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Microfinance Products and Socio-Economic Growth of Entrepreneurs in Uganda: A Case of Entrepreneurial Clients of Pride Microfinance

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Abstract: *- This study investigated the contribution of microfinance products towards the socio-economic growth of entrepreneurs in Uganda, using a case study of the entrepreneurial clients of Pride Microfinance Limited, Jinja Branch. The investigation was prompted by the question as to why small scale entrepreneurs continue to be financially vulnerable, with slow rates of growth and limited improvements in the standards of living despite the presence of many Microfinance Institutions (MFIs) in Uganda. The objectives of the study were: to examine the contribution of loan products towards socio-economic growth of the clients; to establish the contribution of saving products towards socio-economic growth of the entrepreneurial clients and to establish the contribution of Money Transfer products towards the socio-economic growth of the entrepreneurial clients of Pride Microfinance in Jinja Municipality.*

The study was conducted using a cross sectional survey research design and a total of 77 respondents took part in the study. Data were collected using questionnaires and interview guides and analyzed with the aid of SPSS software version 16. The study findings revealed that loan products have had a small percentage contribution (12%) to the socio-economic growth of the entrepreneur clients. The contribution of the saving products and money transfer services are of a significant value in as far as they make easy the flow of money among the targeted clients most of whom are entrepreneurs. It was concluded that the microfinance products offered by Pride Microfinance have the potential to translate into a significant improvement in the socio-economic growth attained by the targeted clients. The study recommended that Microfinance Institutions should make their services more accessible and friendly to the clients.

Keywords: *- Microfinance products; socio-economic growth; Entrepreneurs; Entrepreneurial clients; pride microfinance*

Introduction

Microfinance institutions in Uganda have through their services aimed at contributing to the socio-economic growth of entrepreneurs in the country. This study examined the contribution of the microfinance products offered by Pride Microfinance towards the socio-economic growth of entrepreneurs in Uganda using a case study of the entrepreneurial clients of Pride Microfinance Jinja branch. The microfinance revolution that began in Latin America and South Asia in the 1970s, has allowed over 65 million poor people around the world to receive small loans. This idea came from Dr. Yunus, an Asian revolutionist, who began a micro-finance program among women in Bangladesh in 1976 through the University of Chittagong. The basic purpose of microfinance was to provide credit to working poor who otherwise would not have access to credit services. This service has been provided in different countries by moneylenders within poor communities for a long time (Zeller & Meyer, 2002).

Microfinance has been about providing financial services to poor and low-income clients offered in many different forms. In practice, the term has been often used more narrowly to refer to loans and other services from providers that identify themselves as “microfinance institutions” (MFIs). The history is traced from the mid-1800s when the theorist Lysander Spooner was writing over the benefits from small credits to entrepreneurs and farmers as a way of getting the people out of poverty. In the 1970s, organizations like the Grameen Bank of Bangladesh with the microfinance pioneer Muhammad Yunus started shaping the industry in a modern way, working through group solidarity of Latin America and the self -help groups of India who had common interest of solving their common problems with mutual help (NABARD, 2000)

Microcredit and microfinance are common terms in the field of development, first coming to prominence in the 1970s (Robinson, 2001; Otero, 1999). Prior to then, from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidized rural credit programmes. These often resulted in high loan defaults, high losses and an inability to reach poor rural households (Robinson, 2001). The 1990s saw accelerated growth in the number of microfinance institutions created and an increased emphasis on reaching scale (Robinson, 2001). Along with the growth in microcredit institutions, attention changed from just the provision of credit to the poor (microcredit), to the provision of other financial services such as savings and pensions (microfinance) when it became clear that the poor had a demand for these other services.

Developing countries globally have used microfinance services to address the socio-economic development of their citizens. For example in Indonesia about 21 percent of the Grameen Bank borrowers and 11 percent of the borrowers of the Bangladesh Rural Advancement Committee (BRAC), a microfinance NGO, managed to lift their families out of poverty within about four years of participation. These services also had a significant positive impact on the depth of poverty among the poor. Extreme poverty declined from 33 percent to 10 percent among Grameen Bank participants, and from 34 percent to 14 percent among Bangladesh Rural Advancement Committee participants (Robinson, 2001).

Compared to other well-advanced countries like Bolivia or Bangladesh, the microfinance industry in Uganda is fairly new. Informal financial arrangements like Rotating Savings and Credit Associations (ROSCAs) have existed in many forms in Uganda for several decades. From the mid-1980s credit schemes started emerging as side components of social welfare programs. Like in all other parts of the developing world, these components usually followed a project-oriented approach, disbursed credit at subsidized interest rates, had very poor repayment rates and were therefore typically rather short-lived.

