of iron sheet roofed houses as well as buying household items in the homesteads.

The most salient conclusion is that informal rural credit schemes can be tapped for poverty alleviation programmes. These can be of immense contribution where people have united basing on the social network relations that are based on contractual obligations in their endeavour to fight poverty. Most times, IRCS network relations are demand driven rather than supply driven.

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ACRONYMS AND DEFINITIONS

Acronyms used

IRCS	-	Informal Rural Credit Scheme(s)
MRTADO	-	Mwenge Rural Training and Development Organization
UNDP	-	United Nations Development Programme
RSA	-	Rotating Savings Associations
ROSCA	-	Rotating Savings and Credit Associations
NRSA	-	Non-Rotating Savings Associations
NROSCA	-	Non-Rotating savings and Credit Associations

Definitions of Key Terms

Informal Rural Credit Scheme(s) in this thesis are taken to be informal organizations formed by people who know each other as friends, neighbours and colleagues and whom have and share common problems and/or situations. They are not limited to cash credit transactions but engage in other activities such as health provision, farming groups as well as saving and credit groups.

Impact is taken to be the “Impact upon rural Livelihood” rather than “Impact of IRCS.”

CHAPTER ONE

INTRODUCTION

1.1 Background to the Problem.

The majority of the populations in the Third World countries live in rural areas with subsistence farming as their main source of livelihood. Most of these populations live in abject poverty. In Uganda, about 55 percent of the population live below the poverty line (Mugenzi, 1999). The situation of poverty levels in most of the developing countries is so appalling that it has required, over the past decades, different approaches to counter the trend. The approaches have been in form of rural development programmes in order to improve the rural livelihoods of the rural dwellers. In most of the post independence period, a considerable thinking has been devoted to developing rural areas by placing substantial emphasis on promoting the social-cultural and economic improvement of livelihoods of the rural people. One such approach to rural development has been the campaign to provide accessible credit to the rural farmers. However, very often, establishing financial institutions in the rural communities can be very difficult and an expensive venture for governments, institutions and other organizations. Therefore the vast majority of the rural population in these countries has very limited access to credit and other financial services that can enable them have improved livelihoods.

Some of the micro-credit institutions have managed to achieve good outreach, but financial sustainability has still remained a distant goal to achieve. Many of the cooperatives and credit unions have only attracted the low-income urban salary earners and have not been able to take root in rural areas (Mugenzi, 1999; Jazayeri, 1998). Given the high costs associated with the provision of locally accessible financial services to remote rural communities, a liberalised formal financial sector is unlikely to engage in such activities on its own.

Thus, securing credit remains a formidable obstacle for many of the rural poor people. This is because of the high transaction costs of the rural banking for the formal institution due to information gaps and knowledge about rural customers as well as the high supervision costs. The orthodox banking methods with emphasis on formal employment and security is not in most cases applicable to rural environments. The banks will therefore concentrate largely in urban areas and deal principally with high net-worth customers who can provide the necessary formal guarantees. In this case, lending to small rural producers in Africa has been limited by low profit margins, little collateral, corruption, high interest rates and risks associated with businesses vulnerable to nature's whims (Senghore, 1994).

In a research report on credit constraints that poor rural households face in nine Asian and African countries (Bangladesh, Cameroon, China, Egypt, Ghana, Madagascar, Malawi, Nepal, and Pakistan), it was reported that the shortcomings of the banking principles were based on collateral lending. This was coupled with an organizational set up without any incentives to do business with the poor. They excessively depended on government funding and had unrestricted political patronage that severely disadvantaged their performance. The provision of saving services was largely neglected because the importance of providing deposit services to the poor was not appreciated. It was then easy for the socially powerful and the wealthy to preempt most of the benefits of the subsidized distribution of credit (Zeller and Sharma, 1998).

Thus, in most cases, the people who are poorly facilitated in credit terms in the rural areas have continued to look for alternative ways to alleviate their disadvantaged positions in the financial services sector. They have formed informal networks like informal credit schemes to improve their already disadvantaged positions.

In a bid to accelerate the rate of rural development of the under developed economies, the dual existence of the two financial sectors (Formal and Informal) needs to be examined, analysed

and encouraged. The role of the informal rural credit scheme in strengthening community ties in society, and/or providing small loans to improve rural livelihoods is an important aspect of rural development.

In view of the unpredictable nature of the formal banking system with many gaps and shortcomings, a new local credit system in the rural areas has been developed to help fill the missing links in the credit provision for rural development. This is the informal rural credit scheme (IRCS). The IRCS approach to rural development involves mobilising the local savings in the rural areas in form of small groups and organisations. Most successful credit organisations tend to comprise members who know each other well and can apply peer pressure to ensure loan repayments (Munyakho, 1994). These close knit relations greatly help the rural farmers access credit through a network relationship that is used for the mobilisation of resources in form of informal rural credit schemes to improve their livelihood. Without such networks, obtaining credit for rural development becomes a problem.

A network is “any group of individuals and/or organizations who, on a voluntary basis, exchange information or goods or implement joint activities and who get organized for that purpose in such a way that individual autonomy remains intact.” (Alders et al., 1993). The most salient characteristics of networks are that members take part and carry out joint activities that cannot easily be performed alone and members' individual autonomy remains intact. Another assumption is that essential exchange of resources between actors and groups usually creates a value in the link per se. The individual's strength in this case depends on the nature of links held with other associates, credit groups, and competitors (Cateora, 1993).

The nature of Informal Rural Credit Schemes (IRCS) is also dependent on the settings in which they are developed. In the patron and client type of relationships, for instance, there is a strong element of interpersonal obligation in terms of personal loyalty or reciprocity,

attachment, inequality and differences in power between patrons and clients (Eisenstadt and Roninger, 1984; Forsgren, 1989). The most important area in the interaction between IRCS formation and the improved rural livelihood is the trust and solidarity that exist in the relationship formed.

In Kenya, for example, development in the rural sector resulted at least in improved perceptions of rural development subsumed under the broad concept of local level development. This broadly implied that socio-economic development could be induced and managed locally, in which strong local organisations are a crucial requirement (Alila, 1995). The coming together into a linkage for development purposes, promotes the improvement of livelihoods in terms of increased incomes from informal credit schemes that are informally constituted. Credit and savings facilities can help poor rural households manage and often augment their otherwise meager resources and acquire adequate food and other basic necessities for their families. These include informal rural credit schemes.

The small farmer in a developing country like Uganda, where about 90 percent of the people earn their living from agriculture, must now be our focus (UNDP, 1997). Not surprisingly, the small farmers in these countries always pay high rates for the loans from formal banking institutions. The option oftentimes to the rural poor is to resort to informal rural credit schemes in a network relationship where repayment is bolstered by the sense of belonging to a local institution which may act as an alternative to the formal credit schemes for the improvement of rural livelihood. The well managed savings facilities provide incentives for households to build up funds for investment or future consumption. The need for rural credit is evident and reflected in the number of informal rural credit schemes that exist to enable people have access to credit. Membership to IRCS ranges from three to ten individuals.

1.2 Statement of the Problem

Over the past years, rural credit has emerged as a powerful policy instrument to deal with the problems of rural development in Third World countries. The formal credit institutions that exist have not managed to fully penetrate the rural areas as to cause significant rural livelihood improvement. Their emphasis on formal employment, collateral, and insistence on bureaucratic details have hampered them. Most important of all, they have concentrated largely on people with high net-worth incomes who can provide the necessary guarantees. Secondly, people in Asia, Africa and Latin America, who constitute the majority of the developing countries, live and seek their livelihood in rural areas where the majority of the world's poorest of the poor are among them (Padmanabhan, 1988). Over the years, not only do we not see any perceptible improvement in their living conditions, but often times they have slipped back. Thus, any intermediary between this circle of poverty and livelihood improvement cannot be let to waste. The informal rural credit scheme is one of such intermediary.

However, despite the importance of IRCS in the overall development of the livelihoods of the rural people, gaps still exist on how these IRCS are developed, organised and operated. The problem is that credit facilities available to the rural farmers are informally mobilised. This entails people collaborating in a network relation as to cause the mobilisation of credit for rural livelihood improvement. Yet we have little knowledge how these informal rural credit schemes (IRCS) are organised and operated. Accordingly, one way forward in understanding the operational patterns of these informalised rural credit schemes is to use the network theory and/or analysis¹. In this regard, a test of the formation, function and credibility of Informal

¹ The key aspect of the network theory/analysis is that it tends to move away from the study of social groups and social categories toward the study of ties among and between actors that are not "sufficiently bounded and densely knit to be termed groups" (Wellman, 1983:169). The network ties can be strong or weak ties. The strong ties are links between people and their close friends while weak ties are links between people and mere acquaintances (Granovetter, 1973, 1983). In this regard, social network theory and/or analysis is meant to test the level of social ties which exists among people in rural areas that makes them come together to form IRCS. This analysis helps in determining how IRCS are formed and how they impact on rural livelihoods in Kabarole district.

Rural Credit Schemes in improving rural livelihood is critical. There is, therefore, a need to document IRCS in terms of their operational patterns and then develop conceptual frameworks that would enable a clear understanding of IRCS. It is in this regard that a network analysis is proposed to evaluate the IRCS contribution to the improvement of the rural livelihoods.

1.2.1 Research Questions

The main research questions addressed in this study are:

- i) What kind of networking exists among different actors and groups that exist in the credit schemes in particular and in the rural areas in general?
- ii) How do the network relations develop?
- iii) How do the Informal Rural Credit Schemes operate?
- iv) Are there any mechanisms of regulating the scheme that act as checks and balance?
- v) What are the gender dynamics within the system of informal rural credit schemes in terms of resource allocation and use?
- vi) What net contribution by this scheme is beneficial to the members and societal aspect at large?

1.3 Objectives of the Study

1.3.1 Major Objective

The major objective of the study is to analyse the impact of rural informal credit schemes on rural livelihoods using the network approach.

1.3.2 Specific Objectives

1. To examine group formation dynamics and operational patterns of informal rural credit schemes in Kabarole district.

2. To identify whether there are gender differences in the network relations that are involved in the informal rural credit schemes.
3. To assess the contribution of informal rural credit schemes to individual household and community livelihood in rural areas.
4. To re-examine the linkages between formal and informal credit sectors.

1.4 Significance of the Study

The purpose of this study is to better understand the development of informal rural credit schemes and their impact on the development process in Kabarole, Uganda. This study is informed by the social network theory, which posits that ties among and between actors are based on common interests, group norms, as well as the resource bases in a community. Thus, in applying the social network theory to rural credit mobilisation, one may not be concerned on how members are categorised on the basis of what they have contributed but rather on the similarities with other members in the network relation.

The main argument of the study was that a look at the operational mechanisms of the networks in the informal rural credit schemes is necessary in order to contextualise how the social networks are formed, negotiated and contested in the rural communities and their impact on the rural livelihood.

The results of this study, therefore, provide useful contributions to the understanding of the dynamics and network relations that comprise of rural informal credit systems. It tries to explain why people come together to form IRCS that may have very little impact to livelihood status if it looked from an outsider point of view. It is this role that when people come together to mobilise look for. In most times, the failure by the formal sector to assert itself on the rural people that the informal rural credit find its place. The data, therefore, will guide the policy makers and implementers at the national and district levels, especially, in light of the on-

going poverty alleviation programmes. The findings will also act as basis for further research in the area of informal rural credit and poverty alleviation.

1.5 Theoretical Framework

The study is conceived under the social network approach. Using this approach, informal rural credit schemes are studied by analysing the patterns of ties linking their members. Network analysts search for regular network patterns beneath the often-complex surface of social systems, and actors and their behaviours are seen as constrained by structures in the community. Thus, the focus is not on voluntarism but on structural constraints and prospects (Wellman, 1983:156-157). One crucial aspect of the network analysis is that it tends to move away from the study of social groups and social categories towards the analysis of ties among and between actors that are not sufficiently bounded and densely knit to be termed groups (Wellman, 1983:169).

In the field of informal rural credit schemes, network, as a theory has not been subjected to serious analysis or formulation. However, network approach has been given extensive usage in industrial systems of high-income economies (Hakansson, 1987,1989; Hakansson and Snehota, 1995). Thus, when viewed from an industrial network perspective, the exchange linkages condition the relationships with certain parties. Hence, individuals could form networks based on the activity links, actor bonds and the resource base.

Although the networking approach may involve strong and weak ties depending on the nature of the bonds formed, the network theory rests on a number of set principles (Ritzer, 1992; Zerihun, 1996). To Ritzer (1992), the basic guiding principles of the network theory are six elements. The **first** is that ties among actors usually have common interest in both content and intensity. In this regard, actors supply each other with the equal credit contribution, which are used for different purposes. As the individuals are all included in many different types of

networks. In most cases, members will have the freedom to choose to belong to some of the networks than others.

Secondly, the ties among individuals have to be analysed within the context of the larger social environmental setting. The various societal ties in a form of credit schemes that are formed affect individual ties and the development they cause in an area.

Thirdly, the structuring of social ties leads to various kinds of networks. For instance, if there is a tie between R and S and S and T, there is likely to be a tie between R and T. It is most likely that there would be a tie between R, S and T. Likewise, there are likely to be limits on how many links can exist and how intense they can be. The outcome is likely to be the development of network clusters with distinct boundaries in form of Credit clubs and/or associations that can be very vital in the development process in rural areas.

Fourth, the existence of clusters formed leads to the cross-linkages between clusters as well as between individuals. A network could exist between individual borrowers as well as with the association/club. This may imply that the development process is a result of different players and groups within society.

Fifth, that there are unequal ties among elements in a system, with the result that scarce resources are differentially distributed to cause an impact on rural livelihood in a network form. For example, resources in society are accessed differently depending on whether is a male or female with the latter being treated unfairly.

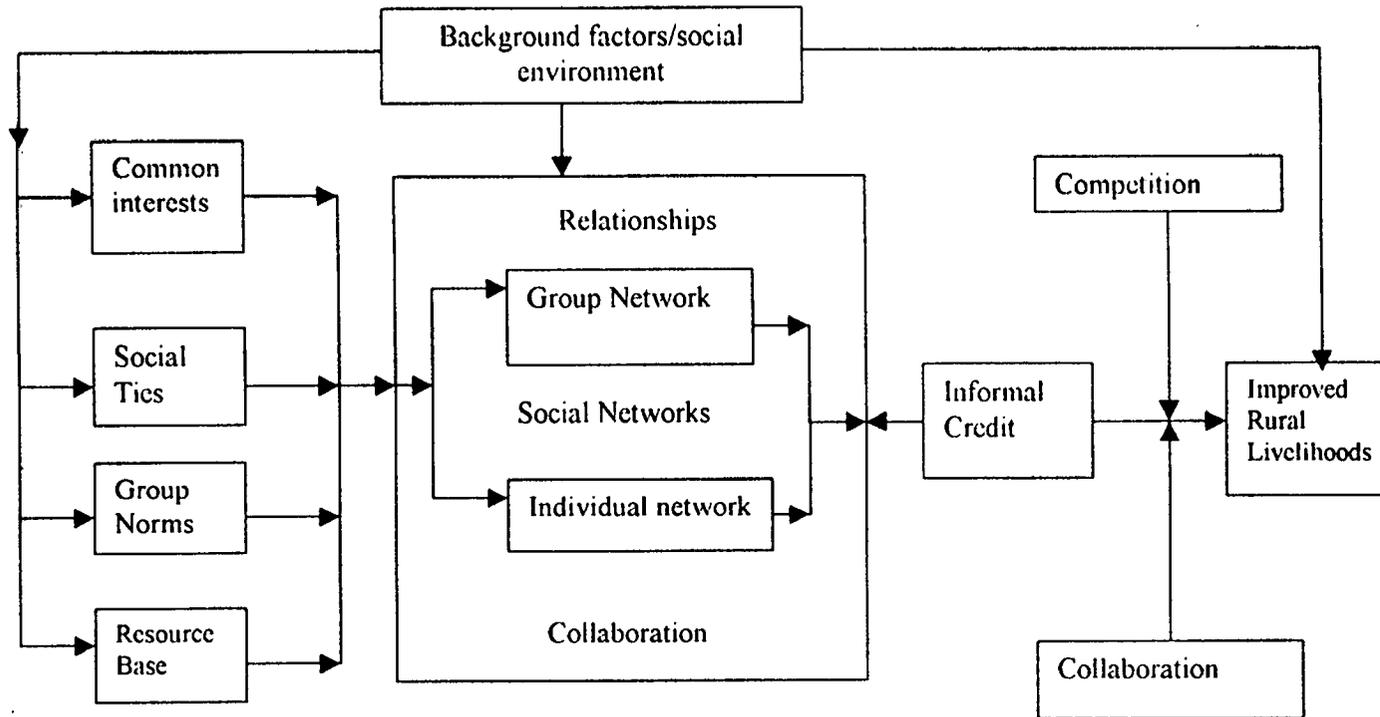
Finally, the unequal distribution of scarce resources may lead to both collaboration and competition. In this case, groups combine together to acquire the scarce resources collectively whereas others compete and conflict over them. This gives network theory a dynamic quality.

with the structure of the system changing with shifting patterns of coalition and conflict thus having an impact on the entire rural development process i.e. people often contest and negotiate membership and participation in networks. This is also discussed by Rosenthal et al., (1985). In other words, people are not always passive in these processes.

In applying the social network approach to informal rural credit mobilization, one is interested, not in how credit members are categorized according to how much they have contributed. But rather, in the similarities with other partners in the system and how network relations can be transformed into outright strategies for improving rural livelihoods. Thus, the basis for informal relationships is the contextual social obligations to help kinsmen, neighbours, trustworthiness, social solidarity, family ties, friendship networks, and credit worthiness in the community.

Informal rural credit schemes can be viewed from a network perspective and **Figure 1** illustrates the interaction process between background/social environment factors, individual and group networking and informal rural credit schemes with the associated outcomes of improved rural livelihoods. Thus, issues of common interests, social ties, group norms, the resource base and/or the informal credit are in most cases likely to have an impact on the type of network relations so formed. Figure 1 shows how possible it is for social networks to be formed because of the social-environmental interaction as well as formation of informal credit schemes can lead to the formation of social networks. Secondly, it is also possible to have collaboration and competition between and among informal credit schemes formed. Thirdly, all different interaction above is most likely to lead to the improvement of rural livelihoods.

FIGURE 1. The Network Analysis/Conceptual framework



1.6 The Thesis Layout and Character

The Thesis is arranged in eight chapters. **Chapter one** presents the background to the problem, statement of the problem and the objectives of the study. It also gives the theoretical underpinnings on which the Thesis is based on. **Chapter two** is the review of the related literature on the study areas. The literature review is based on the themes and objectives of the study. These are the formation and operational mechanisms, contribution to the improvement of rural livelihoods of the IRCS as well as the linkage between the formal and informal financial sectors and the empowerment process of the venerable groups in the community.

The **third chapter** is the presentation of the discussion on the methods used in the study. It includes the research design, a description of the area of study, sample selection and sampling procedures, data collection and management and analysis. The **fourth chapter** discusses the background features of the study population in the three rural villages (Kisengya, Kihumbya and Katunguru) where the research was carried out. The chapter aims at bringing out the relationship between socio-economic factors such as the age, sex and marital status, education attainment as well as the expenditure patterns of the respondents. It also presents the nature of informal rural credit schemes that are henceforth formed. The presentation here is mainly hinged on the assumption that the nature of the socio-economic characteristics of the population will, in many instances, be a ground for the formation of the social network relations in form of IRCS.

Chapter five presents a discussion on the formation and operational mechanism of the informal credit schemes. The hypothesis being proposed in this chapter is that socio-economic characteristics/social environmental factors determine the development of the network relationships, which subsequently leads to the formation of rural credit schemes. The development of credit network relations in rural areas depends on several factors. They may include issues of gender, marital status, source of income as well as expenditure patterns, and

exposure to new friends in the scheme as a form of social capital and/or insurance. Such factors greatly impact on other relations as the results indicate in the proceeding sections. The operational patterns of informal rural credit schemes (IRCS) are, in this chapter, presented under three main categories. These include the reasons for the formation of IRCS, organisational mechanism of IRCS, and the checks and balances in the IRCS. **Chapter six** is the presentation of an assessment of the contributions of informal rural credit schemes to individual households and the general community livelihoods in Kabarole District.