The first microfinance institutions like the Promotion of Rural Initiatives and Development Enterprises (Pride) Microfinance, Foundation for International Community Assistance (FINCA) and Uganda's Women Finance Trust (UWFT) appeared between the late 1980s and early 1990s. However, they did not start to expand in terms of significant client outreach and receive recognition until the mid-1990s. Pride Microfinance Ltd. was one of the MFIs that came on board in 1995 as a project of Pride Africa an independent consultancy firm based in Nairobi, Kenya, in order to provide such services. Schreiner & Yoron (2000) define microfinance as the attempt to improve access to small deposits and small loans for poor households neglected by banks. The microfinance products considered in this study fall under three categories: loan products, saving products and money transfer services. Fritz, (2005) defines Economic growth as the process of raising the level of prosperity through increased production, distribution and consumption of goods and services. Social growth, on the other hand, refers to the complexity of social dynamics (the interplay of social structures, processes and relationships) and focuses on 1) the social concerns of people as objectives of development and 2) people-centered, participatory approaches to development. Social growth is about inclusiveness, social justice and the common good (Fritz, 2005). In this study, Social-economic growth was conceptualized as social and economic growth. By economic growth the study looked at such indicators as the household incomes, ownership of property, and employment levels. Under the dimension of social growth such empirical referents like access to health, improved standards of living and improved education were considered.

According to Barnes & Morris (2013), micro enterprises are a vibrant part of the Ugandan economy: about one fifth of all households are engaged in some kind of business activity and a third of the working-age population is micro and small entrepreneurs. Pride Microfinance was founded in 1995, as a Non-governmental organization (NGO), with the support of the Norwegian Agency for Development Cooperation (NORAD). Its major objective was to offer credit to the poor, targeting those in the agricultural sector. In 1999, it was incorporated as a limited company and changed names to Pride Africa Uganda Limited. The mission of Pride Microfinance is "to provide financial solutions to micro, small, medium and upscale entrepreneurs in rural and urban areas through sustainable operations that promote social and economic growth of Pride's customers." This study set out to assess the extent to which Pride microfinance is achieving this mission.

In 2005, Pride microfinance attained the status of an MDI according to the Banking Act of 2003. It is licensed and supervised by the Bank of Uganda, Uganda's Central Bank. It is a member of the Association of Microfinance Institutions in Uganda (AMFIU). As an MDI, PMI is a Tier III Financial institution. While it is not considered a commercial bank, it offers a wide range of services and products similar to those offered by the traditional retail banks, albeit on a small scale (Pride Microfinance, 2013). The company is headquartered in Kampala but has branches across the country. The products of Pride microfinance are categorized under three classes: 1) voluntary savings products 2) loan products, and 3) other services that include client training services, Western Union services, mobile money services and loan insurance (Pride Microfinance, 2014). It has however, been observed that despite the availability of these services, their accessibility continues to pose a major challenge to many micro entrepreneurs (Kamukama & Natamba, 2013; Nahamya et al., 2013; Kasekende & Opondo, 2003). It is also a fact that many of the Small Scale Enterprises have been closing down citing shortage of both debt and equity financing as some of the critical causes (Kwagala, 2011).

Statement of the Problem

Accessing microfinance services has been identified as one of the key elements that unlock and drive micro entrepreneurs to grow their sales revenue, profitability and product range and in so doing enhances their socio-economic development (Mulungi & Kwagala, 2015). In Uganda a number of microfinance institutions are delivering services aimed at developing the micro entrepreneurs. Through its vision of leading in the provision of financial solutions for the social and economic growth of entrepreneurs in Uganda, Pride Microfinance has put in place a number of products and services for its customers ranging from savings, loan, to money transfer products (Pride Annual Report, 2014).

Despite the growing number of products and services offered by microfinance institutions like Pride microfinance, micro entrepreneurs continue to grabble with challenges of inadequate financial capital (Uganda Investment Authority Report, 2013). This challenge coupled with other challenges like poor management of finances could be responsible for the high failure rates of most small businesses by the micro entrepreneurs in Uganda (Poverty Status Report, 2014). It is against this background that the study sought to investigate the contribution of pride microfinance products towards the socio-economic growth of entrepreneurs in Jinja Municipality.

Purpose and objectives of the Study

The purpose of the study was to examine the contribution of Pride microfinance products towards the socio-economic growth of Entrepreneurs in Jinja Municipality. The study specifically aimed to establish: 1) the contribution of loan products towards Socio-economic growth of the entrepreneurial clients of Pride Microfinance 2) the contribution of saving products towards socio-economic growth of the entrepreneurial clients of Pride Microfinance 3) the contribution of Money Transfer products towards the Socio-economic growth of the entrepreneurial clients of Pride Microfinance in Jinja Municipality. Pride Microfinance Limited has a branch network of over 35 branches all over Uganda as of June 2014 but the study was limited to the entrepreneurial clients of the branch located in Jinja municipality because of its high number of clients, majority of whom are micro entrepreneurs. The study examined a time frame of 10 years from 2005 to 2015. The products considered in this study were: a) Loan Products such as: Individual loans, Group Guaranteed Loans, Pride Agricultural loans and Mortgage Financing loans. b) Saving Products such as: Pride Smart, Save as You Earn, Rising Stars, Pride Akiba, and Fixed Deposit. c) Money Transfer Products such as: Western Union, MoneyGram, Mobile Money and EFT. Economic Growth was measured in terms of household incomes, ownership of property, and employment levels while social growth was measured in terms of access to health, improved standards of living, and improved education levels.

Theoretical review

This study adopted the classic Microfinance Theory of Change developed in 2012 by Chris Dunford. The theory suggests that if a poor person goes to a microfinance provider and takes a loan or saves the same amount of money, in view of starting or expanding a microenterprise, the enterprise must yield enough net revenue to repay the loan with major interest and still have sufficient profit. According to Dunford, (2012), a poor person who undertakes such an approach is more likely to change through increased personal and household income. The theory assumes that three critical steps have to be undertaken for this change to occur and these steps are; 1) the person has to take a loan from or save with a microfinance institution or smaller entity 2) invest the money in a viable business and 3) manage the business to yield major return on investment.

In their paper on microfinance, risk management and poverty, Sebstad & Cohen (2012) argue that evidence to date makes this theory look problematic. First, many poor households do not tap microfinance services even when they are locally available. Second, of those who do use microfinance services, many do not invest part or any of their loans and/or savings in microenterprises. Third, most of the microenterprises in which loans or savings are invested remain quite small with only modest returns on investment—generally not enough to boost the socio-economic transformation of the owners.

Conceptual Framework

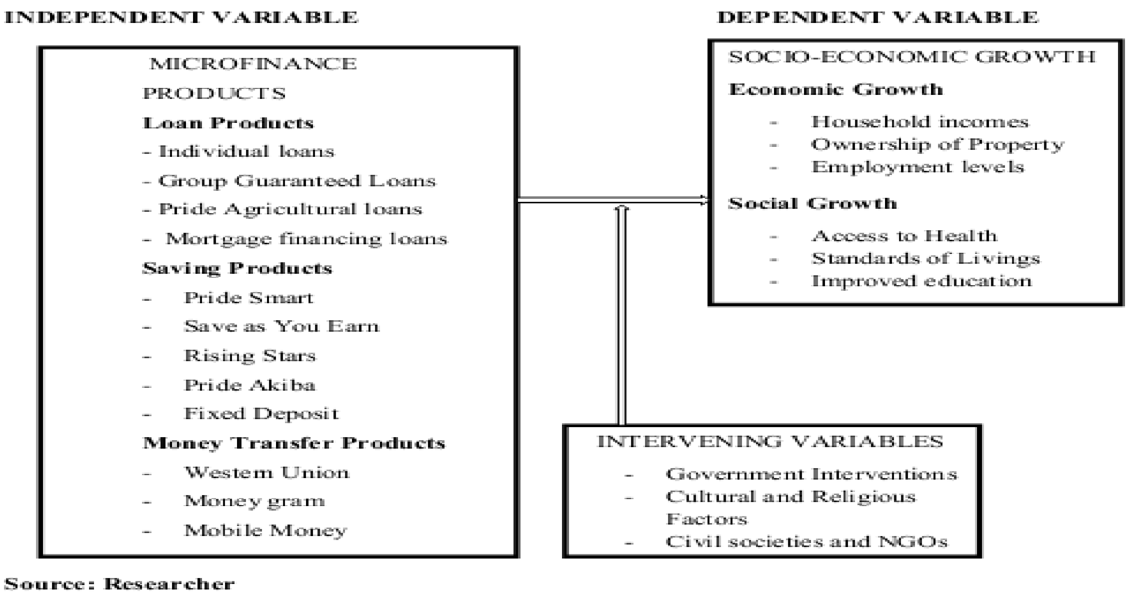

Figure 1 Conceptual framework

Figure 1 shows the relationship between microfinance products and Socio-economic growth of the clients. The figure captures the three main services offered by Pride Microfinance including: loans, savings and money transfer services. The relationship between the microfinance services and socio-economic growth may be modified by factors like government development interventions, cultural and religious factors and the increasing role of the civil societies and NGOs. The efficient utilization of microfinance products is expected to have a positive effect on the socio-economic growth of the entrepreneurial clients.

Microfinance Loans and Socio-economic Growth of Entrepreneurial Clients

Scholars like Thomas (2002) have argued that the original focus of microfinance was the provision of microcredit usually for short periods to finance working capital for micro enterprises usually run by low income people. However with time, the field of microfinance has broadened greatly beyond simple loans to include savings, micro insurance, money transfers (remittances) and other payments. Access to microcredit for most microfinance institutions follows two basic forms namely: individual lending and group lending. Lakwo (2006) defines individual lending as simply the provision of microfinance products to individuals instead of groups. Gupta (2014) defines group lending/solidarity lending, as a mechanism that allows a number of individuals to provide collateral or guarantee a loan through a group repayment pledge. Miller, (2010) observes that one of the most innovative and central components to modern microcredit are the group-lending models. Villagers (usually women) are organized in small groups by the microfinance institution. When a loan is given, the group is jointly liable for repayment of the loan. This structure allows the microfinance institution to waive collateral requirements, as extremely poor individuals with few assets are traditionally unable to put up collateral for their debt.