Chapter seven presents the application of the social network analysis in understanding the informal rural credit schemes in Kabarole district. In the rural setting, network analysis is used in an attempt to understand the ways in which urban dwellers are hiked to one another and to show how these shape the tenure of their experience. It also presents the conclusions and recommendations of the study on the network approach to informal rural credit schemes done in Kabarole district, Uganda. It includes the most salient findings of the study and attempts to show the major conclusions regarding the understanding of the IRCS using a network analysis.

CHAPTER TWO

LITERATURE REVIEW

2.1 IRCS and Rural Development

Since the early 1980s, there have been several economic reforms that have been pursued in Africa. The major objectives of such reforms have been mainly focussed on the attainment of higher growth rates after the rearrangement of the domestic prices in relation to the foreign economies. This was done after removing all the policy induced obstacles or distortions to the expansion of the outputs. What is stimulating to note about the reforms and their effects is the growth in the low-income African countries than in the middle-income developing countries (World Bank, 1992). The major reasons given are the increasing proportion of the burden of the adjustment that fell mainly upon the public investments (Mosley and Weeks, 1993). In this case, private investments have not grown substantially in many countries which has led to the inadequate domestic resource mobilisation following the economic reforms as many countries became dependants than ever before. It is predicated that African countries will decline further making the domestic resource mobilisation even more unavoidable (Global Coalition for Africa - GCA, 1993).

It is argued that the mobilisation of savings and conversion into investments through efficient financial intermediary is becoming increasingly important to the policy makers in the Third World countries. Unfortunately, acceptable conditions for enhanced and successful financial intermediation have not resulted into anything. The liberalisation of the financial sectors has not, in many respects, led to improved rural livelihoods. Savings mobilisation and lending by the formal financial sector continue to decline to date.

The relatively low significance of the rural savings in a number of these economics is attributed to the lack of confidence in the stability of the financial sectors of many countries following

years of interference by governments in the operations of such sectors (GCA, 1993). Also the poor infrastructure for the formal savings mobilisation has to a big extent been responsible. The loss of hope cannot be relieved by the reforms that focus only on the provision of the financial incentives. What potential savers need is the guarantee that their savings are safe otherwise they will look elsewhere. There is considerable evidence that shows that in looking elsewhere, the informal rural credit schemes are used. In fact, it is suspected that the informal segments of the financial markets in many African countries are bigger than the formal sectors (Chipeta and Mkandawire, 1991; Aryeetey and Hyuha, 1991). Therefore, it is unlikely that any important increases in savings mobilisation can occur after the reforms if factors that attract potential savers in the IRCS activities are not considered in the reform undertaking.

The informal credit and savings sector is the spontaneous sector comprising mutual and proprietary units such as the Rotating Savings and Credit Associations (ROSCA)². These are defined as associations formed upon a core of participants who agree to make regular contributions to a fund which is given, in whole or in part, to each contributor in rotation (Ardener, 1964:201). In simple terms, several persons join together to raise money and contribute to a common fund on a regular basis. At each time of contribution a different member receives all the money collected. They are sometimes known as indigenous bankers who historically predate formal finance (Chandavarkar, 1992, 1985)³. These ROSCA are textbook examples of clubs which, surprisingly, have been so completely by passed by the economic theory of clubs. The other constituent of informal finance is *reactive* since it crops up primarily as a reaction to deficiencies and controls over formal finance and typically assumes the form of urban curb market, private finance companies and other fringe entities (Buchanan, 1965; Sandler and Tschirhart, 1980).

² Aryeetey (1995:3) describes informal finance as the participation in all commercial saving and lending activity taking place outside of formal or established financial institutions.

³ Wai (1957) also describes the sector as the unorganised money market

It should be noted that informal lenders have prior adequate information about the borrower capacity and willingness to repay loans. Relatives and friends, in particular, can better enforce repayment because of the potential threats to the borrower's reputation within the family circles in the event of defaulting. Reputation is also considered to be an important factor in enforcing tenancy contracts, because loss of reputation due to discovery of opportunistic behaviour will reduce future contractual opportunities (Otsuka, et al., 1989). This type of interaction works well in what is called network relations.

In Nepal, the farm size and irrigation are major determinants of borrowing from formal institutions whereas family size is the most decisive factor in borrowing from informal sources (Yadav et al., 1992). Yadav, et al (1992) further argues that formal sector borrowing per hectare of cultivated area initially increases and then decreases with farm size. This analysis indicates that while very small farmers tend to be excluded from the formal financial market because of a lack of collateral, very large farmers choose to borrow less from that source because of lower production efficiency⁴. This argument strengthens the idea that looking at informal rural credit scheme needs to be revisited by looking at the mechanisms under which they operate, encouraging improvement in rural livelihoods and subsequently rural development.

The total proportion of the number of informal loans, or of households borrowing from the informal sector, is higher in most cases than what statistics indicate. For instance, Ghate (1992) says that the share of rural informal credit accounts for about one third to two-thirds of total rural credit in Bangladesh and China; two fifths in India, Sri-Lanka and Thailand and two-thirds to three quarters in Malaysia, Nepal, Pakistan and the Philippines.

⁴ Designation or security given as a pledge for the fulfillment of an obligation i.e. property, stocks, bonds or anything that secures or guarantees the discharge of an obligation.

Economists have long recognized such diversity in the rural financial credits and the uniqueness of the different categories of credit contacts (Bottomley, 1963; Long, 1968a; 1968b). It is only of recent that an analysis of the informal credit has been done. But even when informal credits are included in the analysis, they are often aggregated with formal credit (Iqbal, 1983), or the various types of informal credits are not distinguished in statistical analysis (Binswanger et. al., 1985). This procedure implicitly assumes that various credit contracts particularly in the informal sector, are perfect substitutes. This deficiency and lack of a clear vision as regards mechanisms of informal rural credit schemes must be looked into, if any meaningful analysis of the scheme is to be done.

Although the interest rates for loans from relatives and friends are low, they should not be literally interpreted as comparable to formal loans because reciprocity or mutual help is often involved in this transaction and implicit interest payments are not uncommon, for instance, in the form of free labour services. To be more advantageous to the rural community, an analysis of the cobweb network relations/processes in such associations is important. Perhaps more important is that does the rationing mechanism does not require a collateral. This is likely to increase lenders' expected return because the collateral reduces incentives or temptations to default that shifts the expected loss from the lenders to the borrowers (Binswanger et al. 1985; Feder et al. 1988).

In practice, however, it is difficult for moneylenders in the informal sector to obtain legal sanctions even in the case of defaulting. Yadav, et al (1992) says that a collateral-free loan is most common in the case of relatives and friends. These observations suggest that poor farmers are excluded from the formal sector and are forced to rely on informal rural credit sector borrowing, which sometimes does not require a collateral but social capital in form of social networks.

The existing literature on the informal rural credit scheme (finance) and its importance is, paradoxically, more recognized now by intergovernmental organizations, such as the World Bank, (The World Bank, 1989:112 - 121), Asian Development Bank, (The Asian Development Bank, 1990:187 - 211) than the domestic authorities in countries where they are found. The development of a coherent policy toward informal rural credit sector, which is currently a disorganised ensemble of neglect and outright prejudice, would probably offer better options to livelihood improvement.

2.2 The Formation and Operational Patterns of IRCS

It is not possible to exactly say where informal rural credit schemes originated. But the existence in Cameroon of informal credit organizations that included savings and credit functions (using money) could have appeared at least as early as 1940 (Meyer, 1940). Meyer describes a type of a saving club, Ngwa, which existed in Bali, Southern Cameroon, and the Susu collection in Ghana. The name of the credit schemes differs from place to place (Guilbot, 1956; Little, 1962, 1965; Bascom, 1952; Nadel, 1942, Aryeetey, 1995).

A detailed description of the rotating credit associations in West Africa are discussed by many authors (Ardener, 1952; Isong, 1958; Okonjo, 1977; Delancey, 1978; Illy, 1973; Okorie and Miller, 1978, Aryeetey, 1995). All these discuss the formation, operation and uses of such institution in West Africa. Delancey (1977) acknowledges that the informal credit schemes are widely used in Cameroon and their existence there for many years have been an important factor in the recent and very rapid growth of the credit union movement. In light of the foregoing, therefore, it may be legitimate to document the contributions and the network processes of informal rural credit schemes. This process can give us a thorough evaluation for determining the extent of their roles to the household economy and their contribution to improved rural livelihoods in Uganda.

It is on this note that the time may have come to acknowledge that the informal credit schemes can offer money to small borrowers in greater amounts at lower costs than banks. They can also allow them to do so openly, subject perhaps to the setting up of suitable mechanisms to monitor on lending rates like they did in Sri Lanka (Fernando, 1986). This points to the fact that the informal sector cannot wither away as the traditional view of financial dualism assumes, or it may have to continue playing an important complementary role or perhaps even growing in absolute size. Fernando (1986) presents the case of the Cheetu system in Sri Lanka. It one form of informal credit system that has succeeded because of different reasons. The most outstanding feature of the Cheetu system and the major reasons for its success is the aspect of the local control and responsibility in the allocation of Cheetu money. These are schemes that are composed of self selected peer groups who shape their own organisation and make their own rules with a great deal of flexibility in their operational mechanisms. Hence, its adaptability to a variety of purposes makes it a darling of every member of the rural community.

The most important factor for the success of the Cheetu scheme in the rural community is its confinement to a small group of people known to each other at very close friendship levels. The members trust each other's financial dealings, saving capacity, credit worthiness, and a good moral standing in the rural community are causal measure for the selection of members. In the same way, one's length of stay in the village, the kith and kin groups to which one belongs and the company one keeps are among the salient points a person is judged on in the selection process. This, in a way, points to the use of and reliance on the social network relations to become a member of the savings schemes.

The discussion on the operational patterns of the IRCS need not forget to analyse how the cases of default are treated. The paramount precedence in the operations of the IRCS commitment, and the subsequent absence of the defaulters, is the guiding principle in the rural

schemes. The members fear the disgrace and humiliation that can fall on them. Wainana (1990) argues that the stigma, which might follow, acts as a deterrent to most of the potential defaulters. Another useful point note is the consequences on the defaulter if trustworthiness leads to the exclusion from further participation in the IRCS, especially where they are firmly embedded in the local social and economic structure. In most cases a defaulter threatens the system of IRCS which can damage the credibility of the entire group (see for example, Ardener, 1964, Niger-Thomas, 1995, and Summerfield, 1995). In this case, members sometimes set rules for people to provide a substantial guarantor.

2.3 The Formal-informal Linkages and IRCS

Currently, the idea being advocated is to encourage the dual existence of the two sectors: Formal and Informal for a common cause, which has not yet been seriously addressed. Ghate (1992), observes that the nature of interaction between the formal and informal financial sectors in developing countries is a subject with important policy implications. It has implications for the future existence of the informal credit sector as the formal sector expands in the long term. Secondly, the pattern of interaction between the two sectors has implication for the prospects of success of the rural livelihood improvement programme. Thus, the informal sector offers a stronger competition so as to induce it to improve its terms, and promoting linkages with it. It then takes advantage of the IRCS lower transactions costs in reaching smaller and poorer borrowers. Thirdly, the existence of the informal sector have implications for the efficacy of monetary and credit policy in achieving stabilization objectives. Finally, the interaction between the formal and informal financial sectors has implications for the effects of financial liberalization through removing restrictions on the deposit rate of interest (Ghate, 1992).

Cole and Park (1983) consent that the dualism between the two sectors reflects the underlying production structure and distribution of wealth of an economy. In economies characterized by

large primary and small industrial and commercial sectors, the majority of borrowers consist of farmers, small industrialists and small retailers and wholesalers, who require short-term loans, and in relatively small amounts. The needs of such borrowers are met by relatively atomistic financial markets and by traditional financial institutions.

At this point, it is important to show why some borrowers and/or their credit needs belong to the informal sectors. It is generally agreed that the informal sector activities possess no collateral. In this case the informal sector may be in position to lend without collateral on the basis of first hand information on the borrower, the strength of Community ties, and the level of networking that exists. Secondly, it is suitable for small or short duration loan, for which the transactions cost may be so high as to place it beyond the profitable reach of the formal sector. Thirdly, credit controls may prevent the formal sector from making loans for a variety of purposes, including consumption loans, so that the borrower has no alternative but to approach the informal sector.

In this case, as the informal sector increases, the demand for informal credit increases for the complementary purpose of having working capital. Thus, both by virtue of specializing in one end of either sector, and by financing the credit needs of complementary purposes in the middle segment of the continuum, informal finance is complementary to formal finance. Hence a policy has to be generated as to how best the two sectors can harmoniously compliment each other. Alam (1989) and Larson (1988) found that most of the rural informal loans originated from the formal banks and was lent by informal lenders.

A great deal of informal credit trade is sourced from the formal sector. This takes advantage of the fact that marketing intermediaries higher up in the distribution chain have superior access to the banks (Nayar, 1973; and Angel, De Goede and Sevilla, 1978; Bouman, 1979; Ghate, 1992), so do credit unions, savings groups and moneylenders. Adams, Graham and

Von Pischke (1984) however, talk of cheap credits given by banks to undermine informal credit rural schemes.

There are different degrees of the linkages between the formal and the informal sectors. In this case, these links exists as either strong or weak ties. These linkages are observed in the savings mobilization and in the credit sectors. What is not so clear is how significant they are for the improvement of rural livelihoods. Oftentimes the linkage could be in form of the complimentary or competition in the credit sector (see for example, Aryeetey, 1995, Chipeta and Mkandawire, 1992). What is important now is to assess whether there is any significant relationship between the sectors as to cause improvement in the rural livelihoods.

2.4 IRCS Contribution to Rural Livelihood Status

This leads to the discussion on the improvement of rural livelihoods basing on the household. The idea of a fixed unit called a "Household" can be defined differently. Galbraith (1973) argues that it is a consequence of only a short step to defining the head of household as a financial supporter of the household and the productive member of it supported by a vague family labour. Some insights into the widespread use and the multiple variations of this institution can be found in Africa. Over the years, a large number of studies have indicated the existence of indigenous African savings and credit institutions at the household and community levels (Ardener, 1964; Ardener and Bouman, 1995). Too, there has been evidence of widely held attitudes supporting use of such institutions.

The most important point here is that local rather than bureaucratic knowledge is crucial. What come into play are the traditional social obligations to help kinsmen, neighbours, and friends whenever there are problems. Since there are no rigged rules to follow, members can adjust their positions to cater for an emergence. The speed with which IRCS can react to the emergence cannot be leveled with the impersonal formal banking sector because you do not

need collateral to acquire a loan even though a substantial guarantor is required. The habit of not requiring collateral should in this case be seen in context of the operations of the IRCS. In most of the IRCS, members are friends, neighbours, regular customers, relatives and business colleagues. Likewise, there is a feeling of necessity to give assistance where a person is trusted, and in the end establishing a relationship. Such a relation can progress in to social network among the entire community.

The most common benefits from informal credit are: ability to have working business, solving emergence problems, pay school fees, buying household items, strengthening social ties in the community, and buying food. The fact that people are able to meet their emergence problems, purchase food and household items, and enlarge their social network makes them have a rural life that extends beyond their purely business concerns. It is a life that involves the relations with individuals and groups within the rural community (Alila, 1995).

The IRCS are in most cases seen as having moral and social dimensions. It this social element that is highly valued by others who join the credit schemes. The socialization process may also be enhanced in the IRCS. Members may get considerable economic returns apart from getting the rotational contributions. They may also get to know the information on a wide range of topics such as market opportunities, and arrange business deals. In all these situations, friendship networks are prerequisite for the improvement of the rural livelihoods.

The empowerment of the women is part of the contribution of the IRCS in rural livelihood improvement. The major point to celebrate the empowerment process among the rural women folk is their ability to make decisions of their own regarding credit schemes. This is because women become decision-makers while spending savings made out of the IRCS (see, Wainana, 1990, Niger-Thomas, 1995).

In sum, this chapter presents a review of the literature that has been documented on the IRCS. They have been presented under sub-headings such as the place of IRCS in rural development, the formation and operation, the formal-informal linkages and their impact on rural livelihoods. What is clear, though is that the IRCS have a very big role that they play in improving the rural livelihood status.

CHAPTER THREE

METHODOLOGY

3.1 The Study Design

The research design was essentially a cross-sectional aimed at exploring the formation, and impact of informal rural credit schemes in Kabarole district. The design involved conducting interviews using questionnaires, Key informant interviews and Focus Group Discussions. The target study populations were people who are members of IRCS, aged between 18-70 years who included both males and females. This categorisation was very useful in comparing the participation level by gender. Membership to informal rural credit schemes was a priority. In all, 200 respondents participated in the study.

3.2 Area of Study

The area of study was Kabarole district. The geography, historical and language factors influenced the choice of Kabarole as a study area. First, Kabarole district is in a rural area, which suits well with the study, which addresses the informal credit schemes in the rural areas. On top of this, I am born in Kabarole and speak the local dialect (*Rutoro*) fluently. Second, Kabarole district is characterised by different aspects of rural credit. There was the famous rural farmer's scheme under Uganda Commercial Bank that was meant for rural farmers⁵. Thirdly, its ethnic set up suits the research in terms of the different socio-economic and cultural factors. For example, the district is composed of many ethnic groups like the Batooro, Banyoro, Bakiga, Banyarwanda, Bakonjo, and Banyankole. All these I thought would help in testing the nature of social networks formed. It would help differentiating the kind of IRCS formed between different ethnic groups.

⁵ The UCB rural farmers credit scheme was a government of Uganda credit scheme which, was meant for rural farmers. But it was the politicians and businessmen who ended up benefiting from the credit scheme. What is interesting is that the debtors did pay back the loans until the government established debt collection bureau.

3.3 Sample Selection and Sampling Unit

A multi-stage cluster sampling procedure was used to select the sample for the study in the district. The primary sampling unit (PSU) was the sub-counties in the district. One sub-county was randomly selected from the district and the secondary sampling unit (SSU) were the three parishes selected from the sub-county. The tertiary sampling unit (TSU) was the three sub-parishes (LCs)⁶ altogether randomly selected from the three parishes that would have been selected in the district. The total number of sub-parishes selected was three. The basis of random selection is to determine the size and magnitude of rural informal credit scheme and the general characteristics of the population. The following parishes and sub parishes were selected from Nyantungo Sub-county respectively: Kigarale, Nyaibanda and Kibira parishes and Kisengya, Kihumbya and Katunguru sub parishes. In each sub parish, 30 respondents were interviewed using the questionnaire.

The sampling frames in each sub-parish were obtained from the chairpersons of LCI within the areas selected. The sampling frame included a list of all the members of the sampled village where the study was to be conducted. A sampling frame was composed and using simple random sampling, 30 respondents were selected from each parish in the district. A total sample of 90 households was thus selected for the study. This constitutes 45% of the total study population. Structured interviews were conducted at the household level⁷. These interviews were based on decision making, use and the contributions of IRCS at the improvement of livelihoods of the community, the role of women in the scheme, the current local organizational and institutional framework under the various village groups that compose the informal credit schemes.

⁶ LC I represents local council committee at the village level. As a policy of the present regime (NRM), each village /zone has a committee (LCI) equivalent to a village which combine to form LCII for the parish (*Muruka*) and the chairperson is equivalent to the village or parish.

⁷ Interviews were conducted in the sampled homes. In most cases the head of the home or his/her spouse would be interviewed. In the event that none of the above are at home, a child of 18 years would be interviewed. If all were

In terms of actual fieldwork experiences, the data collection exercise went on well as earlier on planned. However, there were shortcomings regarding the methodology and the actual execution of the study. First, there was the problem of obtaining the lists (updated) of the village residents in the areas visited. The local officials thought that there was no need for them to have updated lists because they knew most of the people who are in the villages. This meant that there was a time lag between the preparation of the lists of the residents and the actual research survey. Secondly, the period when the research was carried out (February - April) was a time for harvesting as well as preparing the gardens for the coming planting season. In most cases, respondents were found in their gardens. This led to a time lag between one respondent to another. Third, by using simple random sampling, the 30 respondents were found to be in different locations rather than in a cluster. This proved to be a very difficult venture crossing the whole village for respondents. Fourth, there were a lot of suspicions among respondents because of the rebel remnants in the district. Getting proper introductory letters that were obtained from the LCIII, LCII, and LCI chairpersons in the areas visited and Makerere University, however, solved this. Finally, transport was a big problem in the area. This is because of the long distance from the centre to the rural areas where the research was conducted. However, the problem was overcome by the use of the motor cycle transport common in the area.⁸

3.4 Data Collection

The data collection procedure was carried out in phases such as the sample survey, Focus Group Discussions (FGDs) and PRA sessions, and key informants, and the documentary review of the earlier works done on IRCS and network development. The use of several methods was to make sure that the data collected is triangulated. This helped in cross checking the various sources of information. The data collection exercise began with the initial

absent, then the household would be replaced. But there were no such cases encountered in the whole study.

contacts with local leaders. These included the LC III chairperson, Nyantungo sub-county who gave an introductory note to the researcher to proceed to the selected areas.

3.4.1 The Social Survey

The social survey was conducted using a household-based questionnaire. In most cases, respondents were found at home or in the nearby gardens since it was a planting season. In case of failure to trace the respondent, the household could easily be replaced. The major components of the household questionnaire were the respondents' identification, demographic characteristics, organization, operation and gender relations of IRCS as well as the contributions to rural livelihood (see appendix A).

3.4.2 Focus Group Discussions and PRA Sessions

In each of the three sub-parishes selected, twenty participants, in two groups of ten for both women and men were constituted into the focus group discussions (FGD)⁹ and Participatory Rural Appraisal (PRA) groups¹⁰. This was done for comparison purposes. A rapid appraisal of the areas determined who should be selected to participate in the study given their knowledge on the operations of informal rural credit schemes through a participatory methods approach. It involved having an inventory of all the households whose members belonged to an informal organization. This constituted 40 percent of the study population (80 participants in 4 sessions). These formed part of the FGD information (see Appendix B).

⁸ The commonest means of transport in the area is motor cycles known as 'Boda Boda'.

⁹ Focus Group Discussions (FGD) is a data collection technique that involves a discussion of about 7-12 people about a topic(s) of research. Normally the discussion takes place in an environment where there is little interference from outside. The sitting arrangement is in a semi-circle with a moderator and a recorder. A moderator conducts the discussion according to the pre-set questions in the discussion guide.

¹⁰ Chambers (1992) describes the participatory rural appraisal methods of research (commonly abbreviated as PRA) as a family of approaches and methods that enable the local people to share, enhance and analyse their knowledge of life and conditions. They are part of the intercultural didactic approach and took full account of the socio-cultural framework of the rural way of life. In this case, the information is shared and owned by local people. The mode of investigation, sharing and analysis is open-ended and often visual, by groups, and through comparisons.

The discussions were aimed at generating village wide information regarding how IRCS are formed, the inclusion-exclusion criteria, and the contributions towards improving rural livelihood. The following tasks were part of the PRA activities undertaken in the FGDs: Seasonal Calendars, Well-being ranking and Gender Analysis (see Appendix C). In this case, participants were asked to draw seasonal differences in activities engaged in, how they define the village wealth and gender differences in the activities done.

(i) Seasonal Calendars

This was basically done to explore seasonal constraints and opportunities by showing changes month by month throughout the year. Participants in the FGD were asked to draw patterns of organization, publicity techniques, labour activities, travel distances for meetings to organize the credit schemes, credit availability, effects illnesses and market days, which season does IRCS activities take place? These were noted to have important implications for the informal credits formation and/or contribution (see Appendix C).

(ii) Well-being Ranking¹¹

This task was performed to understand how households in the chosen villages cope with their day to day realities as a result of household income and expenditure patterns. The following aspects were asked of the FGD participants: Average size of the households, main sources of income, patterns of expenditure and access to other sources of income generating activities in the area. These were vital in determining how much on average do members of IRCS contribute. It was useful also in assessing the nature of networks formed, which are based on informal credit. The information collected led into discussions on rural livelihood improvement, provided a sample frame to cross check the relative well being of respondents. By using such a method, biases against the poor and vulnerable were avoided because the

¹¹ Mikkelsen (1995) contends that well-being ranking is meant to target the poorest of the poor. She argues that well-being ranking is a comparison of wealth, usually some concept of well-being, and does not require discussion of absolute income and other assets. Normally, it leads to the understanding of the local criteria of wealth and well-being and changes in the wealth

researcher was able to determine the key local indicators of welfare and well-being in the community(see Appendix C).

(iii) Gender¹² Analysis

This activity was done to study the differences in gender roles and their impact on community livelihood as well as participation in informal credit schemes. FGD participants were asked about their gender role profiles, access and control over IRCS resources and how impacts on peoples livelihoods in the villages. It was also used to document the current gender status and relations in the local communities regarding the operations of the informal rural credit systems.

This analysis helped in determining whether IRCS have led to the empowerment of women in these areas(see Appendix C).

3.4.3 Key Informants interviews

In addition to the household survey, the individuals with knowledge on the communities were visited and interviewed. These included groups of individuals with knowledge on the operations of IRCS and groups dealing with informal credit schemes in the area (for instance Mwenge Rural Training and Development Organisation - MRTADO which acts as a micro finance organisation). These are “custodians” or secretaries of IRCS and members of the village bank. These constituted 15 percent of the study population (30 Key Informants). These were divided into ten each sub parish. A snowball research technique, where one key informant introduced the researcher to the next key informant, was used. In all, the key informants were asked about the past and current socio-cultural, political and economic organisation of the informal rural credit schemes and how they impacts upon rural livelihoods. Some of the key informant experiences given are presented as quotations and case studies in the data.

¹² Contrary to “Sex” which describes the biological differences, “Gender” describes the social differences between men and women. These differ from culture to culture and are subject to change over time.

3.4.4 Documentary Review

This included archives, documentary material and other written work about network approach to rural development, rural livelihoods and informal rural credit systems. The major sources included textbooks, journals, and conference papers on IRCS activities. This was part of the literature review.

3.5 Data Management and Data Analysis

There were different levels of data management. These included field data editing, coding and data entry. The coded data was broken down into appropriate summary statistics and is presented as frequency distributions and chi-square tests to show the range of the specific phenomena studied. Cross tabulations from the descriptive statistics for the selected variables of the study were carried out and the chi-square test was used to examine the existing relationship between any two categorical variables. The data were entered in EPINFO and analysed in the SPSS statistical programmes at the Institute of Statistics and Applied Economics (ISAE), Makerere University.

The Focus Group Discussions (FGD) and PRA and Key informants data were context analyzed and the emerging themes presented in the report with other data sets. In most cases, the emerging themes from FGD and key informant information and case studies are presented with personal experiences of the respondents. They are in form of personal quotations.

CHAPTER FOUR

BACKGROUND CHARACTERISTICS OF THE STUDY POPULATION.

4.1 Socio-economic background of the study population

4.1.1 The Age and Sex of the respondents

There were 90 respondents who were interviewed in the sample survey. The age of the respondents ranged from 15-65 years with the majority falling in the 20-44 years age bracket. The results from the survey indicate that majority of the respondents 57 (63.3 percent) were males as compared to 33 (36.7 percent) females. The age group of 25-29 years had the highest number of 23 (25.6 percent) respondents. Table 1 below shows the respondents' age distribution by sex of the respondents.

Table 1
Age distribution by sex of the respondents
N=90

Age group (years)	Male		Female		Total	
	N0.	%age	N0.	%age	N0.	%age
15-19	4	4.4	3	3.3	7	7.8
20-24	6	6.7	7	7.8	13	14.4
25-29	12	13.3	11	12.2	23	25.6
30-34	5	5.6	4	4.4	9	10.0
35-39	15	16.7	2	2.2	17	18.9
40-44	7	7.8	2	2.2	9	10.0
45-49	2	2.2	1	1.1	3	3.3
50-59	2	2.2	1	1.1	3	3.3
60+	4	4.4	2	2.2	6	6.7
Total	57	63.3	33	36.7	90	100.0

$X^2 = 0.37347$ $P > 0.05$

4.1.2 Marital Status of the respondents

Respondents were asked about their marital status. The answers given show that 80 respondents (88.9 percent) were married while 9 respondents (10 percent) were single. Only one respondent was separated. As regards the marital status of the respondents and membership to the village IRCS, 73.3 percent were married as well as members of the informal credit scheme. While 15.6 percent were none members. With a p-value of 0.02592, it means that there is a significant relationship between marital status and membership to the informal credit schemes. That the married are more likely to join the credit schemes than the singles. In most cases being married would be a motivating factor for one to join an IRCS. This normally increases a persons trust and status among other members. Table 2 below gives a breakdown of the results.

Table 2
Marital Status by Membership of credit scheme
N=90

Marital status	Membership					
	Yes	Percentage	NO	Percentage	TOTAL	
Single	4	4.4	5	5.6	9	10.0
Married	66	73.3	14	15.6	80	88.9
Separated/Div.	1	1.1	-	-	1	1.1
TOTAL	71	78.9	19	21.1	90	100.0

$$X^2 = 0.02592 \text{ P} < 0.05$$

4.1.3 Source of Income of the respondents

Table 3 below gives a summary of the distribution of source of income by sex. Eighty-six respondents (73.5 percent) reported farming as the major source of income in the area. Other sources of income reported by the respondents were trade, casual labour as well as credit schemes, handicrafts, and building as a profession and brewing alcohol. Household interviews also indicate that both males and females engage in farming as their main Source of income (73.5 percent) with 7.7 percent engaging in trade while 6.8 percent engaged in casual labour work.

Table 3
Source of Income by Sex of respondents
N=90

Source of income	Male		Female		Total*	
Farming	53	45.3	33	28.2	86	73.5
Trade	7	6.0	2	1.7	9	7.7
Clubs	2	1.7	1	0.9	3	2.6
Handicrafts	1	0.9	5	4.3	6	5.1
Building	1	0.9	-	-	1	0.9
Brewing	2	1.7	2	1.7	4	3.4
Casual labour	7	6.0	1	0.9	8	6.8
Total	73	62.4	44	37.6	117	100.0

* Multiple responses

Most significant, though, is that no female respondent had building construction as a profession as one of the major sources of income. While only one respondent (0.9 percent) of the males was engaged in handicraft as a source of income which are taken to be predominantly male and female activities respectively. This is because such activities in the rural areas are taken to be the domain of a particular sex.

4.1.4 Education of the respondents

Education is another socio-economic feature that can influence the formation of network relations. Results indicate that 31 of the respondents (34.4 percent) had no formal education, while 31 respondents (34.4 percent) completed primary 1-4. Also, 26 respondents had completed primary 5-7 with only 2 respondents completed junior/secondary education. The education of the respondents and their ability to read in any language was significantly related.

The results indicate that ones level of education significantly determines the ability to read (**P-value = 0.00000**). For instance, out of 62.4 percent of those who can read in any language, only 1.2 percent never had any formal education. While out of 37.6 percent who could not

read in any language, only 4.7 percent had attained education level of primary 1-4. The results presented in table 4 below indicate a relationship between education attainment and ability to read in any language.

Table 4
Ability to read and Education attainment
N=90

Read	Education attainment								Total	
	No Education		Primary 1-2		Primary 5-7		Junior		No.	%age
	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age
YES	1	1.2	24	28.2	26	30.6	2	2.4	53	62.4
NO	28	32.9	4	4.7	-	-	-	-	32	37.6
TOTAL	29	34.1	28	32.9	26	30.6	2	2.4	85	100.0

$X^2 = 0.00000$ $P < 0.05$

It was realised that about 60 percent of the respondents' spouses could read and had varying levels of education, while 40 percent could not read despite having attained some level of education. For example, 24 percent of the respondents who had spouses who had no formal education could read in any language whereas 30.7 percent of the same category could not read. Most interesting was a case of a respondent who had attained junior education (the equivalent of the secondary education) but could not read in any language because he has now forgotten all that he studied. The results of the respondents' spouse education and the ability to read in any language were significantly related at 5 percent level of significance (**P-value = 0.00448**). For details, see table 5 below.

Table 5
Ability to read and Education attainment of the spouse
N=90

Read	Education attainment of the spouse								Total	
	No Education		Primary 1-2		Primary 5-7		Junior		No.	%age
	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age
YES	18	24.0	15	20.0	12	16.0	-	-	45	60.0
NO	23	30.7	2	2.7	4	5.3	1	1.3	30	40.0
TOTAL	41	54.7	17	22.7	16	21.3	1	1.3	75	100.0

$X^2 = 0.00448$ $P < 0.05$

However, there was no significant relationship noted between marital status and ability to read in any language (**P-value = 0.70176**). Results from the study indicate that 54.1 percent of the married respondents are able to read while 34.1 percent cannot read in any language.

There was a significant difference between males and females in terms of their ability to read and write (**p-value = 0.01319**). There are more males who are able to read than their female counterparts. This is because there is a bias in the provision of education against the girl in favour of the boy child. For example, 45.9 percent of the males are able to read as compared to 16.5 percent of the females. Likewise, for those who are unable to read 17.6 percent of the males is lower than 20 percent of females.

The respondents' level of education indicated some significant relationship with the education of their spouse (**P-value = 0.04056**). The results indicate that those who had no formal education had spouses who had no education either. This implies that the higher the education level attained the higher the chance for the spouse to have also attained some education. There was no difference in the male-female standpoint regarding educational attainment of one's spouse. Table 6 gives a breakdown of the relationship between the education of the spouse and the respondents.

Table 6
 Respondents' Education and Spouse
 N=90

Resp. Educ.	Education of the spouse								Total No. %age	
	No education		Primary 1-4		Primary 5-7		Junior			
	No.	%age	No.	%age	No.	%age	No.	%age		
1	22	27.5	2	2.5	5	6.3	1	1.3	30	37.5
2	15	18.8	5	6.3	7	8.8	-	-	27	33.8
3	8	10.0	10	12.5	4	5.0	-	-	22	27.5
4	-	-	1	1.3	-	-	-	-	1	1.3
Total	45	56.3	18	22.5	16	20.0	1	1.3	80	100.0

$X^2 = 0.04056$ $P < 0.05$

KEY: 1 = No education, 2 = Primary 1-4, 3 = Primary 5-7, 4 = Junior

It was noted that there is no significant relationship between level of education and marital status (**P-value = 0.27756**). For instance, 50 respondents (55.6 percent) who were married had attained formal education with the exception of 10 respondents (33.3 percent) who did not have formal education.

In summary, there were 90 respondents with the majority of the respondents aged between 20 and 44 years of age. Male respondents constituted more than half of the total number of people interviewed in the sample survey. The majority of respondents were married as compared to the single respondents. There was a significant relationship between marital status and membership to the informal credit schemes in the areas visited. In other word, one was likely to belong to a credit scheme when married. The most common source of income of the respondents is farming but they also get incomes from handicrafts, casual labour as well as engaging themselves in the trading activities. On the education attainment, majority of respondents have either not attained any formal education or have attended primary one to four. As expected, there is a significant relationship between educational attainment and the ability to read. In most cases, males have higher educational attainment than female respondents do.

CHAPTER FIVE

THE DEVELOPMENT AND OPERATIONAL PATTERNS OF INFORMAL CREDIT NETWORK RELATIONS IN KABAROLE DISTRICT

5.1 Formation of IRCS

The first line of argument being proposed in this chapter is that socio-economic characteristics/social environmental factors determine the development of the network relationship, which subsequently leads to the formation of rural credit schemes. The development of credit network relations in rural areas depends on several factors. They may include issues of gender, marital status, source of income as well as expenditure patterns, and exposure to new friends in the scheme as a form of social capital and/or insurance. Such factors greatly impact on other relations as the results indicate in the proceeding sections.

There are a number of reasons that were given by the respondents regarding the formation of informal credit schemes in Kabarole district. Results indicate that 34 of 94 responses (35.1 percent) talked of village mates coming up with the idea while 26 responses (26.8 per cent) reported women leaders in local councils in the villages as having started the credit schemes. Others talked about neighbours and friends from Kabaale (the Bakiga migrants), and government and while others did not know because they grew up when the schemes were already in existence. The Bakiga migrants started the IRCS with the major objective of fighting poverty started the schemes in the area. This is because there were people in the villages who could not help themselves. Secondly, people in the area had no money to cater for daily household items and could not afford to pay for the health costs. Therefore, they decided to form the credit scheme. Thirdly, they were formed to help especially in times when they lose a relative.

5.2 Income - Expenditure Pattern and Credit Network relations

The second guiding argument is that because of lack of steady incomes among rural dwellers, there is always a desire for people to join informal rural credit schemes as safety nets. The major reasons for practicing network relations among others include Gender, type of people they join and associate with based on social closeness, common interests and to a less extent economic considerations based on income and expenditure patterns, occupation and educational attainment.

The basic argument here is that in as far as there is lack of steady incomes among the rural dwellers, people are likely to resort to IRCS and their attendant social relations and/or networks. The majority of the respondents interviewed reported that household heads were engaged in subsistence farming such as growing of potatoes, cassava, beans, millet, sorghum, maize and banana mainly for home consumption. About 3.3 per cent were traders selling items such as match boxes, salt, paraffin, *crude waragi*, sweets and biscuits while 1.1 percent were others such as catechist. This may point to the fact that there is lack of steady incomes among the people. In this case, people may not be in position to spend heavily on big items like bicycles and sleeping mattresses.

The main sources of incomes in the area differed though the majority responses (72.9 percent, N=90) reported farming as their main sources of farming. While 7.6 percent of the responses were traders, 6.8 percent were casual labourers, 5.1 percent were engaged in the making of handicrafts, 3.4 percent were brewers (*crude waragi*) and 4.1 per cent of the responses get their income from credit clubs, building and church earnings. Most respondents practice subsistence mode of farming while others participate in all the activities mentioned. That is why the responses are more than the 90 respondents interviewed. When asked how much did they get from the activities, respondents argued that they were getting enough only for their

survival. Others mentioned crude waragi as the main source of real income earned. Each jerrycan costs about 15,000/= on the local market.

With regard to expenditure patterns, many respondents reported spending their income on the treatment of sicknesses (30.9 per cent) such as malaria, upper respiratory infections (flu, cough). While 29.5 percent reported buying household items such as cooking utensils, cups, plates, salt, paraffin and soap. Other spending patterns include buying clothes (for wife, husband and children), paying graduated tax, payment of school fees, purchase of domestic animals, investments in buildings, land, farming and food. Respondents argued that because of the high expenditure patterns, they usually have problems of meeting all their needs. Thus, joining the IRCS becomes necessary. From the above, it can be argued that the nature of the expenditure patterns leads to people joining credit schemes. As some focus group discussion participants' responses below indicate that many of the members of the IRCS use the contributions on basic household items expenses.

Our credit scheme is progressing very well. When I got the rotational credit contribution, I bought myself iron sheets and built a house. But most people use the money for farming purposes and health care expenses (24-year-old single mother, Kihumbya FGD)

I use my cash contribution from credit scheme to buy clothes for the children and myself as well as taking care of the daily home expenses (56-year-old married woman, Kisengya FGD)

Most of my share I got from the credit schemes was used for cultivation. All the plantation of coffee and banana you see around were possible because of the credit schemes. I bought my panga and I still use it up to now (64-year old married male respondent, Kisengya)

Table 7 below gives a tabular distribution of the spending patterns of the respondents.

Table 7
Expenditure pattern of the respondents
N=90

VARIABLES	RESPONSES*	PERCENTAGES
Health care	64	30.9
Household items	61	29.5
Clothes	24	11.6
Graduated Tax	16	7.7
School fees	12	5.8
Domestic animals	10	4.8
Investment	20	9.7
TOTAL	207	100.0

* Multiple responses.

The results indicate that the respondents have high expenditures than their income can support. In this regard, community members are bound to find alternative forms and sources of topping up the expenses. This is why many of the respondents have had to join together with other members to form IRCS that can act as back stoppers in times of need.

5.3 Membership to IRCS

About 71 (78.9 percent) of the respondents were members of any one informal rural credit schemes, while 21.1 per cent were not members but knew of the existence of IRCS in the area. It was reported that being a member of the IRCS gives a person high chances of meeting new people and thus making new relationships and/or networks. This in a way guarantees a member of IRCS social capital. With membership and meeting new person through IRCS the

findings suggests that when you are a member, the creation of new network relations would be much easier than when you are not a member (**P-value = 0.00000**).