Matovu (2009) in his study on microfinance and poverty reduction provides a clear distinction between group lending and individual lending. Group-based microfinance programmes usually favour the very poor without collateral. Group-based programmes are assumed to build "social capital" through developing and strengthening economic and social networks. According to Littlefield et al., (2003) "various studies document increases in income and assets, and decreases in vulnerability of microfinance clients". They refer to projects in India, Indonesia, Zimbabwe, Bangladesh and Uganda which show very positive impacts of access to credit in reducing poverty and empowering women economically.

Microfinance Savings and Socio-economic growth of Entrepreneurial clients

Savings are defined as income not spent or deferred consumption (Price, 2011). Consequently, any service provided by financial institutions for the purpose of increasing this income and its subsequent utilization by clients is referred to as a savings service (Suberu, Aremu & Popoola, 2011). These services are particularly provided by microfinance institutions, especially when they are intended for low income earners and Small Scale Enterprises (SSE) that cannot afford commercial banking terms (Anyanwu, 2004; Pickens, 2004).

Savings services of particular importance to these categories of clients tend to include those offered in terms of set minimum account balance, return on savings, ease of opening savings accounts, depositing and withdrawals, facilitating money transfers, remittances, and realization of the goals for which they save (Asian Development Bank, 2014). The specific savings services microfinance institutions tend to provide range over a wide spectrum that covers current savings services, demand savings or demand deposits services, special regime demand savings services, and entrepreneurial savings services.

A number of scholars have examined the importance of savings programs on the growth of Small Scale Enterprises (SSE). According to Matovu (2009), these services can enable clients to deal with severe business crises, cope with shocks and reduce vulnerability. The Asian Development Bank (2014) added that these services have potential to enable SSEs to accumulate capital needed to pursue desired growth in business. In particular, SSEs attach a lot of importance to safe ways of keeping and accumulating savings, withdrawing, and transferring money as well as other savings services provided by microfinance institutions and are needed to facilitate business operations (FAO, 2007). The access to microfinance savings services is one of key elements that unlock the ability and drive of SSEs to grow their sales revenue, profitability and product range which helps in poverty alleviation. The entrepreneur savings service involves securing a loan using savings made during the life of the loan (Graham & Marguerite, 2009).

Microfinance Money Transfer products and Socio-economic growth of Entrepreneurial clients

One significant product offered by many of the microfinance institutions today is the money transfer services/remittances. Rutherford (2000) defines remittances as transfers of funds from people in one place to people in another, usually across borders to family and friends. Compared with other sources of money that can fluctuate depending on the political or economic climate, remittances are a relatively steady source of funds.In explaining how microfinance services help to protect against risk, Ledgerwood (2009) explains that in addition to check cashing and check writing privileges, microfinance clients involve in managing business enterprises often payment transfer services. Without these transfer services the managers of SSEs may be forced to carry relatively large amounts of money with them which increases unnecessary risk.

The microfinance institutions have been found to have similar ways of operating in implementing their programmes. According to the study in Bangladesh quoted by Meade (2001), the credit is targeted to the land less or asset less borrowers, the moderately to extremely poor. The borrowers are placed into groups of 10 to 20 people which meet regularly with the loan officer of the micro-credit program. It is further explained that these groups of borrowers substitute for collateral and take over the role of securing the loans disbursed where each borrower in the group agrees to be held liable for the debts incurred by any member of the group. In the event that a borrower defaults, the other members of the group are required to make up for the amount in default (Meade 2001).

Methodology

The study adopted a cross sectional survey design. This design was adopted because it enables the researcher to collect data from a cross section of respondents from the same setting at the same time. The researcher collected data from the loans officers, PMI staff as well as the clients of PMI in and around Jinja town. The researcher employed both quantitative and qualitative approaches. Quantitative research approach as recommended by Odiya, (2009) was used to collect numeric data that was statistically analyzed so as to find out the contribution of Pride Microfinance services towards the socio-economic development of the small and medium entrepreneurs. The qualitative research approach was used to gather the views and opinions of the respondents so as to support the quantitative data. The use of various methods of data collection is credited with the ability to increase the reliability and validity of research data. The target population comprised of all entrepreneurs accessing microfinance products in Jinja Municipality though an accessible population of 20 microfinance staff and 100 entrepreneurs accessing microfinance products in Jinja municipality was considered for the study. The staff from PMI (loan officers and managers) was purposively selected while the clients sample was arrived at through systematic random sampling. Working with the staff of Pride Microfinance, the researcher used the list of the clients of the institution and selected every 5th member on the list until the required sample was established.