Household head with membership to a credit scheme was not significantly related. In other words, whether the household headship determines whether one becomes a member is immaterial (**P-value = 0.064495**). This suggests that both the subordinate and super-ordinate members of the family can become members without interference. Similarly, the respondent's sex was not significantly related to being a member in the IRCS (**P-value of 0.57967**). This implies that being a member is not dependent on sex.

Table 8
Membership by Sex of the Household Head
N=90

Membership	Sex of the Household Head					
	Male		Female		Total	
	No.	%age	No.	%age	No.	%age
Yes	65	72.2	6	6.7	71	78.9
No	18	20.0	1	1.1	19	21.1
Total	83	92.2	7	7.8	90	100.0

$X^2 = 0.064495$ $P > 0.05$

However, there is a significant relationship between membership in an IRCS and marital status of the respondents with a **P-value of 0.02592**. This implies that membership is dependent on marital status where the majority number of 66 (73.3 percent) were married as compared 4 single respondents (4.4 percent (see table 9). On the whole 71 respondents (78.9 percent) and 19 respondents (21.1 percent) were members and none members of the credit schemes respectively regardless of whether they were married, single or separated/divorced. In most cases, you have either a husband or wife encouraging one another to join the informal credit schemes to supplement their incomes. Table 9 gives a statistical distribution of the respondents' membership by marital status.

Table 9
Membership by Marital Status
N=90

Membership	Marital Status			
	Single	Married	Separated/Div.	Total
Yes	4 4.4	66 73.3	1 1.1	71 78.9
No	5 5.6	14 15.6	- -	19 21.1
Total	9 10.0	80 88.9	1 1.1	90 100.0

$X^2 = 0.02592$ $P < 0.05$

The FGD participants also agree with above statistics. This shown by the following statements made by participants:

I cooperate with my wife when we want to sell some item and then share the profit equally. She even encouraged me to join the club after she had joined (A young male participant, Kisengya FGD).

When my husband is going to a credit scheme meeting gathering, he normally informs me as I also tell him where I am going. We cooperate together as he consults me on credit issues (A 45-year old female participant, Kisengya FGD).

Normally, for any network relation to flourish, there must be some understanding and common interest among the participants. This depends on admissibility of the other members who would widen the scope of the relation. Particularly interesting is the type of person who can willingly be allowed to join and enhance the expansion of the cooperation and collaboration in the credit schemes. This is shown by the type of people respondents mentioned as eligible to join the credit schemes where they are members. They include 74 responses (70.5 percent)

that said that any person could become a member as long as one is a member of the village. While 17 responses (16.2 percent) mentioned a person who can fulfill the requirements would be willing to fulfill the conditions that are set by the members. One of the condition is that a new member is made to pay for all what members have paid since the credit scheme started. Some respondents especially women talked of married women only (7.6 percent) who must have stayed in the village for some time. This is intended to create some level of confidence and trust in the applicant among the community. Other respondents mentioned people who are trustworthy and have money to contribute to the credit schemes. By the fact that any person in the village could become a member suggests that IRCS are open-ended schemes. But this is at the face value only. The analyses of the conditions that are internally set indicate otherwise. A summary of responses is presented in table 10 below.

Table 10
People who are eligible to join the credit schemes.
N=90

VARIABLES	RESPONSES*	PERCENTAGE
Any person in the village	74	70.5
People who fulfill IRCS set conditions	17	16.2
Women only	8	7.6
People with money	4	3.8
People who are trustworthy	2	1.9
TOTAL	105	100.0

*Multiple responses

The following statements from the survey and FDG respondents supported the above findings:

We allow only women because men are too wise! Since all of us are women, we can discuss our problems freely. Sometimes we discuss family matters like being a good cook and how to behave well in our homes. Surely, we cannot discuss all this in the presence of our husband! (A 22-year-old married female respondent, Kisengya village).

If it is a lot of money, women may not afford it because of limited monthly incomes from sale of agricultural products. As for the farming groups, we men cannot join because of fear to mix with married women since their husbands might think otherwise (Male FGD participant, Kibira Parish).

The above statements on the face value contradicts findings in table 10 above where 70.5 percent of the respondents mentioned “anybody” could become a member but on close scrutiny, women credit schemes allow women members only. This is intended to restrict the involvement of men in the women credit schemes, as they may want to take over control of the credit schemes. Men in most cases find it hard to be members of credit schemes that are purely for women. These findings collaborate Nelson (1995) who observed how males were kept out of the women’s scheme and noted as well that women also vigorously rejected male’s attempts to enter the entrepreneurial circle, which had developed out of their ROSCA activities for fear of losing their control, and even run bankrupt.

5.4 Nature of Group and Individuals networks.

5.4.1. Kind of networks developed.

There are several network groups formed as a result of common interests and ties in Kabarole district. Respondents reported several “informal credit schemes” (*ebibiina*)¹³ that allow them to save and borrow money. They include women’s self-help group (“*Bakyara Kweyamba*”), Men’s United group (“*Bataka Kwetarana*”), Kisengya Savings and Credit Scheme (“*Kisengya Yahura Yohoza*”) and the “Hammock” group (“*Engozi*”)¹⁴, Katunguru United Self-help

¹³ “*Ebibiina*” is a plural word referring to the informal credit schemes while “*Ekibiina*” is the singular word referring to an informal credit scheme.

¹⁴ “*Engozi*” could literally be understood as “Hammock” or a “cage” type of bed. It is made out of reeds or papyrus or pieces of ropes woven together into a big rectangular bed which is hung at the end from two pieces of wood and is used in carrying expectant mothers or terminally ill patients. Four people usually carry it: two carry from behind and two carry in front. A modified version is a chair specially made and fitted on a bicycle. The patient sits in it and is pushed to the next health centre or taxi /bus stop. In the three parishes visited, the “*Engozi*” association is very common. In some instances, the “hammock/cage/*Engozi*” is hired out by none members. The proceeds out of the

(*Katunguru Bataka Kweyamba*) and other organizations that deal in Tobacco farming, Farmers group association and Handicraft clubs. Each of these schemes has different objectives and operates at different levels.

The focus group discussion participants mentioned *Bakyara-kweyamba* as composed of women only with a Chairperson, Vice Chairperson, and Secretary. They are composed of 10 - 20 members. The common objective is to improve women's financial status and reduce their economic dependency on men. Second, is to increase food production and sell the surplus composed of both men and women and third, for development purposes by helping each other financially as well as strengthening cooperation among women.

From the survey interviews conducted, respondents were asked to rank the four credit schemes in their villages (see question No. 18 in the questionnaire). Among the priority rankings of the credit schemes, *Bataka Kweterana* was ranked number one with 34 scores (41.5 percent). The *Engozi* was number two and had 18 scores (18.3 percent); *Yahura Yohoza* (Saving and Credit Scheme) was ranked number three with 13 scores (15.9 percent), *Bakyara Kweterana* (Women United Scheme) was ranked fourth with 9 scores (14.6 percent).¹⁵ Table 11 below gives the percentage ranking of the organisation/credit schemes in the areas visited.

Many of these credit schemes have been operating in the area for along period of time. Results indicate that 40 respondents (44.4 percent) mentioned that they have known the credit schemes for more than two years. Whereas 19 of 90 respondents (21.1 percent) reported that the credit schemes have been in existence for about 1-2 years while 16 of 90 (17.8 percent) did

“Engozi” services is put in a pull where either members or none members save and/or borrow money for and interest fee. It is important to note, however, that the *“Engozi”* scheme is not a *“Kitooro”* practice in the area but has been introduced and popularised by the *“Bakiga”* migrants from Kabale district, formally Kigezi district.

¹⁵The farming groups include rotational gardening on each members garden as well as tobacco farming for commercial purposes (as a source of income). The income that is earned from the farming groups is later saved in the credit schemes in

not know or could not remember when the schemes started in their areas. Table 11 indicates the ranking of the different IRCS formed in the areas visited by the respondents.

Table 11
IRCS Ranking by the Respondents
N=90

VARIABLE	RESPONSES	PERCENTAGE
Bataka Kweterana	34	41.5
Engozi	15	18.3
Yahura Yohoza	13	17.1
Bakyara Kweterana	12	14.6
Tobacco farmers group	7	8.5
TOTAL	82	100.0

When respondents were asked what was the most effective type of credit schemes that they preferred (refer to FGD/Key informant discussion guide in Appendix B). Most respondents prefer group network credit schemes as they can easily achieve their targets because of the superior numbers than individual network schemes.¹⁶ Women participants in FGD preferred group networking because of the guidance from different individuals and it is easy to raise resources to invest in IRCS. Both men and women reported having equal access to IRCS resources without discrimination. This could possibly imply that women have access and control over the decisions on the credit and savings activities of the IRCS.

It was thought that the source of information about IRCS could have implications on the access and control of the credit and savings activities. In this case, respondents were asked

the villages.

¹⁶ Group network credit schemes are associations whose membership is more than two members. These are preferred because it is hard for members to default as the group network relations bind them. They

where they first got information about IRCS. Many of the respondents reported to have heard information about IRCS from friends, neighbours or relatives (76.9 percent). Other sources of information included a respondent attending a general meeting, sometimes a friend gave encouragement to a member to join or they attended an LC meeting where it was suggested. Sometimes, it was because they had seen others benefit or their parents started with the association and they also joined together. There was no significant relationship between marital status and source of information being a friends, relatives or neighbours (**P-value = 0.50916**).

5.4.2 Need Orientation¹⁷

The orientation to the needs of the members is an important factor when analysing the network types that exists and how they come about. Here, presentation of where people normally run to for assistance is done. A scrutiny of the source of money for use when a household runs short of it is vital. In this regard, when asked where they go for assistance, 63 (50 percent) of the respondents reported that they borrow from relatives, neighbours and friends. It was reported that such sources are sustained because of the existing trust between people who are known to each other. Sometimes, it might involve an offer of a property as security. Other responses (12 of 126) include members working hard or looking for work to earn money. While others would prefer to stay without (5 of 126 responses) or approaching a lending and/or saving institutions/organisations for assistance (6 of 126 responses). These are characterised by borrowing from institutionalised organisations such as banks and local traders. Some respondents reported selling some produce like dried food such as maize while others are tempted to sale household items like clothes, cooking utensils, cups and crafts and/or engage in trade. Others simply stay without money because they would want to avoid debts. Secondly, some respondents reported having no property to present as securities.

may also fear to have their names tarnished in the community they live in.

¹⁷The interpretation of need orientation in this thesis is understood as where people run for assistance when there is an immediate need to fulfill. Also, it may indicate what members benefit and the perceived benefits when they

Table 12 below indicates the possible avenues where respondents cope with the shortage of money at the household level. The results show that the majority of the people seek assistance from friends and neighbours. The respondents indicated to me that it is easier when you borrow from a person you know best than from a stranger who might demand the returns as soon as the time for payment come. By doing so, community members promote a network of cooperation which are essential to informal credit scheme development, formation, and sustainability.

Table 12
Where respondents go for Assistance
N=90

VARIABLES	RESPONSES*	PERCENTAGE
Borrow from friends	63	50.0
Borrow from n'bours	24	19.0
Work hard	12	9.5
Sale some produce	8	6.3
Borrow from schemes	6	4.8
Sale household item	6	4.8
Stay without money	5	4.0
Others	2	1.6
TOTAL	126	100.0

*Multiple responses

Likewise, as people form network relations by forming credit and savings schemes in order to survive and subsequently improve their livelihood, there are different justifications why they do so. First, 52 respondents (59.7 percent) from the household survey claim that the major

are joining.

reason for joining the network of credit schemes is financial assistance that was being given. Such financial assistance comes in form of the credit facilities that members are able to access (*Yahura Yohoza*). Second, there is general concern and need for the improvement of welfare and development among the community. In this regard, 14 respondents (16.1 percent) argue that it is through cooperation and networking that they are able to improve their welfare and enhance livelihood. Respondents reported this is both for individual household and community livelihood improvement. Third, the need to assist and/or get assistance in form of carrying the sick to hospital (10.3 percent). It was reported that since the access to rural areas is limited because of the absence of good roads, there was the emergence of health related groups herein referred to as *Engozi*.

Other reasons given for joining the credit schemes include the need to promote cooperation among women so that they are not left behind by their male counterparts. Also the need to increase agricultural production and subsequently increase their income (refer to their major source of income - farming - 72.6 percent). Some respondents reported that they wanted to know more about the scheme in terms of the benefits of the credit schemes while others wanted support in form selling their timber for burial and funeral rites as well as bricklaying. For a detailed presentation of results, see table 13 below.

Table 13
Reasons why respondents joined IRCS
N=90

VARIABLES	RESPONSES	PERCENTAGE
Financial assistance	52	59.7
For Dev't & Welfare	14	16.1
Carry the sick	9	10.3
Promote cooperation	6	6.9
Increase production	3	3.4
Know more about IRCS	1	1.1
Bricklaying	1	1.1
None	1	1.1
TOTAL	87	100.0

5.4.3 Case Studies on Development of IRCS

The case studies below illustrate some of the issues discussed in the preceding presentations. Case study one gives an insight on how the *Bakiga* migrants have helped in the establishment of the IRCS in Kabarole district. The respondent gives his experience as well as that of the credit scheme he helps to run. While case study two gives a historical background and the operations of the Saving and Credit schemes in Kisengya as an illustration to its origin.

CASE STUDY 1: The Role of the *Bakiga* Migrants in the formation of IRCS in Kabarole district.

Kyakabaale¹⁸ is a peasant farmer who was born in 1953 in Rubanda village, Bufundi Sub County, Kabaale district. He migrated with his father to Kabarole district in 1979. Since then, Kyakabaale has settled in Kihumbya village. He is married to a Mutoro wife and is blessed with 5 children.

Kyakabaale is the chairman of Kabuta Kweterana group. This is a burial as well as a saving and credit scheme with 84 members. The scheme started on 27/12/1998 with the major objective of fighting poverty. Kyakabaale noted "There were people in this village who could not help themselves". Secondly, people did not have money to buy timber for making coffins for our dead colleagues. Therefore, members decided to form the scheme. In most cases, when a person would die, there was no body to who could afford to buy the coffin. Also one person may not afford to pay for the health costs at short notice.

"The credit scheme we formed has helped a lot especially in times when we have lost a relative as well as when a member has got a sick patient. When a member in a big problem, we get money from the scheme in order to assist him/her. If a person dies in the hospital, we transport the body back home for the burial ceremony. When the money is not available at the time, we can even sell some property like pigs. All this is to assist the member of the credit scheme who is in need." Kyakabaale argues that most of the resources they use in the credit scheme are from subsistence farming.

Kyakabaale recounts a personal experience that forced him to form Kabuta Kweterana burial and credit scheme. "I used to work in Jinja as a porter. One day we came to Kampala to play football with my colleagues. On our way back, we found a roadblock in Mukono manned by soldiers. The army men forced us to carry decomposing dead bodies with bare hands. With this experience, I spent 3 months eating with a spoon because I could not imagine eating human flesh! That is why when I came back here and started this scheme. Through the scheme, we could be able to give a decent burial to our friends."

Kyakabaale argues that it is hard to go to a person and borrow money in times of emergency. In most cases, credit schemes have been the answer. He says: "These days you cannot go to borrow money from any body. Most people will have plans for their money. But if you are a member of the credit scheme, you can easily get a loan. This is the most important thing about credit schemes."

Case study 2 below also explains the role migrant *Bakiga* played in the formation of credit schemes in Kabarole district. It gives the operational mechanisms of the typical informal rural credit scheme in the areas visited.

¹⁸ All names used in the case studies are fictitious. This is intended to preserve the anonymity of the respondents.

CASE STUDY 2: The Credit Schemes in Kisengya, Kigarale Parish, Kabarole district.

Rwatooro Paul is a peasant farmer who was born in 1935 in Mabonwa village, Kibira parish, Nyantungo sub-county. He is married to Rose whom they have been living with for the last 40 years. In 1975, Rwatooro and his brother decided to buy land in Kisengya village. As far as he can remember, he completely relocated his family in 1978. He says that when he relocated, credit schemes were not yet operating in the area. "When I migrated to Kisengya, the credit schemes were not in existence but people joined when the migrant Bakiga from Kabaale came."

He has since then been a member of the credit schemes in his village. He belongs to the saving and credits scheme. He believes that the origin of the credit schemes is from the peoples inability to save money. Such that saving money could only be possible when people are in a group. "To be able to buy a bicycle for example needed a lot of savings. People would not be able to save all the money in the house without using 'the money'". Paul also believes that the Bakiga migrants popularized the credit schemes in Kisengya because of their spirit of cooperation they have). "They have even come up with another scheme called Engozi. In Nyantungo where there are no Bakiga migrants, credit schemes are not there."

Operations of the credit schemes

Paul reported that normally, people come together and agree on the initial installment of the money to be contributed. The initial contribution depends on whether people can afford the amount of money being proposed. This acts as membership fee of some sort or shows that the person is serious. People agree as to when they should meet to operationalise the scheme. The first meeting mostly deals with the issues of how much each member is contributing and the composition of the credit scheme. After agreeing on the initial membership fee, then members can have the second contribution (*Okuterra ebibiina*). This is the contribution that members gave to one member depending how much one has. But the second contribution is normally based on whether the recipient will be able contribute the same amount of money when the turn for a different person comes up. The money contributed ranges from 500/= to 30,000/=. In most cases, the initial contribution (membership fee) is reserved for members to borrow and then pay interests to the credit scheme, which ranges from 10 % for members to 20% for non-members. The credit schemes operate on a rotational basis. "All people get cash rounds up to the last person. Then members meet to share the interests accumulated from the interests paid by borrowers. However, the principal money paid in as membership fee remain." The initial contribution depends on the members affordability. All have to agree on the money among ourselves on how much is to be paid, say between 3,000/= to 6,000/= but not exceeding 10,000/= because it is too much for others.

Regarding on whether there is competition on who receives the contribution first, Rwatooro says: "Normally there is no competition on who becomes the first recipient. Some people prefer to be the last to receive so that they get a bigger amount of money". On a typical day, the meeting begins at around 9:00 Am. to 10:00 Am. but ends whenever members are satisfied (usually late in the evening). The chairman normally chairs the meetings that are held in the recipients home. The secretary keeps a list of all names in the scheme that is to contribute. It therefore follows that when the secretary reads your name, you hand over the contribution to the chairman who counts the money to ascertain the amount of money. The money is put on the table until every one has brought in his/her contribution (*kuterra ekibiina*) including the host. When every one has contributed, the chairman hands over the money to the recipient. Subsequently, food and drinks of different types are brought before the chairman that what members agreed upon is what is being served. In case some items are missing, the chairman immediately announces a fine to the host. But this does not happen in most times.

Use of the IRCS contributions

Most members' contributions are used to buy goats, clothes and some members have built houses. "Originally, most people really wasted money on drinking. Only the wise used theirs properly. For example, People in Harusisa (small trading centre) have now bought sawing machines and set up shops in Kyakatwirre (trading centre with a weekly market). They are really progressing".

Regarding borrowing from the credit scheme, Paul says that it does not follow relations based on clans/families as a criteria for lending but instead they follow village relations. In most cases, people from far away are not allowed because of fear that they can cheat. When a person wants to borrow from the credit scheme, members meet to decide on the amount of money and also assess the ability of the borrower to pay back. "For instance, We have confiscated peoples land for failure to pay back. We have also refused some other members from joining the credit scheme (ekibiina) because their trustworthiness is suspect. Some credit schemes have collapsed because of people borrow and do not pay back. In a few cases, members have failed to pay back because of genuine reasons such as losing a wife or child."

Though the majority of the respondents reported that the Bakiga immigrants played a big role in the formation of IRCS in the area, many of the credit schemes are 'home grown' in the areas visited. They are home grown in the sense that the indigenous members of the communities visited formed them though they copied the ideas from the immigrant Kiga community. In most cases the person who comes up with the idea is the one who becomes a chairperson. The results are indicated in table 14 below:

Table 14
Who started the Informal Rural Credit Schemes in the area?
N=90

VARIABLES	RESPONSES*	PERCENTAGE
Village mates	34	35.1
Women in the village	26	26.8
Do not know	17	17.5
Neighbours	13	13.4
Friends from Kabaale	4	4.1
Government	3	3.1
TOTAL	94	100.0

* Multiple responses

It was further reported that the major reasons for the formation of the schemes were to get financial assistance and/or help (46.1 percent) and secondly, people wanted development in their homesteads as well as in the area generally (27.5 percent). Respondents also mentioned the need to reduce poverty, increasing food production and women's cooperation through the credit clubs, assisting and carrying the sick patients to hospitals, getting interests from their savings as well as promoting self-help among villages for easy network and collaboration. Only 4.9 percent of the responses reported in the negative i.e. did not know the reasons why the schemes were started.

5.5 Organizational Mechanisms of IRCS

There are two organizational types of informal rural credit schemes in Kabarole district. First, there is the Saving and Credit scheme where members come together for purposes of pulling their financial resources together to create a fund where members can save and borrow at a specified interest rate. This interest rate is usually 10 percent per month for members and 20 percent for non-members while contribution to the saving and credit scheme is monthly. Some examples of the saving and credit schemes include *Bataka Kweterana* of Kisengya Parish; and *Katunguru Bataka Kweyamba* of Kibira Parish.

The second organizational type of informal rural credit scheme involves members of the same village coming together and making a monthly rotational contribution. This goes on until the first person's turn to receive the monthly contribution appears again. FGD participants reported that this is the commonest form of IRCS since it does not involve the calculation of interest at every end of the month. Whenever it is a turn for a member to get the contribution, one has to organize a social function. This involves cooking food, refreshments in form of local brew (*Waragi*) or locally prepared soft drinks like '*ensande*' (juice made from yellow banana). Members normally gather in a home of a member who is to receive the monthly contribution. On such an occasion, the host serves the visitors with all types of food and

drinks in the spirit of togetherness though it may be an extra on the contributions a member collects. This, in a way enhances cooperation among members of the scheme as well as increasing chances of other network relations that can develop. Examples of the monthly rotational credit scheme include *Yahura Yohoza* schemes in Kisengya village, *Bakyara Kwetarana* Scheme in Kihumbya and the Farming schemes in Katunguru involving rotational cultivation of tobacco for sale as well as other common crops like millet, groundnuts, beans and maize.

It was reported from the focus group discussions that the *Engozi* is composed of both men and women. They have the Chairperson, Vice Chairperson, Secretary, plus a Treasurer, but they are mostly dominated by men because of the nature of work i.e. carrying sick people which can not be done by women because they consider themselves as weak to carry the patients on a stretcher. The common objectives of *Engozi* include carrying the sick to health centres. Those who benefit from the services of the *Engozi* scheme are members though none members are also assisted at a token fee. As noted earlier on, the *Engozi* members are sometimes hired to carry the terminally ill or expectant mothers at a fee. This money is shared out by members and re-invested into the credit schemes for profits.

Key informants reported that the *Engozi* scheme is formed to assist members financially where members borrow from the scheme in case of any emergency like ill health, death of a relative and/or weddings. It is also aimed at creating a strong solidarity among members, where, in case of any unexpected calamity, members are able to solve the problem easily in the spirit of community togetherness. Sometimes, they are formed for general development purposes and well being.

Respondents in the FGD argued that the underlying factors that led to the formation of the above schemes include lack of transport to facilitate accessibility to health units, which are far

from the local people. Secondly, lack of enough food encouraged women to form *Bakyara-Kweyamba* so as to work collectively and increase food production to feed large families, which comprises of more than 10 members in each family. Thirdly, the low financial standing in most families had retarded their economic development. This situation was aggravated by low saving capacity among the families which forced them to come together to form the credit schemes.

In case of the *Engozi*, members normally contribute money, which is used to buy the stretcher where patients are carried on to the nearest health centre. The remaining money is kept for maintaining the stretcher and members can also borrow that money to solve their personal problems and at the end of the month pay interest of 10 percent. As noted above, non-members are free to get/borrow money from the scheme at a 20 percent interest per month. This profit accumulated over the year is shared among members equally who re-invests in credit schemes.

The operations of the *Bakyara-Kweterana*, a women's group is similar in some cases with that of the *Engozi*. Members help each other in the farming activities such as digging, weeding, and harvesting. This leads to efficient, effective and increased food production among the members. Women contribute money that they normally get from the farming activities mentioned above. This money is usually kept with the treasurer where all members contribute to one woman on a rotational basis. Members of *Bakyara-kweyamba* Credit Scheme are free to get loans from the scheme with a payment of 10 percent interest while non-members pay 20 percent per month.

The working system of most schemes (as noted earlier) involve monthly rotational contribution (47.9 percent), and Savings and Credit System where the members contribute and later borrow at an interest (14.9 percent). In some cases members collect money until they are

satisfied that it is enough, and then shares equally. It may also involve buying a cow or goat on periodic holidays for members to share among themselves. It may also involve digging for one member per day for all members (in case of farming and health schemes). Therefore, in each of the credit schemes and/or groups, there is always a Chairperson, Vice Chairperson, Secretary, Vice Secretary, Treasurer, Committee members and defense¹⁹. According to IRCS members, credit scheme's businesses are conducted in a democratic manner like the election executive members by show of hands on who amongst themselves takes which position. As one key informants noted:

All members usually discuss together and agree on what to do particularly in the disbursement of funds and handling of difficulties as well as which member should occupy what position in the executive (Secretary, Bataka Kwetarana, Kisengya village).

We cannot put in people from far away. We have our rules that if one is unable to make a contribution, s/he does not receive first but joins the rotational circle... (Male FGD participant, Kihumbya Parish).

Focus group discussion participants also mentioned other criteria used to select people who run the scheme including selecting office bearers who are trustworthy, and able to spearhead the scheme. This normally follows after a name has been proposed and discussed thoroughly. In most cases experience in running affairs of the scheme scores highest marks. It was also noted that most of the members of these credit schemes were married and most of them have common social ties such as friends, neighbours, relatives, neighbours, level of wealth, marriage, age with the village mates.

¹⁹The Defense Secretary's duties are specifically to keep order among members as they discuss especially where a member organises a party to receive the rotational contributions. In this case, members are bound to take too much and subsequently become rowdy.

5.6 The Inclusion - Exclusion Criteria

The findings from both the survey and FGD conducted indicated that the criteria to include or exclude one from network relation follows some laid down guidelines that all members of the informal credit scheme follow. From the household interviews conducted, 70.5 percent (74 of the 105 responses) reported that any person can become a member. While 16.2 percent (17 of 105 responses) noted that for a person to become a member, one has to fulfill the conditions set in the IRCS such as being a trustworthy person, credit worthiness as well as contributing equally. As regards being a member of the scheme and whether any one can become a member, the results indicate that they are dependent on each other (**P-value = 0.0009**). About 77.8 percent (N=90) of the respondents indicated that anyone can become a member while at the same time they are members of any other credit scheme. Table 15 below indicates the relationship between membership of credit schemes and whether any one can become a member of the credit schemes.

On the face value, membership appears to be open and to cut across barriers of age, kinship groups, status and residence. But closer scrutiny of the activities of IRCS indicates that a careful process of selection is very much in evidence. Each IRCS grouping tends to enlist for its membership villagers with like interests, of similar financial resources, and common forms of employment. This supports what Fernando (1986) found in the *Cheetu* systems in Sri Lanka where teachers and farmers run their own separate credit schemes.

Table 15
Membership and Whether one can become a member
N=90

Membership	Whether one can become a member					
	YES		NO		TOTAL	
	No.	%age	No.	%age	No.	%age
Yes	70	77.8	1	1.1	71	78.9
No	15	16.7	4	4.4	19	21.1
Total	85	94.4	5	5.6	90	100.0

$X^2 = 0.0009$ $P < 0.05$

Respondents reported different criteria one must follow in order to become a member of the credit schemes. In this regard, 61 of 111 responses (55 percent) noted that one who makes an application for consideration must be energetic at the same time should be a member of the village (see question No. 25 in the Questionnaire). Secondly, one is expected to pay the required amount either in form of money if it is a credit and saving scheme, or pay in labour terms, which is equivalent to what they have already used.

“If it is a credit scheme, you pay original figure with interest. If it is a farming group, you pay the equivalent amount for the days you were absent...” (A 53 year old married male respondent).

In some instances, it is possible for someone to come to a general meeting and apply in the presence of other members. But still, respondents argued, that people who are known for their cooperation in matters of IRCS and are trustworthy can only be admitted. This is supported by the statement that

New members would normally first pay all what members had contributed from the beginning because in most cases when we admit new members, they also share the profits equally. That is why we cannot accept somebody from far away because we do not know his/her credit worthiness. Whereas at the village level, we know how one drinks and spends ones money (A 65-year-old married male participant, Kihumbya).

However, there were varied reasons as why some people can not become members of credit schemes. They include 34 respondents who said the poor (40.5 percent), 33 reported the untrustworthy (39.3 percent). What is surprising is that other respondents reported that any one could join. It also includes men in case it is a women's scheme (organisation), people who are not known in the area as their trust is doubted and those who cannot pay the required amount of money or its equivalent (labour). The some FGD participants reported that a person is free to enter and leave at will provided the concerned persons is known by the members as credit trustworthy as well as having the ability to pay the required fees. Secondly, some FGD participants argued that members of the scheme are free to terminate their membership at any time. However, in some instances, it is hard for a defaulter to leave voluntarily as one will be required to pay before leaving. While others fear to lose out the social and economic benefits in case they pull out of the IRCS network in their respective areas. The members take share contribution obligations very seriously.

The IRCS system has over the years evolved its own mechanisms for dealing with risk and default. Defaulting may occur when a member draws IRCS contribution but fails to pay back. The deviant behaviour in the IRCS obligations is treated with sanctions of varying degrees. Table 16 below indicates the kind of people who cannot become members of credit schemes.

Table 16
Kind of persons who cannot become members?
N=90

VARIABLE	RESPONSES	PERCENTAGE
The poor	34	40.5
The untrustworthy	33	39.3
Men	7	8.3
People who can't pay	6	7.1
Unknown people	3	3.6
Women	1	1.2
TOTAL	84	100.0

The results above makes one wonder as whether the schemes and/or networks thus formed are really meant to solve the poor peoples needs. Such results point to the exclusive rights to join if you guarantee to make an equal and constant contribution to others as they do to you. The definition of the poor in their case, however, might mean people who have had temporally financial difficulties. Other reasons that respondents gave as to why every body cannot become a member includes having less resources in terms of money, lack of knowledge about the scheme and having the savings restricted to about 12 people (for instance, *Kisengya Kweterana Group*).

The survey respondents also reported that they had not yet formed any other sub-group(s) within the main scheme. In this case, 52 respondents (68.4 percent) argued that there was no need to have a sub-group, as they were all satisfied with the group they belonged to. However, 13 of 76 respondents (17.1 percent) had no answer as to why they have not formed sub-groups, 9 respondents (11.8 percent) reported lack of money while 2 respondents (2.6 percent) cited lack of cooperation among members. The reasons respondent gave as to why

sometimes IRCS do not embrace all the people is that some IRCS are mostly interested in women who are energetic as opposed to the lazy ones. Some people who cannot afford to abide by the conditions set up by the group have a chance to opt out.

It was reported that women's IRCS and men's group formation process is the same because all of them have the same/similar objective of community development and welfare improvement as noted above. But the difference is brought about by the emphasis each category has. For example, men emphasize credit and savings schemes, which are money-oriented while women, go for other services like digging, weeding and harvesting activities. Women in areas visited undertake the farming activities on contractual basis. The women participants reported that they form small groups of between 3-6 members and contract out their labour to whomever has work. The mode of payment is after about three months. In most cases, such money is invested in credit schemes in order to increase their profits out of it. Some women respondents in FGD reported that women join groups which involves a lot of manual work like digging. They argue that this is what is expected of them in their community. Also, they may not have the cash required to join IRCS.

5.7 Checks and Balance in IRCS

The control of members' interests in credit schemes is maintained through a system of checks and balances that is put in place by all members. These include the conditions and procedures for saving and borrowing from the scheme. According to the FGD participants, borrowing from the IRCS follows certain laid down rules and procedures. For any one to borrow from the credit scheme, an application has to be made first. Secondly, the intended borrower must have qualities of (for) repayment i.e. must be a native and be able to pay interest. Third, in case the applicant is not a member of the credit scheme, a referee who should be a member of the scheme must guarantee the loan. Such unwritten rules allow the operation of the IRCS with minimal defaulting.

Sometimes borrowing is determined by natural incidences. For example, ill health but the contribution to each member would be on monthly basis and/or on rotational basis. In this case, members normally allow the IRCS rules to be altered in favour of a member who is ill or has a patient. This is because they believe that it is beyond a person's control. Members are also not expected to default or to quarrel but must keep secrets pertaining to the scheme. It was thus reported that all the regulations were acceptable by all because all members design them democratically. Respondents reported that when a member defaults without a genuine reason, a fine is normally imposed. They agreed that the deterrents against defaulters were fair because they promote consistence among members if the schemes' objectives are to be achieved. But the informal rules are not as rigid as in the semi-formal and/or formal sectors (see case No. 4). As one key informant noted that:

In case of an emergency, it can be less than a month so as to allow a member solve an emergency (local leader, Yahura Yohoza credit scheme, Katunguru).

As regards the conditions and procedures for rotational savings, the most important feature is that one has to or must be able to deposit the required amount of money or pay a fine (500/=) if the money is not paid in time. Trustworthiness and hard working are some of the qualities that credit scheme members observe and maintain. In some cases, no body may be allowed to save in the scheme if one is not a member. This helps the scheme guard against people who want to defraud the scheme pretending they are savers. In other words, you must have some level of trust among other members in order to save in the scheme. The respondents agree that this has helped their organisation to persist overtime.

It should be noted that members are bound together by the social contract that they feel bound to respect. The IRCS have expanded tremendously in reaction to the insecurity of the banking system. It is inducing to say that it is in regularly harsh economic climates that the IRCS

comes into its own when it is particularly needed. Such situations may include where incomes are very low, where there is no formal social security network, where ill health stalks and a variety of calamities hover; a system of IRCS helps to meet the challenges for all but the rural poor. Thus the social contractual obligations are supposed to be respected unlike the formal agreements. This is particularly seen in the traditional social obligations to help kinsmen, neighbours and friends which quickly come into effect as word get around among members of IRCS, who will adjust the order of rotation to enable the unlucky one to receive a turn. The speed with which IRCS react to their members need are rarely matched by distant, impersonal banking systems.

It is important to note that if the social contractual obligations are broken, there are serious consequences for any culprit as the loss of trustworthiness leads to the exclusion from further participation in IRCS, particularly where they are securely embedded in the local social network system. In this case, a defaulter has very little space to hide because every one in the village know about it and would risk being isolated. It is this knowledge that the network in the village works well that helps members maintain their contractual obligations. Furthermore, the strength of many IRCS is being seen as having moral and social dimensions. Hence, social solidarity is stressed and mutual aid obligations have a very high priority. This makes every member ensure that there are no defaulters.

CHAPTER SIX

CONTRIBUTION OF IRCS TO INDIVIDUAL HOUSEHOLD AND COMMUNITY LIVELIHOODS

6.1 Individual Household Livelihoods²⁰

An analysis of the impact of IRCS on household livelihood depends on how individual respondents feel about the scheme and whether the scheme meets their member's expectations. Results from the household survey indicate that 65 of 117 (55.6 percent) responses are proud to be IRCS members, 19 of 117 (16.2 percent) agree that the credit scheme (IRCS) is a way of solving peoples problems. In way, 17 respondents (14.8 percent) have had their expectations met.

A discussion on the daily livelihoods with the people in the areas visited indicated that most household have an average size of 10 people. Women in FGD reported that most husbands are married to more than one wife i.e. 2 wives is the average number. The main reason given for husbands marrying two wives is that it is the practice in the area. The main sources of income in the area is agriculture, credit schemes and handicraft (mats and baskets). People in the areas mostly produce crops like beans, groundnuts, cassava, banana (for both brewing local beer and food), millet, coffee, maize for sale and animals like pig, goats, birds (hens and ducks). The quantities of the produce sold and consumed depend on how much food is needed for home consumption. FGD participants (both males and females) noted that most families do not have specific quantities of agricultural products sold while coffee harvests are all sold off. On the expenditure patterns, FGD participants noted that a lot of money is mainly spent on the provision of health care especially in the treatment of malaria, household items, clothes and school fees. Other sources of income include selling waragi, birds, eggs, and contributions from credit schemes.

²⁰The change of quality of life as defined by the respondents.

Members of the FGD were able rank their wealth in the area. They mentioned changes that have taken place as indicators of welfare.. These include improved food production, improved financial status, good and permanent houses built in the areas as well as members being able to provide for their families financially by being able to buy properties like pangas, land and iron sheets. Household survey respondents also argue that by being members of IRCS has greatly helped them to improve their welfare.

Being a member of credit schemes increases persons status and social standing in the community where one lives. For example, members always tell friends their membership to the local schemes while others say the scheme is an important institution and are looking forward for the next meeting of IRCS membership. On this note, 96 responses (83.5 percent) have had their expectations fulfilled and have therefore developed different attitudes towards credit schemes. These include being proud about the credit schemes, sometimes telling a friend about the schemes, looking forward to the next meeting and a belief that the credit scheme is an important institution in the areas where they operate.

It is important to note that the attitudes given by the respondents show more social attachments to IRCS than an economic attitude. For example, respondents reported having a feeling of being proud to talk and tell their friends that they are members of the IRCS in the villages (56.5 percent). While the economic attitude of using IRCS to solve problems is given less emphasis (15.7 percent). This supports the idea of the social network relation being more important than the economic value of the IRCS. Table 17 below indicates the feelings about the scheme and whether the expectations of its members have been met.

Table 17
Respondents attitude about the Credit Schemes by Expectations
N=90

VARIABLES	YES	NO	TOTAL*
Feel proud about the scheme	61 53.0%	4 3.4%	65 56.5%
Tell friends I am a member	13 11.3%	3 2.6%	16 13.9%
Look forward to the meeting	2 1.7%	1 0.9%	3 2.6%
An important institution	3 2.6%	9 7.8%	12 10.4%
A way to solve problems	17 14.8%	1 0.9%	18 15.7%
Others	- -	1 0.9%	1 0.9%
Total	96 83.5%	19 16.5%	115 100.0%

* Multiple Responses

It was realised that as a result of the membership into the credit schemes, individual members as well as households gained in terms of the new knowledge, experience, skills and some useful information as a result of their participation into IRCS activities. Results in Table 18 indicate that 31 respondents (31.3 percent) have gained in terms of financial management. Others have been able to organize their own businesses and can spend their money got from IRCS contributions and/or dividends wisely rather than wasting the money on unproductive activities such as gambling. Secondly, being a member of the credit schemes has encouraged cooperation among village members (19.2 percent) while 19.2 percent claim they have gained nothing as yet. This is because of the new entrants of the scheme who have not yet gained

since the system works on the basis of monthly rotation. Other respondents reported having learnt about proper family management techniques, new farming methods (Farming groups), general development principles, got loans and encouragement to work hard. Table 18 below indicates the distribution of percentages about the new information learnt from IRCS²¹.

Table 18
New information learnt from IRCS
N=90

VARIABLES	RESPONSES*	PERCENTAGE
Financial management	31	31.3
Encourage cooperation	19	19.2
Family management	7	7.1
Advice	6	6.1
New farming methods	6	6.1
How to get a loan	3	3.0
General development	4	4.0
Encourage hard work	4	4.0
None	19	19.2
TOTAL	99	100.0

* Multiple responses

The credit schemes have been sustained because of their beneficial effects on the individual households. The respondents believe that most members and their families have gained socially and economically. In this case, people have been able to maintain their families by buying clothes and household items such as plates, mattresses, and cups. They have also been

²¹ By having good family management skills has allowed members of IRCS to have stable family relations, which has encouraged good working relations. This is evident in the number of married respondents of 80 (88.9 percent).

able to pay bride price. This is important because they have been able to maintain their families as husband and wife. This has led to working together as a family unit thus promoting cooperation and equal opportunities for both sexes.