Primary data was collected through the use of self-administered questionnaires and interview guides that were distributed among the respondents by the researchers with the help of two research assistants. Secondary data was collected through published and unpublished documents like the annual financial reports, entrepreneur's financial books, and brochures of PMI and loan application forms. Interview guides were used to collect information from entrepreneurs. The research instruments were tested for validity and a Content Validity Index of 0.855 was obtained implying that the instrument was valid. Reliability of the instrument was ascertained through pretesting of the research instrument to 15 clients of PMI at Katwe branch. Cronbach's Alpha coefficient of each variable in the instrument was in the range of 0.729 to 0.820 implying high reliability of the instrument. Quantitative data from the questionnaire was coded in preparation for entry into the Statistical Package for Social Science (SPSS) software, version 16, for analysis to generate descriptive and inferential statistics. Qualitative data from interviews was analyzed using thematic analysis.

Presentation, analysis and interpretation of findings

More than half of the respondents represented by 69% were female while only 31% were male. One possible reason for this trend is the increasing emphasis on providing microfinance as a tool to enhance women's economic empowerment. Half of the respondents had completed either primary or secondary levels of education (17% and 33% respectively) while 32% of the respondents (32%) were university graduates. The high unemployment rate could be a potential reason why many graduates are seeking funds from microfinance institutions like Pride, to support their entrepreneurial efforts. Majority of the respondents (58%) reported being involved in trade related enterprises, 23% reported being in services like restaurants and bars, 10% of the respondents were involved in production while only 8% were involved in agriculture related activities. This trend could be explained by the PMI policy on the issuance of loans which are short term in nature yet limited in size.

Microfinance Loans and Socio-economic growth of Microfinance clients

The first study objective was to examine the contribution of loan products towards socio-economic growth of the clients of Pride Microfinance in Jinja Municipality. Respondents were asked to indicate their level of agreement with a total of 11 statements on a 5 point likert scale from strongly agree to strongly disagree. The results are explained by the mean and standard deviation as summarized in Table 1.

Table 1: Summary Statistics on the Loan Services offered by Pride Microfinance Ltd

NO.	STATEMENT	Min	Max	Mean	SD
1	I am aware of the different loan products offered by PMI	1	5	4.21	0.423
2	A number of requirements must be met by a client before taking a loan	1	5	3.87	0.562
3	I qualify to take the maximum value at PMI for a loan	1	5	2.98	0.833
4	I often borrow money from PMI	1	5	2.75	0.454
5	The interest rate charged on loans at PMI is affordable to me	1	5	2.86	0.345
6	PMI gives me sufficient time to repay the loan	1	5	2.93	0.436
7	I consider the loan application process at PMI to be transparent	1	5	3.21	0.876
8	I am comfortable with the time taken to process a loan at PMI	1	5	2.65	0.389
9	PMI has a client friendly loan repayment strategy	1	5	2.58	0.812
10	The default rate by clients of PMI is high	1	5	3.42	0.358
11	Most loans at PMI target the small business owners and entrepreneurs	1	5	3.68	0.475

Source: Primary data, 2016.

When asked about their awareness of the different loan products and services offered by PMI, the respondent expressed agreement as indicated by a mean of 4.21 and standard deviation of 0.423. Pride Microfinance offers a number of loan products like group loans and individual loans. Before one is able to access a loan from Pride Microfinance, the clients were in agreement that they must meet a number of requirements (Mean = 3.87; SD = 0.562).On whether they qualify to take the maximum value from PMI, the respondents disagreed with this view (Mean = 2.98; SD = 0.833). The respondents also expressed disagreement with the following statements: that they often borrow money from PMI (Mean = 2.75; SD = 0.434); the interest rate charged on loans at PMI is affordable to me (Mean = 2.86; SD = 0.345) and the time given for loan repayment is sufficient (Mean = 2.93; SD = 0.436).

From the interviews with some of the respondents, it was revealed that for most borrowers, the average amount borrowed is between 400,000 – 600,000 Ugx. Shillings. Other than the salary and agricultural loans, the loans are offered without a grace period. These loans attract an interest rate of 2 percent per month (24% per year). In highlighting the impact of short term loan repayment demands one respondent reported that:

"Some of our clients have devised a number of strategies to ensure that the short term loan repayment schedules are met. As we go to the field and interact with the clients we have learnt that some who borrow money, keep a portion of the money so as to be able to cover their first installments".

Although the practice as explained by the informant above seems to be an alternative situation, the researchers would love to argue that it greatly reduces even the small amounts borrowed for investment. In the long run, this affects the profitability of their enterprises and consequently their loan repayment abilities. The fact that no grace period is offered puts the clients under pressure to meet their monthly repayment obligation. Failing in this regard implies that the microfinance institution confiscates their collateral. One respondent expressed dissatisfaction with this policy in the comment captured below:

"We get loans under the terms of paying a monthly installment. Sometimes it is really difficult to get the money to pay at the end of the month due to some problems. The problems notwithstanding, the loan officers will harshly come and move away with your valuable household property".