Economically, contributions from IRCS have been used to build houses using iron sheets as compared to the grass thatched houses they used to sleep in. It has also been possible for members to acquire land that is used in the production of food for home consumption and the surplus for sale as well as having permanent settlements. It was, however, reported that members who have stayed longer in the schemes have benefited more than the new members have. In the case of the expectations from the scheme, and expected services from the scheme, it was reported that 94.1 percent of respondents agree that the scheme has met their expectations in various categories. These categories include savings, loans, shares, interests, business advice and cooperation among women. The results are indicated in table 19 below:

Table 19
Expected Services and Whether Expectations were met or not
N=90

Response	Savings	Loans	Shares	Interest	Business Advice	Women's Co-operation	Others	Total*
YES	24 23.5%	54 52.9%	3 2.9%	8 7.8%	2 2.0%	1 1%	4 3.9%	96 94.1%
NO	2 2.0	2 2.0	-	-	1 1.0%	1 1.0%	-	6 5.9%
TOTAL	26 25.5%	56 54.9%	3 2.9%	8 7.8	3 2.9%	2 2.0%	4 3.9%	102 100.0%

* More responses were possible

The results in the table above show that 54 responses (52.9 percent) of the people interviewed expected loans, which they were able to get whereas 23.5 percent of the respondents were able to save. On the whole, 94.1 percent of the respondents had their expectations met while 5.9 percent have not yet realised their expectations.

Regarding whether the expectations of the members were met and the rank of the different organizations that a person belongs to; 96.3 percent of the respondents had their expectations met while 3.7 percent had not yet achieved their expectations. For instance among the *Bataka Kwetarana* group, 40.2 percent answered positively (Yes) as compared to 1.2 percent who answered in the negative (No). In the women's group, 12.2 per cent have had their expectations achieved while 2.4 percent had not yet achieved their expectations.

Likewise, 91.5 percent of the people who belong to different organizations had not yet formed new sub-groups within the main organizations while 8.5 percent having formed sub-groups. These included bee keeping and farming groups, credit and savings schemes but were very negligible. These results indicate that a significant number of people who belong to the operating scheme have not yet formed sub-groups because of the satisfaction they have with the existing schemes.

Case study number three below is a personal experience of the role of IRCS in area of study as one female respondent Jane narrated it. It illustrates how the informal credit scheme has been of use to Jane. This could apply to thousands of those who are IRCS members.

CASE STUDY 3: The Experience of Jane - a single mother in the Credit Schemes in Kabarole district.

Jane is a single mother with one child. She was born in 1974 in Nyaibanda parish and still lives at her father's land though she has built her own house. She is self-employed as a subsistence farmer. She grows items like groundnuts, beans and Irish potatoes that she sells to get money to look after her child as well as cater for daily household expenditures.

Jane belongs to the Bakyara Kweterana credit scheme²² women contribute 200/= per month plus one kilogramme of beans while men contribute 500/=. Jane argues that since the scheme started, people's livelihoods have improved. People have been able to buy domestic animals like cattle, which were not in the village originally. She says, "Some people are not used to doing businesses but you find they have improved on the what they used to be".

The Bakyara Kweterana credit scheme members who meet every second day of the month has about 120 members. The initial contributions are 5,000/=. After one has contributed and registered as a member, a person is free to come and borrow at a 10% interest. Whoever wants to borrow money from the credit scheme has to have a guarantor. In case the borrower defaults, then the guarantor pays the money with interests. "The interest money generated is used for cutting timber which brings in additional income to the credit scheme. Sometimes when a member dies, the timber is then used to make a coffin at no cost." Jane contends that the benefits from the credit schemes are useful. "When I got my contributions, I bought 12 Iron sheets and built a house. If I were not a member, I would not have achieved what I got. My father in his credit scheme he belongs recently got 160,000/= from 16 member. Each contributed 10,000/=. He also got about 400,000/= as other contributions from members."

Jane says that when a member defaults on payments, he/she is supposed to be arrested and prosecuted in the courts of law. But this is rare and takes time to happen. "We do not cheat each other. If the time has come and one has no money, you can explain to the person that I will bring the money in the near future. For me, I cannot afford to stand in front of the public because of the defaulting. I always make sure that I do not default".

6.2 Community Livelihoods

6.2.1. Social Capital

The improvement of community livelihood in this section implies the changes that have taken place in the community to better the lives of the people. The understanding of IRCS impact on community livelihoods will involve a critical assessment of social capital, women's empowerment, and how people view about the benefits achieved and their use. Indicators of

²² This is the equivalent of the men Bataka Kweterana credit scheme. The *Kiiga* version is the *Katwezikye* Group

livelihood as mentioned by respondents include iron sheet roofed homes, a family, a bicycle, land and having friends while welfare involves ability to have a variety of food crops in the store.

Social capital in this dissertation will mean knowing other people in the credit scheme that have been so helpful in the network relationship as well as the fulfillment of the social contractual obligations. In the process, members are able to relate with other members as they build the mutual trust as well as widening the social network relations. This indicates that through the credit schemes, a member has known other people who are/may be able to assist in case of problems as well as the backing of society one can be proud of. For the respondents gender and knowing new members of the credit schemes, the findings suggest that both men and women have known other members through the credit scheme (**P-value of 0.000944**). Likewise, for the respondents' gender and knowledge of new people through the credit schemes, the results point to the fact that both men and women have known other new members of the scheme which has enhanced their network relations in the community (**P-value of 0.02007**).

Table 20
Known new people through IRCS by Sex of the Respondents
N=90

Known new people	Sex of the Respondents					
	Male		Female		Total	
	No.	%age	No.	%age	No.	%age
Yes	41	48.2	17	20.0	58	68.2
No	12	14.1	15	17.6	27	31.8
Total	53	62.4	32	37.6	85	100.0

$X^2 = 0.02007$ $P < 0.05$

It is particularly interesting to note that 61.6 percent and 33.7 percent of males and females respectively agree that they have known the people through the scheme while 4.7 per cent of females had not met any new members. Also 48.2 percent and 20.0 percent of males and females respectively have known people through the scheme yet 14.1 percent and 17.6 percent of males and females respectively have not known new people through the scheme.

In the study, respondents were asked what the impact of IRCS on the general community livelihood were [question NO. 54 (I)]. The results are presented in table 21 below. The results indicate that IRCS have generally improved village welfare (49.5 percent) coupled with general developments in their areas (28.0 percent). Members to buy items that they desire like furniture, bedding, soap and salt for their households' use attributed this community livelihood to the ability.

Table 21
IRCS Impact on the General Community Livelihood.
N=90

VARIABLES	RESPONSES*	PERCENTAGE
Improved welfare	46	49.5
General development	26	28.0
Cooperation	6	6.5
Not yet felt	6	6.5
Do not know	4	4.3
Increased food prod.	3	3.2
Built houses	2	2.2
TOTAL	93	100.0

* Multiple responses

Some FGD Participants commended the IRCS activities because, according to their assessment, rural livelihood has improved. One of the women participants noted that *“most people/village mates have built houses with iron sheets out of those credit schemes.”* Livelihood at household, village and community level has improved as indicated by the type of dressing i.e. good clothes being bought members, better houses built, better household items bought e.g. metallic cups, saving capacity for any emergence at the household level. One of the participants remarked that *“I have managed to buy household items like metallic cups and metallic plates and I no longer use plastic cups.”* Women suggested that IRCS could be improved for better results by educating most women on the importance of informal credit schemes first because the majority does not know yet the significance of women schemes. Second, is by encouraging meetings on a weekly basis so as to discuss important issues which will enhance quick development in the area and unity among women including none members. Third, by availing local people credit facilities like *‘Entandikwa’* loans at a lower interest rate.

It was also reported that improvement in the quality of life²³ is attributed to feeding in the households as well as the nature and type of clothing members use. The respondents noted an improvement in the quality of feeding in the households (63.1 percent) which has enabled them to be strong and thus work towards further improvement of their quality of life. It was also noted that having improved feeding and/or good feeding to others meant the ability to buy meat while 13.1 percent had not yet felt the impact. These were generally taken to be recent entrants in the schemes. The impact of IRCS was also reported in the clothing of its individual members. About 61.6 Percent of the respondents mentioned an improvement in the outlook of their members as an effect of IRCS. This was attributed to members being able to buy new clothes and/or bedding for their household. whereas 11.6 percent had not yet felt any impact possibly because of their new membership to the credit schemes.

²³Quality of life herein referred to is the same as improved community and/or individual livelihood.

6.2.2. Satisfaction with IRCS

The majority of the respondents were satisfied with both the organization and operation of credit schemes in the areas visited (94 percent) as compared with 6 percent who were unsatisfied. The reasons given as to why they were satisfied include financial assistance advanced to them (56.4 percent) as well as the whole idea and practice of IRCS was development oriented and nothing had gone wrong as yet (35.9 percent). There has also been increased cooperation and efficiency in the agricultural sector especially among women as well as the ability to cater for the sick patients in the area. Whereas those who were unsatisfied with IRCS operations mentioned lack of cooperation and distrust within members. As regards being pleased with IRCS and IRCS embracing all categories of people; the results indicate that they are not dependent on each other (**P-value of 0.22697**) see Table 22). An organization of IRCS can be embracing of all people but members may not be pleased with it.

Table 22
Embracing all Members and Satisfaction with IRCS
N=90

Embracing all Members	Satisfaction with IRCS					
	YES		NO		TOTAL	
	No.	%age	No.	%age	No.	%age
Yes	72	87.8	3	3.7	75	91.5
No	6	7.3	1	1.2	7	8.5
Total	78	95.1	4	4.9	82	100.0

$X^2 = 0.22697$ $P > 0.05$

The general assessment of community livelihood will also most likely depend on the period the informal credit schemes have been operating in an area. The results indicate that the amount of time the scheme has stayed in the area and community's livelihood is dependent on each other or related. The more time a credit scheme has been operating in the area, the greater the possibility of it being useful to the community. For instance, 43.0 percent of the respondents whose livelihood has been improved say the scheme spent more than 2 years in the area while

20.4 percent say it has spent between 1 - 2 years and 19.4 percent do not know. Those who say they have not yet felt the impact of IRCS have had the credit scheme in the area for a period ranging from about 4 months to 2 years (6.5 percent).

By being a member, a person is able to get loans (66.7 percent), keep money as savings (23.1 percent), and there is most likely going to a community sense of ownership of the credit schemes (5.1 percent). They are also able to get dividends/payment out of the scheme and it is close by. The table 23 below illustrates the benefits of being a member of the credit schemes.

Table 23
Benefits of being a member of the credit schemes
N=90

VARIABLES	RESPONSES*	PERCENTAGE
You can get loans	78	66.7
Able to save money	27	23.1
Ownership of the scheme	6	5.1
Able to get dividends	2	1.7
Proximity (in the village)	2	1.7
Others	2	1.7
TOTAL	117	100.0

* Multiple responses

It was noted that 53.4 percent of the respondents feel good about the scheme while 65.2 percent got loans as a benefit. More than a half of the respondents (n=60) who got loans say the credit schemes are good (37.3 percent). Also 11.2 percent think that the credit schemes can be a solution to peoples problems and 8.7 percent feel proud to tell their friends that they are members. While 9.9 percent who have had money savings from the scheme feel that the scheme is good. One person (0.6 percent) does not know the benefits as well as cannot state the feelings about the scheme.

6.3 IRCS and the Women's Empowerment Process²⁴

A gender analysis done by FGD participants indicated that there is gender-based division of labour with the different societal activities. These include the "reproductive"²⁵, productive and community activities. It was discovered that women were doing most of the reproductive activities in the homesteads. These include child rearing, home keeping, family health care, fetching water and firewood. In the same way, men did most of the community activities like construction of latrines and providing school fees. Some of the community activities were being shared/done together by men and women like attending ceremonies such as marriage, burial, funeral rites and church activities. But as regards access and control, it was reported that all family members were accessible to resources while men controlled them.

Women's participation in IRCS activities is an important indication of empowerment because of the responses given by the respondents. This is evident in the responses obtained regarding IRCS impact on women's empowerment. They include 41 respondents (N=90) who say that women have now got money are able to fulfill their needs as women (39.4 percent), while 27 respondents (26 percent) have become economically independent from male domination. One respondent observed that:

Women now days are able to make their own money and decisions. They even spend their money from IRCS without consulting their husbands.. We do not entirely depend on men (18-year-old married female respondent, Kihumbya Village)

The women believe that they are now independent and are able to make some money (for the husband), which then can preserve the marital status. In the same way 13.5 percent of the respondents think IRCS have encouraged women to cooperate among themselves.

²⁴ Empowerment in this case is used to mean self-sufficiency, independence in terms of decision making and ownership of property.

²⁵ The term "reproductive" was used to refer to household activities which are done on a daily routine basis and are intended for the upkeep of household members' welfare.

The results indicate that through IRCS activities, women have been able to interact with new people with new ideas. As regards Gender of the respondents and meeting new members, the results indicate that both women and men equally have met a new person through IRCS activities (**p-value of 0.02007**). The majority of the respondents (80.7 percent) reported that women had their own source of income which is different from their male counterparts, while 19.3 percent reported that women have no independent source of income from the males. The different sources of income for women include farming (40.9 percent) handicrafts (39.7 percent) rotating credit schemes (18.2 percent) and sometimes in joint ventures with other women such as bee keeping.

It was noted that 89.5 percent of the respondents reported that women's membership to these schemes has helped them as compared to 10.5 percent who think that women have not benefited from the schemes. Compared to whether women have separate source of income different from men and how credit schemes have helped women (Question 26 and 28); the results indicate that women's membership to IRCS and having a separate source of income to be highly dependent on each other (**P-value = 0.00290**, see table 24). Table 24 shows the relationship between women income and their membership to credit schemes.

Table 24
Women own Income and Women Membership
N=90

Women own Income	Women Membership					
	YES		NO		TOTAL	
	No.	%age	No.	%age	No.	%age
Yes	67	78.8	10	11.8	77	90.6
No	4	4.7	4	4.7	8	9.4
Total	71	83.5	14	16.5	85	100.0

$X^2 = 0.00290$ $P < 0.05$

Women participants in the FGD noted that with the benefits from IRCS, they are able to progress without the tutelage of the male counterpart. They believe that they are able to survive independently unlike their colleagues who are non-members. The survey respondents say that women have benefited a lot the financial assistance in form of loans that they normally get (45.9 percent). Also, 18.4 percent of the respondents noted that women have gained in terms of improved incomes where they can buy household items on their own. This was supported by key informant responses that noted that:

When I get my money from IRCS, I always do what I want
(female key informant)

They are able to buy what they want and do not bother husbands **(male key informant).**

They used to harass women with bride price but now a woman can use income from the schemes to sue the man **(female key informant).**

The responses above are very significant to women's emancipation from male domination as well as towards their empowerment because women who have their own source of income are free to do what they want in order to improve their welfare and livelihoods. The fact that they can be able to support themselves without any assistance from the men shows the impact of IRCS in the empowerment process. This is indicated in the responses they gave. For instance, women respondents agreed that they could now sit with men and plan together. This was confirmed by the male FGD participants that

I always cooperate with my wife on what do with the IRCS contributions whenever I get it... **(male FGD, Kigarale Parish).²⁶**

²⁶ One key informant reported that her husband had stopped giving her any assistance he used to give. He had virtually refused to look after her and the children because he thought she had the money to support the family.

Women's participants in the FGD reported that by being members in credit schemes has helped them create friendship and increase their cooperation among other women. Thus, in a way have common social ties. They have also been able to improve their collection of household items such as plates, cups, and blankets and learnt some new farming techniques. Secondly, new ideas such as how to prepare food and behave in the family have also been acquired as a result. This has greatly improved their moral values in the family and the community they live in. There is no significant difference between what men deal in and women as reported by the FGD participants. Apart from contributing money to each member of the scheme, women engage in farming activities with other members.

The sources of income for the women according to survey respondents include farming (40.9 percent), handicrafts (35.2 percent), credit schemes (18.2 percent) and knitting table clothes (4.5 percent). The study also looked at the respondents' view on how the credit schemes impact upon women empowerment. The results also indicated that 41 respondents gained financial support (39.4 percent), and 27 respondents have gained economic independence (26 percent). While 14 respondents (13.5 percent) noted that participation in IRCS activities has increased women cooperation in the areas visited and 5.8 percent say that they have gained access to credit facilities.

Participants in the FGD argued that the women's daily livelihoods have been improved tremendously by their self-reliance drives due to the economic independence. Women are able to pay and/or supplement school fees for their children while others have built houses. These houses are iron-roofed unlike the previously grass-thatched ones. This marks a departure from the male-dominated economic survival of the females. The fact that the women are able to do activities, which previously were being done by men, is a great stride in the women's empowerment and emancipation drives.

6.4 Resource Allocation and Use

This section deals with how the resources that accrue from informal credit schemes are allocated and used. By 'resources' here is meant the rotational contributions and interests from IRCS to the individual members. Respondents were asked what they use the contributions they get for. A summary of their responses by gender is indicated in table 25 below.

Table 25
Use of IRCS Contributions by gender
N=90

Use of IRCS contributions	Sex of the Respondents					
	Male		Female		Total*	
	No.	%age	No.	%age	No.	%age
Health care	42	32.1	18	13.7	60	45.8
Buy household items	31	23.6	18	13.7	49	37.4
Buy farming materials	5	3.8	2	1.5	7	5.3
Pay back debts	3	2.3	2	1.5	5	3.8
Buy food	-	-	3	2.3	3	2.3
Business investments	1	0.8	2	1.5	3	2.3
Build house	2	1.5	-	-	2	1.5
School fees	1	0.8	-	-	1	0.8
Others	1	0.8	-	-	1	0.8
Total	86	65.6	45	34.4	131	100.0

*Multiple responses

The table above indicates that 45.8 percent of the respondents use their IRCS resources for medical emergency whenever there is a patient in their families, 37.4 percent buy household items. Others spend IRCS resources on buying farming materials such as seeds (maize, beans, clonal coffee) and implements like pangas and hoes. Also others use their resources to pay back the debts they would have incurred in the period they were not legible to get the rotational contribution. Whereas some respondents invested in business as well as food,

others have used the resources from IRCS to put up a house. It was learnt from women respondents that resources obtained from IRCS help members to pay for medical services, buy household items such as clothes, iron sheets, domestic animals (goats, pigs) pay school fees and Graduated tax.

Apart from what they get from IRCS, members reported to have some reciprocal roles they play in IRCS. They include being an advisor in the scheme (44.4 percent) chairperson/vice chairperson, Secretary/Vice Secretary, Storekeeper while others talked of having no reciprocal roles (34.5 percent). This indicates that apart from being just a member to the scheme, one has some other roles to play in the scheme. A look at gender segregated use of IRCS contribution indicates that females mostly buy food while males mostly pays school fees and builds a house. In other activities, both males and females participate equally. For instance, medical emergency (males - 32.1 percent, Females - 13.7 percent), buying household items (males - 23.6 percent, females - 13.7 percent). Ones marital status greatly influences whether a person will be able to use IRCS contributions.

The results indicate that 118 responses (90.1 per cent) that use the IRCS resources are married with 41.9 percent (55 responses) spending their resources on health care expenses. In all, 45.8 percent (60 respondents) spend their resources on health care, 37.4 percent (49 responses) on household items as well as 5.3 percent (7 respondents) on farm materials. The most interesting scenario is on the column of unmarried respondents where nobody spends on building a house and school fees. It was realised that in the expenditure ranking, marital status influences expenditure patterns. As one participant from the FGD reported

I encourage my husband after finding out from a friend that the schemes/clubs were very useful... And now we are all members... (female participant, Kigarale FGD)

6.5 The Formal - Informal Linkages and IRCS in Kabarole district

This section addresses the linkages between formal and informal organizations that are involved in the credit and savings activities. It is this sectoral linkage that indicates a competition and/or collaboration in order to bring the best results for the members. Among the respondents interviewed, 91.8 percent were not members of governmental organizations in the areas visited apart from the local council system while 8.2 percent were members of governmental organizations such as the Uganda National farmers association and Youth groups. The endeavors by local communities to organize themselves through formation of social networks indicate a form of coping mechanism to fill the missing link in the area. The fact the governmental and non-government sectors call for the assessment of the contributions to rural livelihoods in Kabarole District. This is indicated in the responses regarding governmental organisations as bureaucratic institutions.

If I have a sick child, a neighbour will know that the child is sick since we stay in the same village and it will be easy to get assistance. But in the government-related assistance, the child would have died long time ago before you get any assistance (Male key informant respondent, Kihumbya parish).

The majority of the respondents, though not members of the governmental organisation, were able to give what differentiates the formal from the informal organisations. About 56.4 percent could not tell the differences between governmental and non-governmental organisations because they did not know, 21.8 percent thought they were organizations that are supported by government while 14.5 percent say that there is no saving and borrowing in the governmental organizations. They noted that informal schemes are for saving and borrowing, and not political functions where people join together with common objectives of working towards improving their livelihoods. The case study below gives an example of a semi-formal organisation in Nyantungo sub-county.

CASE STUDY 4: MWENGE RURAL TRAINING AND DEVELOPMENT ORGANISATION (MRTADO).

This is a local non-governmental organization registered with the Ministry of Justice under the Registrar of companies department. It started in August 1997 as a limited liability company by guarantee with 15 founder directors. It now has 240 members. It started as an NGO to empower and uplift the socio-economic standards of the people in Mwenge using savings and credit facilities as a tool for self-sufficiency. The main target is the youth, women and other grassroots associations.

The main objectives of the MRTADO credit organization are:

1. Empowerment of economically active and marginalized groups in the community like the youth and women.
2. Fostering socio-economic justice and self-reliance for the alleviation of poverty through the provision of loans to rural poor who lack access to credit sources.
3. Training of the rural community in management, technical and business skills.
4. Provide training in micro finance management for the delivery of sustainable savings and credit services to the rural community.

MRTADO is now mainly engaged in training local people on financial progress at the household level, mobilising savings and giving loans (soft or short-term) to the vulnerable groups in the community. For one to get a loan from MRTADO, a person or organization must be a member²⁷. The organisation in most cases funds projects and not personalities. The programme manager said: "If the project is viable, we fund it. But one must have applied for the money. In most cases, we visit the project site and evaluate it. If it is found to be viable, then we first call the proprietor(s) for training. We fund up to 50 percent of the project worth." The organisation has so far advanced 40 loans. These have been given both to individuals and groups to a tune of 16 million shillings. The loan period is about 3-6 months and can fund projects even less than three months. The loan in MRTADO carries an interest of 4% per month while the savings fetches an interest of 3% per annum.

Most of the loans have gone to individual borrowers. The organization target was a group rather than individuals because the loan recovery expenses are less on groups than it is to the individuals. According to the programme manager, they have funded individuals from 100,000/- - 200,000/= while group loans are between 500,000/- - 1,000,000/=. The majority of borrowers have been in business oriented activities like market vendors, drug shops, schools and cash crop traders (beans and coffee). Applications are from all walks of life. Most of the applicants have a problem of what business to engage in. Many applicants want to begin shops, which are long term businesses unlike the organisations preference of short-term loans. The programme manager noted: "For us, we wanted to move away from the Bank system, which requires a tangible collateral. We look at the businesses as they are. In this regard, we require that the borrower keeps 20% of the loan amount at the Bank account and must be guaranteed by a substantial guarantor²⁸. For group borrowers, they normally guarantee themselves."

²⁷ A member is the one who has registered with the organization by paying 5000/= each. Secondly, you are required to open an account with the organization with a minimum deposit of 10,000/=

²⁸ A substantial guarantor is a person who can be trusted and has a good public standing or respect. The Programme manager referred to one case where a member wanted a loan of 200,000/= but was not trusted enough. He brought some one as a guarantor but ended up paying because the borrower did not come back to service the loan.

The major achievements of MRTADO so far are:

- i) The membership has grown from 15 core members to 240 members;
- ii) The organisation has 130 savers or account holders;
- iii) Bank of Uganda has recognised the organisation by training 3 staff members as part of capacity building.²⁹
- iv) Bank of Uganda has given office equipment like a safe filling cabinets, furniture worth 2,660,000/=

The major problems facing MRTADO are:

- i) Lack of capital. As the programme manager noted; “The organisation cannot finance all the applicants. There are many people who want loans but we cannot afford to do so effectively.”
- ii) Lack of transport facilities to reach the people in the outlying areas.
- iii) In some areas, people have failed to pay back the loans. This is because they diverted the loans to other activities.
- iv) Lack of training for staff and the clients.
- v) The closure of banks by Bank of Uganda greatly affected the operation of MRTADO. Most clients withdrew the money they had saved in the organisation.

On people’s perceived preference between the informal schemes (IRCS) and other organizations in the area, the answers were quite varied. About 45.8 percent had no immediate answer to their perceived preferences while 22.9 percent would prefer both formal and informal schemes. About 20.8 percent of the respondents preferred IRCS because they benefit from them than in the formal sector. About 10.4 percent prefer formal organizations like Banks because they think that there are few defaulters than in the informally constituted

²⁹ Bank of Uganda has trained staff in bookkeeping, group formation, resource and business management, saving mobilization and techniques, micro finance based practice and budgeting.

schemes. This, they believe is due to the mismanagement of finances in the IRCS including repayment problems while some schemes are new and their trust and credibility is still doubted.

It was reported that IRCS are not related to the formal organizations because the formal sector needs a lot of money to join. Hence local people do not know much about the relationship between IRCS and the formal sector. Most people prefer IRCS/informal groups because conditions/ rules governing IRCS are flexible, cheap and easy to join. Secondly, there are limited bureaucratic procedures i.e. can get financial assistance any time you want. Regarding whether membership to formal organizations is related to their educational achievement, the results point to the reverse. With a P-value of 0.73939, we can argue that membership to the formal organizations like LCs is not dependent on educational attainment. The percentage of the responses in the formal education (34.1 percent) is almost the same to primary 1-4 (32.9 percent) as well as primary 5-7 (22.4 percent) or none membership to formal organizations. Particularly interesting is the absence of members of IRCS who have attained secondary/junior education. Table 26 below gives a visual impression of the results.

Table 26
Membership to Formal Organisations by Educational Attainment
N=90

	No formal Educ.	Primary1-4	Primary 5-7	Secondary/Junior	Total
Yes	2 2.4%	2 2.4%	3 3.5%	- -	7 8.2%
No	29 34.1%	28 32.9%	19 22.4%	2 2.4%	78 91.8%
Total	31 36.5%	30 35.3%	22 25.9%	2 2.4%	85 100%

$X^2 = 0.73939$ $P > 0.05$

CHAPTER SEVEN

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

7.1 Social network and informal rural credit schemes

The social network analysis presupposes that people are linked together by inter-personal ties. With common interests acting as the building blocks, people come together and form credit schemes that help them to improve their livelihood. The common interests can develop among village mates, age mates and possibly friends. This network relation based on common interest may lead to the possibility of people recognizing that they share similar problems in their different day to day lives. These may include absence of health centres and poor road net works.

The networks that are formed are understood, in this case, in the bigger social network contexts. In other words, there is likely to be a close link in the determinations of the networks formed by the socio-economic factors such as tribes, sex, age and economic status in the community. In the case of the informal rural credit schemes formed, it can be said that within each network there are large and yet others are small groups. Such networks operate within the wider network in the community.

These different types of structuring of networks manifest themselves in the form of informal credit schemes in Kabarole. In other words, many people who belong to one type of IRCS may also be in another group. The outcomes of this structuring in Kabarole district are the cluster that is formed. These include *Engozi*, credit and savings schemes, farming and burial groups. These large social networks or cross-community ties place a lot of pressure on the small individual network relations as to cause competing demands on the individual communities.

It should also be noted that such credit schemes have a sort of cross-link with other groups as well as individuals in the community. By implication, therefore, the improvement of the individual as well as community livelihood is a result of both individual and group social network relations within the community. Some of the credit schemes found in the rural areas possess strong or weak ties depending on the resource base in the community. These resource bases may, in some cases, be differentially distributed as to cause improvement in the livelihoods of the rural dwellers. Therefore, on the basis of the study findings in Kabarole district, this chapter on discussions is grounded on the following components:

- the formation, dynamics and operational patterns including the types, forms and structure of informal rural credit schemes in Kabarole district;
- the gender differences in the network formation of informal rural credit schemes;
- the contribution of informal rural credit schemes to the improvement of rural livelihoods; and
- the linkages between formal and informal credit sectors in Kabarole district;

7.2 Formation and Operational Dynamism of IRCS

Informal rural credit schemes are institutions or organizations that are not regulated by formal laws. These include Rotating Savings and Credit Association (ROSCA), commercial lenders, friend, family and non-commercial lenders (Aryeetey, 1995). These institutions seem to be responding to the need for the improvement of rural livelihoods in the rural areas, which hitherto have been neglected by the formal financial sectors.³⁰

As a result of the neglect, people in Africa have come up with different forms of network ties in form of informal rural credit scheme (see Adjetey, 1978; Ashley, 1986 on Ghana;

³⁰ Formal financial institutions are the ones which are regulated and licensed and often under banking laws.

USAID, 1989 on Senegal; Chipeta and Mkandawire, 1991 on Malawi and Aredo, 1993 and Mauri, 1987 on Ethiopia). In Ethiopia, Mauri (1987) and Aredo (1993) reports of the mutual assistance association called *Iddir* and *Iqqub*. Members do primarily encourage mutual assistance that is not necessarily financial in nature that forms many of such credit schemes. For example, the *Iddir* in Ethiopia embraces family or ethnic groups that seek to support each other in times of personal or household crises. In other words, they are designed to perform mainly the insurance function (Aryeetey, 1995). They are the equivalent of the *Kabuta Kweterana* schemes (case study 1) and *Muno Mukabi* in Buganda, Uganda as well as *mbooa* groups in Ghana.

The development of informal credit schemes follows particular socio-cultural and economic factors. The results of age as an important factor clearly confirms what Bouman and Lembete (1995) found in South Africa that the requirement of trustworthiness and the ability to pay or at least the inability to varnish in thin air was a must. Thus some credit schemes specified that members should be adults and of a particular age group. In South Africa, the requirements were: same occupation, church, residential areas, small bands of close friends and sometimes family members. This could possibly points to the aspect of social networks based on similar interests and characteristics. It is not possible to confirm in this study that occupation is a requirement in IRCS in Kabarole district but what was reported is that the majority of the people are engaged in farming activities. The difference could be in the area of study. Kabarole district is in the rural area while Cape Town is an urban area.

The results from this study also indicate that marital status is highly related to membership. In most cases, members credit schemes prefer a person who is married because of the trust married people are assumed to possess. The community believes that a person who is married has a high chance to be honest and trusted. However, there was

some preference of the unmarried members by the unmarried because of the belief that they have fewer problems and are most probably easily relied upon for repayment and contribution. The reverse is true of those who are married who think that the married have responsible behaviours than the unmarried.

Regarding the source of income, most of the members of IRCS were engaged in farming as a source of income. However, there are other sources of income that includes trade, handicrafts, brewing and casual labour. It is important to note that many of the major sources of income to members are based on gender. In other words, building construction is for males and handicraft is entirely a female activity. Most of these activities do not really fetch a lot as to make any significant effect in the deposits of IRCS.

Education has often been assumed to be an essential factor in the formation of IRCS. The IRCS in Kabarole district have not yet grown to a level that they can now turn to semi-informal credit schemes. In this case, education was expected to be a very significant indicator of progress and network formation but results indicated otherwise. Most savers are of low educational background and there is no evidence to indicate that this is a very important factor. This study shows that males were more educated than females (also see, Bouman and Lembete, 1995).

It is possible in this study to confirm what Bouman and Lembete, (1995) found in Cape town, South Africa that credit schemes are composed of both sexes. In most cases the credit schemes that are formed vary in size and mode of operation. Thomas (1989) based on the fieldwork done in Cape town, South Africa came up with three basic categories of credit schemes formed. First, there are credit schemes where members are few and deal with relatively small amounts of money. In Kabarole district, such categorization describes groups like *Bataka Kweterana* and *Bakyara Kweterana* groups. These normally

operate as saving groups only. The second categories are groups that operate with a specific item in mind to purchase for a particular member like a bicycle or iron sheets. Such groups may also have additional funds to lend on interests like kabuta burial and saving and credit group in Kihumbya. In this second category, there is no rotational contribution of money. The third group is where members deal in very large sums of money at very high interest rates. Thomas's third categorization was never found in the areas visited in Kabarole district but case study 4 could be a good example. The problem is that MRTADO is a semi-formal organisation yet Thomas's categorisation is in the informal sectors. There were some credit schemes based on religious beliefs but these did not form part of the research because they fell outside the scope of this study.

It is important to point out at this time that being a member of the credit scheme allows one to make new friends. This in a way widens the social network relationships among community members. Thus, problem solving becomes easier in a community than in an individual relationship. In fact being a member of the credit schemes makes it easier for members to access new social network relations. However, it does not follow that household head determines whether one becomes a member or not. This suggests that both the subordinate and super-ordinate members of the household may become members without interference. There are some exceptions in the community who said they normally consult with their spouse about IRCS activities. Amongst them are people who are married. The plausible explanation to this relationship is that married couples act together. Thus, in order for them not to appear as being dishonest to each other, there must be some consultations. In most cases, the membership to credit schemes varies from location to location as well as country to country (see, Bouman (1977) on rural Cameroon; Aryeetey (1994) on the *Susu* groups in Ghana; Chipeta and Mkandawire (1992) on Malawi groups as well as Aredo (1993) on the *Iqqubs* in Ethiopia).

In order for the network relationship to flourish and lead to improve livelihoods in rural areas, there are some conditions that must be fulfilled in order for other people to become members. These include being a member of the same village as well as being able to fulfill the condition of the scheme. There is no indication in Kabarole district that network formation depends on clan relations. What was reported, however, is how the Bakiga migrants who came from Kabaale district initiated the credit schemes. In some instances, women in Kabarole have formed credit schemes purely for themselves. They have not allowed men as members for fear of losing their control over the scheme leading to bankrupt (See what Nelson, 1995 discovered in The Kiambu group in Mathane valley, Nairobi).

7.3 Group and Individual Social Networks

In rural Kabarole, there are a number of network relations that are formed to enhance people's rural livelihood statuses. They include men and women's self-help groups saving and credit schemes, health related schemes ("*Engozi*") and farming organisations. In most cases, members come together because of a particular need they would like to fulfill in order to better their lives. The individual members argue that it is from credit schemes that they can solve their problems. In other words, there is a recognition that group network is important than individual networks. This is evidenced in the nature of the names they give to their credit schemes. For example, "*Kweterana* (United), "*Kweyamba*" (self-help), "*Katwezikyeye*" (lets bury ourselves) and "*Yahura Yohoza*" (saving and credit) schemes.

Seibel (1989) identifies four different types of associations in Africa. These include rotating savings associations (RSA), Rotating savings and Credit Associations (ROSCA), Non-rotating savings Associations (NRSA) and non-rotating savings and Credit Associations (NROSCA). Other various forms of credit associations also present in

Africa (Miracle, et al., 1980; Bouman, 1994). This indicates that IRCS in Kabarole district is not an isolated case.

The need orientation is an important factor when analysing social network relations in credit schemes and how they could lead to improving rural livelihoods. In most cases, people turn to their relatives, neighbours and friends as well as credit schemes for people whenever they need to solve a problem. Such sources are sustainable since many people know each other personally. Secondly, there is need to avoid the bureaucratic tendencies that bog down somewhat formal systems. In this regard, people would argue that in IRCS, there are financial services being offered that leads to the general welfare improvement and development in the area.

It should be noted that to become a member of the Credit Schemes follows certain rules and regulations as laid down by members. In most cases, members use age, sex village mates and the level of trustworthiness and reliability for payment as criteria. In some groups, new members are required to pay the equivalent of the shares they have invested in the schemes. But all this normally takes place after a person has applied for membership in general meeting and should have been supported by a guarantor who in most cases is a senior member of the IRCS.

It is important to recognise that the credit schemes are most times homogenous. Slover (1991) found out in Zaire that the light heartedness of credit schemes rests on the principle of familiarity that engenders mutual trust. Bortei-Doku and Aryeetey (1992) reports how kin associations in Accra, Ghana were not mixing with people of different backgrounds and interests. Members of IRCS interviewed Kabarole district were keen not to allow people from outside their village as this might weaken their network ties built over time. A person who brings the idea of a credit scheme automatically becomes its

leader. In most cases, they argued that people say from Kampala are never trusted and that repayment problems may arise from their inclusion.

The results from the study showed that the poor are among the people not to be trusted because they do not have the required resources to become members. This means that there are no exclusive rights for every one to join the credit schemes. But the definition of the poor is dependent. It could mean a person who is bankrupt or some one who is not trusted. In other words, people who cannot fulfill the contractual obligations are excluded.

The organizational set up many of the credit schemes usually have a chairperson, a secretary, treasurer and a few committee members. The chairpersons are usually the person who convenes members and popularise the idea of starting a credit scheme in the area. It is evident in the data that many of the credit schemes are organized on a rotational basis. For the saving and credit schemes, a party at the recipients home is organized to members to enjoy as they contribute. While the farming and *Engozi* groups are related to the provision of labour and money towards sustainable health services to the members. Members in these groups carry the sick to hospital free of charge and cause to be hired at a fee by non-members. It is believable that the money obtained from hiring out their labour services is invested in the organizations credit and savings arm of the *Engozi* scheme.

Field interviews indicate that there is a system in place, which acts as a check on those saving and borrowing from the credit schemes. In many instances, the prospective applicants usually make the applications. This is normally a verbal application and must be supported by a guarantor. The checks and regulations that are not written anywhere but are known to members by practice helps IRCS operate without defaulters.

Occasionally, borrowing is determined by 'nature' i.e. an individual's poor health conditions. In this regard, rules are usually relaxed to allow the affected member get a loan and solve an urgent problem. This allows members to be flexible and thus operate in the network relation.

7.4 Contribution of IRCS in Rural Livelihood Improvement

The impact of IRCS on individual livelihoods depends on the people's attitudes and/or feelings about the credit scheme. It also follows that people's attitudes depend mainly on IRCS contributions to different individuals. The data indicate that most people spend their funds on household items such as clothes, school fees, food and building from roofed houses. This finding supports what Miracle, et al., (1980) reported that most contributions in Nigeria and Cameroon were spent on consumption goods and for providing working capital. Whereas Chipeta and Mkandawire (1991) reported that in Malawi, about 73 percent of the savings are invested in farm fertilizer, labour, and school fees.

The individual livelihood as determined by IRCS can be measured by the persons' attitude to a credit scheme. In this regard, the data show that many people felt proud to be members of the credit schemes. This in a way indicates that people are positive to IRCS and can access the resources through the social network connection. Many people would even love to tell their friends that they are members and would encourage continued cooperation between members of credit schemes. Secondly, by having farming groups, members are able to improve on the farming skills or techniques. This in essence improves the individual's livelihood. Thirdly, members have gained socially by mobilising money to pay for bride price (men) as well as bring items they previously did not have like mattresses, cups, and plates.

At the community level, improved livelihoods are reflected in the “social capital” of the community. Social capital indicates the relationship of an individual with others in the scheme. It may also act as a social insurance where credit scheme members usually fall on when there are problems. The data shows that there is no gender difference on the access to social capital in the community. In other words, both men and women relate with other new friends through credit schemes very well. This finding suggests that from the formation of credit schemes social network relations are enhanced or cemented further. The social network relations also makes it easier for the formation of credit schemes (refer to the conceptual framework).

The impact of IRCS on community livelihood can also be assessed in different ways. First people felt that by having improved their welfare, to them indicates a good livelihood status. The fact that the community members are able to dress themselves very well, build iron sheet roofed houses and buy metallic cups in their homes shows that IRCS are useful to the people. Also, having good feeding habits at the household level, good bedding facilities and the general outlook of the members of IRCS in public places indicates the improvement in the quality of life in the community.

There is a notable relationship between livelihood improvement and the time the credit schemes have been in existence in Kabarole district. The majority of the respondents whose livelihood has been improved have been in the credit schemes for 1-2 years and above. Hence the more the time credit schemes have been in existence, the more likely the livelihoods of the members will be improved. The more time a person spends in the credit scheme, the more chances are for one to get loans, save money, get dividends as well as enjoy the services of the credit scheme because they are close-by in the village. In other words, they can easily access the facilities rather than go through bureaucratic procedures in the formal sector.