In agreement with the views expressed above, the interviewees also had the same level of disagreement with the interest rates charged. An interest rate of 24% implies that on a monthly basis, the client has to pay 2% of the borrowed amount as interest. The high interest rate on micro finance loans is prompted by the high lending rate that the central bank at times set as one respondent observed

"My friend, we would love to keep the interests low but our hands are tied down. We always set our lending rates in response to the Central Bank Rate. Our promise to our clients has always been to keep our interest rates as close to the central bank rate as possible".

One important factor considered by clients in accessing loans is the transparency and convenience of the loan application process. Premised on this, the respondents were asked about whether they consider the loan application process of PMI to be transparent. The mean value of 3.21 and Standard deviation of 0.876 revealed agreement in regard to the transparency of the loan application process. In contrast, respondents reported not being comfortable with the time taken to process the loans at PMI (Mean = 2.65; SD = 0.389) which they reportedly argued that the time taken is unnecessarily made long by the procedures and bureaucracies. One respondent contended that:

"In many instances the time taken to process a loan is too much. Consider for example, a trade opportunity that strikes requiring money in one or two weeks' time. Processing the loan takes more than three weeks with a lot of time spent on assessment, explanations of procedures and approval bureaucracies. Unfortunately, in some

cases, by the time you receive the loan, the loan is no more productive".

As a follow up to these claims the loan officers were asked about the procedure and duration for one to access a loan from Pride Microfinance. One officer explained that Pride offers a loan within 28 days of application and without any grace period. The pre-loan assessment takes 10 days, loan processing takes 5 days, pre-loan disbursement training takes 8 days. The long procedure of approvals could be explained as a strategy to reduce the number of bad debtors.

In view of the loan repayment strategy, the respondents disagreed with the view that this strategy is friendly on their part (Mean = 2.58; SD = 0.812). As regards to the target group by PMI, respondents agreed that most loans at PMI target the small business owners and entrepreneurs (Mean = 3.68; SD = 0.495).The agreement on the targeted beneficiaries of Pride microfinance loans being the small business owners and entrepreneurs is supported by the explanations by the loan officers. One officer disclosed that over 90% of their loans are micro-enterprise purposes which are consistent with the vision of Pride Microfinance: socio-economic growth of enterprises.

Microfinance Saving Products and Socio-economic Growth of the clients

The second objective of the study was to investigate the contribution of saving products towards socio-economic growth of the clients of Pride Microfinance in Jinja Municipality. The findings are presented in Table 2

Table 2 Descriptive Statistics on Savings Products of Pride Microfinance

NO.	STATEMENT	Min.	Max.	Mean	SD
1	Savings products are compulsory for all clients of PMI	1	5	2.98	.741
2	One cannot access other services without a savings account	1	5	2.65	.551
3	The savings with PMI attract a periodic interest	1	5	3.77	.648
4	The requirements for opening a savings account are friendly	1	5	4.25	.362
5	Depositing my savings at PMI is not a time consuming process	1	5	3.78	.665
6	I can access my savings with PMI with convenience	1	5	3.25	.765
7	Always caught up in long lines at PMI as I access my savings	1	5	2.98	.822
8	Can withdraw any amount of money I need from my account	1	5	3.55	.612
9	I have received training from PMI on how best to use my savings	1	5	2.54	.362
10	The operations of the saving accounts at PMI is easy	1	5	3.11	.721

Source: Primary data, 2016

When asked whether, the savings attract a periodic interest; respondents were in agreement with mean of 3.77 and the standard deviation of 0.648 indicating a moderate variation in this response. Respondents agreed that the requirements for opening a savings account were not difficult to meet (Mean=4.25, SD=0.362). The institution offers a number of savings accounts. The following types of accounts were revealed by the clients' loan officers during the interviews: profit savings, voluntary blocked savings, fixed deposits, joint savings, Akiba savings, fixed savings, current savings and compulsory savings.

Respondents agreed that depositing savings at PMI is not a time consuming process (Mean=3.78, SD=0.665), they agreed on the convenience to accessing the savings at PMI (Mean=3.25, SD=0.765) and that they could withdraw the money from their accounts at any time (Mean=3.55, SD=0.612). One respondent said:

I would applaud Pride Microfinance for the ability to always make my money available every time I want to withdraw it. Well, of course there are percentages that determine the limits within which our withdrawals should fall…that is obviously expected, but I appreciate the fact the money is always on my account every time I need it.

There is a slight disagreement on whether savings are compulsory to all clients at PMI (Mean 2.98 and standard deviation of 0.741). It was disagreed that the client couldn't access the savings without having a savings account (Mean= 2.65, SD=0.551). Respondents also disagreed on whether they are caught up in long lines when accessing their savings (Mean=2.98, SD=0.822).Respondents disagreed about getting training on how best to use their savings (Mean=2.54, SD=0.362). In this case, it is important to note that the low standard deviation noted shows a less variation in the responses. One respondent argued that:

Personally, I have not had any training from the microfinance on how best to manage my savings. On the contrary, I think that this would be a good idea as it would open up my mind to more possible opportunities in my investment quests as a young entrepreneur.