7.5 IRCS and Women Empowerment

Women's participation in the IRCS activities is an indication of women's empowerment. According to Batliwala (1995), empowerment contains the word 'power', which may be defined as control over material assets, intellectual resources, and ideology. The material assets over which control is exercised may be physical humans, financial or properties like land, water, forests, labour and access to money. While intellectual resources include knowledge, information and ideas. Whereas control of ideology signifies ability to generate, propagate, sustain and institutionalize a specific set of beliefs, values, attitudes and behaviour. In this case, therefore, power is likely to accrue to those who control or influence the distribution of both material and non-material resources in the community. Regarding credit schemes, it is possible to claim that women's involvement in the formation, operation decision-making and control of IRCS resources shows empowerment. The fact that they are able to agree and direct how issues of IRCS contribution are done though at a small scale because of the amount of resources involved, is a clear indication that credit schemes lead to women's empowerment in Kabarole district.

It is possible to argue that as women gain access and control over the resources available within their local IRCS, this makes them better off than they were in their traditional position as workers, mothers and wives. This does not only make women influence their immediate environment but also expand their space in economic empowerment and livelihood. The data shows that even their husbands have started giving them freedom to carry on the credit scheme activities freely. However, the problem is that men have normally tended to withhold or completely withdraw domestic support to the household activities such as paying school fees for the children, and other household needs. This is because men believe that women have now got the resources (money) from IRCS to finance the homesteads.

The fact that women are able to talk by themselves, organize themselves, make a few new friends through IRCS shows that there is a process of women's empowerment. The process whereby there is a challenge on the existing power relations, gaining greater control over the sources of power and accessing the social network systems like credit schemes that men use to subjugate women in it is an empowerment process. This is shown in the data in the relationship between women's membership in IRCS and having a separate source of income. The only problem to women's empowerment process is the source of their income like farming, handicrafts, credit schemes, knitting table clothes and mats which is not profitable enough to be sustainable over time.

In most of the responses given, the aspect of increased women's' cooperation normally came out strongly as one of the major impacts of IRCS on women. This supports the idea that social networks develop through IRCS activities. To note also is the way IRCS resources are used by members. Most people spend their incomes from IRCS on household expenditures like health care household items, farming materials, local business investments, pay debts and building homes (see also Miracle, et al., 1980; Aryeetey and Gockel, 1991; and Chipeta and Mkandawire, 1991).

7.6 The Formal - Informal Sector Linkage

The data from the study provides very little evidence regarding the duality of the two sectors of credit provision. The majority of the respondents do not belong to any formal organization except village local councils (91.8 percent). The majority of the respondents could not tell the differences between formal and informal organizations. They only talked of the demand for a lot of money by governmental organizations. People preferred informal organizations because of its flexible conditions and/or rules as well as the limited bureaucratic procedures such as the need for collateral in case of loan acquisition.

The findings support what Chipeta and Mkandawire (1991) found out in Malawi. They report of a minority taking resources sourced from informal credit schemes to formal commercial banks. Aredo (1993) also disputes use of commercial banks by informal credit schemes in Ethiopia. Where they exist, it is minority groups which uses it and gives “security reasons” for its use and in most cases does not expect an interest. Thus, this study does not claim to supplement what other authors have found out that most resources in the informal credit schemes come from the formal sector (see Ghate, 1992; Cole and Pack 1993, Alam, 1989, Larson, 1988; Nayar, 1973; Angel, De Goede and Sevilla, 1978 and Bouman, 1979). Though the semi formal organization (Mwenge Rural Training and Development Organization - MRTADO) exists in the area, it has not yet involved the informal rural credit schemes in the financial mobilization strategies (refer to case study 4). Thus, it is not possible to conclude then that social networks exist or are able to exist in duality between formal and informal credit systems. The need for further analysis especially in regard to rural areas is recommended.

In summary, the discussion has dwelt on the salient points of the informal rural credit schemes and the resultant development of social network relationships in Kabarole district. It appears that the development and operations of IRCS follows particular social network relations among the community. They are normally based on close-knit ties among friends, neighbours and village mates. In some instances, they were driven to success and popularised by the migrant *Bakiga* communities who by their social structure value cooperation among themselves than the indigenous communities. But in most cases, the IRCS formed are on a small scale and there is no clear documentation in terms of their development and operation. It is also imperative to note that IRCS activities have greatly impacted on the individual and community as to cause rural development and/or improvement in rural livelihoods. This is exhibited in the benefits of IRCS and the

process of women empowerment. However, the results do not clearly show how IRCS fit in the formal credit sector. This is possibly because IRCS operate on a small scale deep in the rural areas.

It suffices to note that the formation of informal rural credit schemes follows particular structural characteristics pertaining to the community. For example, age, sex, marital status and socio-economic considerations such as sources of income. It was found out that marital status has a strong bearing on whether one can easily become a member of the IRCS or not. Most people preferred members who are married or unmarried, same age and of sound economic status. This applies to both men and women. The reasons were that when a person is married, there is a high chance for a person to be trusted. This is an important aspect in social network development.

The majority of the members of IRCS are engaged in subsistence farming as a main source of livelihood. In most cases, the farming activities are shared between men and women. But some other activities are like house construction and brewing local brew (*waragi*) are exclusively for men while women are entirely engaged in making handicrafts and taking care of the homesteads. The respondents interviewed mostly spend their income on health care expenses, buying household items, clothes, school fees, buying domestic animals as well as investing the money in small businesses. The results indicated that when a person is a member of the IRCS, chances of meeting and making a new friend are very high. Thus, creating new relations and social networks is easier than it is for non-members.

In most cases, husbands and wives cooperate in matters related to joining and use of IRCS resources in the community. It vital to note that people prefers to form group network relations as opposed to individual networks. The main reason for this trend is that social networks based on groups is much more secure than those based on individuals only. They are

more likely to succeed and have an impact than individuals. Thus, justifying why social networks in form of informal credit schemes exists. This reinforces the assertion that the network analysis could be the best method of approach in understanding the operations of IRCS in rural areas.

Many of the network groups in the rural areas are either savings and credit schemes or Health and “death insurance” groups. Many of the groups have been operating in the area for almost 2 years. This point to the possibility that the informal credit schemes has important contributions to the livelihoods of many rural dwellers. It was reported that getting credit from credit schemes and friends or neighbours was much easier than it would be if one went to the formal banking sectors. Respondents argue that a friend or neighbour is likely to solve a persons problems because they know the person as a village mate.

7.7 Conclusions

The conclusions in this thesis are based on the network analysis in the understanding of the formation, operations, and contributions of the informal rural credit schemes in improving rural livelihoods. Most of the credit schemes in Kabarole district operate on the principle of network relations in order to solve their problems. The informal credit sector acts as a source of support to the rural poor who may not have access to the credit from commercial banks because they require a lot of collateral that they cannot afford. Zeller and Sharma (1998) argue that the failure of the formal sector was its lending based on the collateral system, which has not helped the poor. It is possible then for the socially powerful and the wealthy to appropriate the benefits of the subsidized credit distribution. Thus, the rural poor have found it helpful to join the informal credit schemes in order to alleviate their disadvantaged positions.

The rural poor in Kabarole district have formed themselves in network relations in form of IRCS which help them deal with day to day problems as they arise. Most of the IRCS formed

are small and based on trust, reliability to reciprocate and neighbourhood ties. They tend to comprise who know each other well and can apply group pressure to ensure loan repayment (see for example, Munyakho, 1994).

The major conclusion of this study is that social network relations operate and develop among close friends who have, in most cases, similar problems that act to impair their endeavours to improve their rural livelihoods. The commonest social network relations developed in Kabarole district are the saving and credit schemes, the health providers groups (*Engozi*), the farming groups and burial groups. In all these, members come together and agree upon the mode of operation, how much to be contributed and how many members to be allowed in the 'network'. Some of the credit schemes are for saving members only while others are for accumulation of money so that members can buy items that they lack. The items include construction of an iron sheet roofed house, a bicycle and household items such as cup and plates. The credit schemes operational rules are that borrowing and loan repayment are made the responsibility first and foremost of the organiser, and next, of the entire group to ensure conformity on the part of the borrower. The fulfillment of the IRCS obligations is notable here because the members cannot afford to be disgraced and humiliated among their close friends (see also Wainani, 1990).

The outstanding feature of the informal credit schemes is the fact of local control and responsibility in the allocation of the "ebibiina" money that is contributed. The credit schemes are self-selected peer groups that shape their own organisation and make their own rules. These rules may be based on the age group patterns, sex, social economic and marital status of an individual within the society where they are operating. Such rules are meant for conformity by members as to avoid defaulters and impostors. Thus, the important factor that account for the success of the informal credit schemes in rural Kabarole is that they are limited to small groups of close knit friends who are known to each other. The members trust each others'

financial dealings, saving capacity, credit worthiness, and a good moral standing in the community. This, therefore, supports the idea that network relations are based on people who have common characteristics like common interests, goals, close ties and a common resource base. The link pin in this case is the social contractual obligations rather than the legal contract.

The allocation of the informal rural credit schemes resources does not follow specific gender criteria in the community. Most people are free to receive IRCS contributions as every body does as long as one has made equal deposits. However, the use of such resources on a less scale is gendered. For example, women do not build houses and pay school fees while men do not buy food. The men tend to give up their homestead roles of providing household requirements because women have got income from IRCS.

Finally, the IRCS roles in Kabarole district have been more of an asset than a liability. Members have been able to construct iron roofed houses, provide school fees to their children, bought household properties as well as improving their livelihoods. This has been both at the individual and community levels. In most cases, the facilitation with which IRCS react to members needs cannot be matched by any distant, impersonal banking system. For example, Kirumira (1996) argue that familial relationships and the related social networks offer a strong argument in the explanation of fertility behaviour in central region of Uganda. Secondly, that when one belongs to familial networks and engaging in social interaction involving reciprocal patterns of exchange of services, aid, and social activities has important implications for a persons fertility. This contention similarly applies to the formation, operation, and contribution of informal rural credit schemes in Kabarole district.

7.8 Recommendations for further Research

The study has emphasised the formation, operation and contribution of social network relations in analysing the role of informal rural credit schemes in improving rural livelihoods of the people. The study cannot wholly claim to have exhausted the kinds of network relations that are formed. There is need to demonstrate commitment on the part of other studies coming up after this to the role of network relations in improving rural livelihoods in developing countries especially in assessing their nature, form, dimensions and structure. In this way, poverty alleviation programmes and projects being proposed and implemented could follow the network relations and groups formed. The principle is that network relations in form of IRCS could be exploited positively in livelihood improvement efforts currently being advocated for.

The proposed conceptual framework for analysing the formation and operation of informal rural credit schemes need to be tested with a bigger sample size. Most probably a comparative study between informal credit schemes in different areas, sites and cultural background would help situate properly the role that social network relations play. It suffices to note that participatory research methodologies would be the best methods in the analysis of IRCS activities using the network approach.

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8. What is the occupation of the HH head?

- 1) Farmer 2) Trader 3) Qualified employee
- 4) Artisan 5) Labourer 6) Other (specify) _____

9. What is your MAIN language?

- 1) Rutooro/Runyooro 2) Runyankole/Rukiga
- 3) Rukonjo 4) Luganda
- 5) Swahili 6) Others (specify) _____

SECTION 3: Mode of formation and operation of IRCSS.

10. What are the various sources of income for your household?

11. Can you rank the above sources by way of preference

12. What are the major items on which you spend household income? (Rank them)

13. If your household runs out of money, or is in need of extra money, what do you do?

- 1) Borrow from friends/relatives
- 2) Borrow from neighbours
- 3) Stay without money
- 4) Work hard/look for work
- 5) Withdraw money from savings
- 6) Go to a lending organisation/institution
- 7) Sell some produce
- 8) Sell a household item
- 9) Call on my debtors
- 10) Others (specify) _____

14. I would like to find out the different organisations, societies, schemes/clubs operating around here which allow you to keep/save or borrow money (*ask respondent to list them*).

15. Are you a member of any one of the above?

- 1) Yes 2) No

16. If Yes, What made you join?

17. What services did you expect to get when you joined?

- 1) Saving
2) Loan
3) Shares
4) Dividends
5) Get profits/interest on savings
6) Get business advice
7) Others (specify) _____

18. How can you rank the schemes you belong to (1 to 4 as the lowest)

19. About how long ago did the informal credit scheme start in this area?

- 1) In the past 3 months
2) 4 - 6 months ago
3) 7 - 12 months ago
4) between 1 and 2 years ago
5) Longer ago than 2 years
6) Don't know/remember

20. How did you first hear/know about the credit scheme?

- 1) Friends/neighbour/relative told me about it
2) Attended a general meeting
3) Attended a meeting called by the LCs
4) Someone visited to tell me about it
5) A friend encouraged me to join it
6) Saw others benefit and I joined
7) Others (specify) _____

21. Can any one become a member?

- 1) Yes 2) No

22. If no, why?

- 1) Not enough money to join
- 2) Do not know enough about it
- 3) Loans are not easy to get
- 4) Savings are restricted
- 5) Others (specify) _____

23. What type of people can become members?

24. What type of people cannot become members?

- 1) Men
- 2) Women
- 3) The young
- 4) The old
- 5) The rich
- 6) The poor
- 7) People who are untrustworthy
- 8) People we do not know well
- 9) Any one can join
- 10) Others (specify) _____

25. What are the criteria for joining?

SECTION 3: IRCSS and Gender Relations

26. Do women have their own source of income, which is different from their male counterparts?

- 1) Yes
- 2) No

27. If yes, what is the source?
28. Has women's membership to these schemes helped them in any way?

- 1) Yes 2) No

29. If yes, how has it helped them?

30. How has the scheme affected women's daily livelihood in this area?

SECTION 4: ORGANISATION AND OPERATION OF IRCS

31. Who brought the idea of IRCS in this area/village?

32. What do you think were the major reasons for starting that scheme?

33. How is the organisation of IRCS done?

34. Are you pleased with it?

- 1) Yes 2) No

35. If yes, why?

36. If no, why?

37. Do IRCSS embrace all categories of people?

1. Yes 2. No

38. If no, why?

39. How are people who run the scheme selected?

SECTION 5: PERCEPTION OF LIVELIHOOD ENHANCEMENT

A: SOCIAL CAPITAL

40. Do you know other people who are members of the scheme?

- 1) Yes 2) No

41. Have you met any NEW people through the scheme?

- 1) Yes 2) No

42. Have you formed any sub-groups as members of the scheme?

- 1) Yes 2) No

43. If no, Why?

44. If yes, What are those groups?

45. What new information have you gained from the scheme?

46. How do you feel about the schemes

- 1) I feel really proud to be a member
- 2) I like to tell others that I am a member
- 3) I look forward to going to the meeting
- 4) The scheme is an important institution
- 5) To me, the scheme is another way of solving your problems
- 6) I have met a lot of new people at the scheme
- 7) Directors of the scheme should be men only
- 8) Directors of the scheme should be women only
- 9) Others (specify) _____

B. CONTRIBUTION OF IRCS TO RURAL LIVELIHOODS

47. Who do you think has benefited most from the scheme(s)?

48. How does it work?

49. What are the conditions/procedures for saving in the scheme?

50. What are the conditions/procedures for borrowing in the scheme?

51. Has the scheme met your expectations?

- 1) Yes 2) No

52. If no, why?

53. If yes, What expected services have been met?

- 1) Savings
- 2) Loans
- 3) Shares
- 4) Dividends
- 5) Got profits/interest on savings
- 6) Got business advice
- 7) Others (specify) _____

54. What is the impact of IRCSs on

i) The general community livelihood

ii) Women's empowerment

iii) Feeding in the households

iv) Clothing

55. What are the benefits of being a member?

- 1) Can get loans
- 2) It belongs to us
- 3) Can keep money there as savings
- 4) It is close by
- 5) Will get dividends/payments out
- 6) Others (specify) _____

56. When you get IRCSS contribution, what do you use it for?

- 1) Medical emergency
- 2) To buy a household item
- 3) To buy food, etc
- 4) To pay back a debt
- 5) School fees
- 6) For investment in business
- 7) For buying materials for farming
- 8) Rent
- 9) Others (specify) _____

57. As an individual, what is your reciprocal contribution apart from your contribution?

SECTION 6: LINKAGES BETWEEN FORMAL AND INFORMAL SECTORS

58. Are you a member of any formal organisation?

- 1) Yes
- 2) No

59. What are their aims?

60. How different are these organisations from IRCS?

61. What are the people's preference between the scheme (IRCS) and other organisations in the area?

MAKERERE UNIVERSITY
DEPARTMENT OF SOCIOLOGY

"INFORMAL RURAL CREDIT SCHEMES AND THEIR IMPACT
ON RURAL LIVELIHOODS"

FOCUS GROUP/KEY INFORMANT DISCUSSION GUIDE

Introduce the discussion.

THEMES

1. Mode of formation and operation of IRCSSs

- a) What are the existing IRCSSs? (What are IRCSSs)?
- b) What is their composition?
- c) Common objectives
- d) How do they come into existence (i.e. what are the underlying factors that lead to their formation)?
- e) Who plays a major role in their formation?
- f) Is there free choice in entrance and exit?
- g) How do they operate?
- h) Is women's IRCSSs formation similar to men's groups or not? If so, why?
- i) Are IRCSSs composed of people with similar interests? If so what are they?
- j) Are there common social ties among the members of IRCSSs?
- k) What are the common group norms/similarities between members (age, sex, marital status, occupation, relatives, clan mates, village mates, and e.t.c)?
- l) Where do members generally get their resources for the IRCSSs (Resource base)? Is it adequate?
- m) How are the resources obtained used?
- n) Who pulls the strings in the IRCSSs?

2. IRCSSs and Gender Relations

- a) Are there differences in networking in terms of gender (i.e. in formation, operation, and outcomes or usefulness of IRCSSs to society)?
- b) If so, how does each gender identity conduct its own businesses?
- c) What is your assessment of access to the IRCSSs facilities like credit, formation, use and network?
- d) What are the differences between groups formed (women and men) in terms of what they deal in?
- e) Gender differences in access, control and use of IRCSSs

3. Contribution of IRCS to Rural Livelihoods

- a) How does one access the IRCS facilities?
- b) How is the use regulated?
- c) Are the regulations acceptable to all?
- d) What does a defaulter do or how is the defaulter treated?
- e) Are rules and deterrents against defaulters fair?
- f) What do users of IRCS facilities engage in \implies common ventures
- g) What is your assessment of IRCS in terms of improving rural livelihoods?
- h) How do you define "improvement" in rural livelihood at
 - i. Household level?
 - ii. Village level?
 - iii. Societal/community level?
- i) How can IRCSs be improved?

4. Networking and Access

- a) Types of networks that exist in the area
- b) Is there a preference on GROUP and INDIVIDUAL networking / collaboration?
- c) If so, why (group and individual networks)?
- d) Are there co-operation and/or collaboration between different group or network formations in the area?
- e) How can you assess their relationship or co-existence?
- f) How is the access to IRCS resources in terms of gender?
- g) Is access to IRCS resources dependent on availability or scarcity? \implies Gender implications
- h) What are the prospects for IRCSs?

5. Linkages with the Formal Sector

- a) How does IRCS relate to the formal sector?
- b) Can you give differences between the two?
- c) Are they related? If so, How? \implies (Indicate a linkage)
- d) What is the peoples preference and why?
- e) What are the problems with each?
- f) What are the prospects with each?
- g) Suggestions for improvement

APPENDIX C

MAKERERE UNIVERSITY DEPARTMENT OF SOCIOLOGY

"INFORMAL RURAL CREDIT SCHEMES AND THEIR IMPACT ON RURAL LIVELIHOODS"

PRA TASKS

Introduce the discussion.

A) Seasonal calendars

- draw patterns of organisation
- means of publicity
- list the labour activities
- travel distances for meetings
- credit availability
- effects of migration
- illnesses
- market days and IRCS
- harvest seasons and IRCS

B) Wealth Ranking

- carry out a livelihood analysis
- changes that have taken place due to IRCS activities
- future interventions and improvements
- concept of networking and poverty alleviation
- key indicators of welfare and well being in the village

C) Gender Analysis

- carry out a gender analysis to indicate gender status and relations in the IRCS
- access, use and control of IRCS resources
- gender network relations.