This means that though the microfinance offers the services that would create a conducive environment for entrepreneurs, it still lacks in that dimension that would equip people with the additional entrepreneurial skills required by the business people it serves.

Microfinance Money Transfer products and Socio-economic Growth of the clients

To investigate this objective, respondents were requested to rate their views on the statements based on a 5-point likert scale ranging from strongly disagree to strongly agree. The results are presented in Table 3.

Table 3: Summary of descriptive statistics on money transfer products offered by PMI

No.	ITEM	Min	Max	Mean	SD
1.	PMI has a number of money transfer services	1	5	4.50	0.286
2.	I frequently use the money transfer services of PMI	1	5	3.25	.774
3.	Using the money transfer services at PMI is easy	1	5	3.78	.669
4.	Transferring money at PMI does not involve long queues	1	5	4.05	0.428
5.	The money transfer services are available at all branches PMI	1	5	4.54	0.289
6.	PMI makes known its money transfer services to all clients	1	5	3.12	0.794
7.	Money transfer services at PMI requires ownership of a card	1	5	2.45	1.045
8.	can send and receive money on account using my mobile phone	1	5	3.20	0.698
9.	I pay some of my suppliers using money transfer services	1	5	4.00	0.434
10.	My customers make payments using money transfer services	1	5	3.78	0.523

Source: Primary data, 2016

Table 3 indicates that respondents showed agreement on the existence of a number of money transfer services. This was revealed by a mean value of 4.5 and the standard deviation of 0.286 indicating less variation in the responses. One of the respondents explained that:

All services are accessed and available to the clients and money transfer services, especially, mobile money is among the most used. Mobile money transactions are widely used by other services offered by PMI. For example, majority of our clients service their loans by sending money *through mobile money and other money transfer services.*

This implies that mobile money is the common money transfer service used. On the same issue, another respondent explained that:

Western union and money gram are usually used by individual who receive and send money outside Uganda. It is mobile money which is commonly used by our clients in sending and receiving money within Uganda. We have also to admit that mobile money is more convenient and cheaper than the other money transfer services.

There was also an agreement among the respondent that they frequently use money transfer services. The agreement is expressed by a mean value of 3.25 and a standard deviation of 0.774.In an interview, a respondent said that, *'' our clients rarely use money transfer services in saving but it becomes one of the most used means when it comes to servicing loans.'' He continued and said that, '' it is helpful because it reduces on expenses and it is convenient to both the clients and staff.''*

However, a few respondents interviewed said that some of their clients are not comfortable with using money transfer services. The respondents who shared this view believe that some of their clients have had issues with money transfer services. One of the respondents gave an example and explained that:

One of our clients sent money on what he assumed to be our mobile phone number. He instead ended up sending money to a different person. Since then, the client has vowed never to send money through money transfer services and we have other clients who have gone through similar situations.

On the ease of using money transfer services, agreement was expressed with a mean value of 3.78 and a standard deviation of 0.669. From the interviews carried out, it was also clear that some money transfer services were not bound by any specific requirement whereas other money services required a few requirements as one of the respondents explained.

With mobile money you only need the basic requirement, for example being a registered member. Other requirement comes with western union and money gram. To use western union or money gram, one needs to have a valid identity card and we only accept passports and driving permit. With the introduction of national identity card, it becomes easy because almost everyone possesses one as opposed to passports and driving permits.

Regarding the statement that transferring money at PMI does not involve standing in long queues, respondents expressed agreement revealed by a mean value of 4.05 and standard deviation of 0.428. From the interviews, common responses expressed an opinion that money transfer services have done a great job of minimizing and keeping queues short. One of the respondents stated that:

Western money transfer and money gram requires someone to be physically present at a given branch in order to carry out a transaction. However, very few of our clients use these money transfer services. Majority of our client use mobile money. The good news is that transactions with mobile money can be done without clients' physical presence. That is the reason that you rarely find long queues in most of our PMI branches.

It was clear that money transfer services are available at all the branches of PMI as shown by a mean value of 4.45 and a standard deviation of 0.289 indicating less variation among responses. There was agreement that PMI makes known to its customers the availability of money transfer services as explained by a mean value of 3.12 and a standard deviation of 0.794. Though there was an agreement on this particular statement, the standard deviation reveals that the responses varied implying that while quite a number agreed, a good number of respondents disagreed on the same statement. When respondents were asked about the challenges faced in advancing services of PMI, one client noted that:

We have tried to use all forms of media to advertise in major languages used and understood by Ugandans. Surprisingly, majority of our client have *no idea about the information made through advertisements.*

On the respondents' possibility to send and receive money on their accounts and to others using mobile phone, there was an agreement. The agreement was shown by a mean value of 3.20 and a standard deviation of 0.698. The standard deviation is slightly higher. This means that although majority of the respondent agreed, there were quite a reasonable number of clients who disagreed. Respondent also showed agreement that they pay some of their suppliers using money transfer services with a mean value of 4.00 and a standard value of 0.434. From the interviews conducted, it was clear that majority of the clients use mobile money services to transact businesses. One of the respondents said that, *''PMI is blessed that almost everyone among their client in one way or another uses mobile money services to transact business.''*

Multiple regression analysis of the variables

The multiple regression results between the three microfinance products of loans, savings, money transfers and the dependent variable of social economic growth of entrepreneurs in Jinja Municipality are shown in Table 4.

Table 4 Multiple Regression Model

Model	Unstandardised coefficients		Standardised Coefficient	t	Sig.	R^2	df	F	Significance
	B	Std. Error	Beta						
(Constant)	.812	.077		10.498	.000	.428	4 66	25.65	.000b
Loans	.521	.083	.322	6.577	.000				
Savings	.308	.084	.229	7.854	.021				
Money Transfers	.212	.053	.161	2.385	.000				

a. Dependent Variable: Socio-economic Growth

b. Predictors (Constant), Loans, Savings, Money Transfers

Source: Primary data, 2016

A multiple regression was run to predict socio-economic growth from receipt of loans, depositing of savings and use of money transfers by the clients of Pride microfinance institution. These variables statistically significantly predicted Socio-economic growth, $F (4, 66) = 25.65$, $p< .05$, R2 = .428. The model R2 value is .428 implying that the independent variable (Microfinance services) explain 42.8% of the variability of the dependent variable (Socio-economic growth of entrepreneurs). The most significant predictor of socio-economic growth was found to be access to loan products (Beta = .322) followed by Savings (Beta = .229) and Money transfers (Beta = .161).

Discussion of findings

Microfinance Loan Products and Socio-economic growth of Entrepreneurs

The study results indicate that the contribution of loans products and services has had a small percentage contribution to the socio-economic growth of the clients. This finding implies that both the clients and non-clients of Pride Microfinance loans have nearly the same rate of socio-economic growth. In agreement with this finding is Lakwo (2006) who in an attempt to answer the question of whether or not the growth of microfinance as a development strategy directly translates to socio-economic growth of the clients, found out that microfinance has not improved the well-being status of the clients relative to that of non-clients. He observed that some clients had experienced a very negligible value-addition to their well-being despite being engaged in receiving microfinance services for more than three years. In line with this, Kimotho, (2007) observes further that despite the growth of the sector over the last couple of years the overall outreach of MFIs remains relatively low.

In contrast, a number of scholars had indicated that loans and other microfinance services have been effective in promoting socio-economic growth of the clients. For instance from Hennessey (2006) study, it is argued that microfinance, in its various adaptable models can assist the world to reduce and alleviate poverty and enhance economic development, particularly in developing economies. Hulme (2000) observed that 21 per cent of borrowers managed to lift their families out of poverty within four years of participation in microfinance and extremely poor conditions declined from 33 per cent to 10 per cent among participants. However, he contends that there is the need for a much careful monitoring of these programmes by microfinance institutions and the donors, with awareness that micro credit could have both positive and negative impacts on loan recipients. From the interviews regarding the reasons for the low impact of loans, the study findings revealed that most clients use the acquired loans to settle their daily needs. This happens even when they acquired the loans for investment related reasons.

Findings from the study indicated a number of challenges responsible for the low impact of microfinance loans on the socio economic progress of the clients such as: the high interest rates, short time for loan repayments, extended loan processing periods and specific target beneficiary enterprises. With the assistance of microfinance, such enterprises can be made competitive and thus graduate into the formal sector of the economy. They can grow from their small status into bigger organizations thereby graduating into the formal and large scale sector of the economy through access to funds which the larger financial institutions would not provide. Therefore any challenges encountered by microfinance clients limits there potential to grow (Lakwo, 2010; Mago & Mago, 2009).

The impact of MFIs on poverty reduction is seen to accrue from micro enterprise outreach expansion and not micro enterprise growth and transformation. A critical part of the financial sustainability strategy is the refocusing on profit-motivation and widening as opposed to deepening of the financial services.This unfortunate trend is what Lakwo (2010) refers to as a "shift from microfinance to micro enterprise banking". The "micro enterprise banking" is characterized by the provision of loans to build revenue that can cover costs, reduce cost per unit of loan and provide for risk minimization. This is done with minimal consideration of the interests of the clients (Mayoux, 2002).

Microfinance Saving products and Socio-economic growth of Entrepreneurs

The second objective was to find out the contribution of saving products towards socio-economic growth of the clients of Pride Microfinance in Jinja Municipality. The study findings revealed that there is no special training to Pride Microfinance clients on how best to use their savings. It also revealed that in general, accessibility to savings products is convenient in all the different aspects ranging from registration, through the stages of depositing, right to withdrawal of the necessary money as required by the clients. The study findings indicate that the contribution of the saving products as offered by Pride Microfinance is of a significant value in relation to how convenient and flexible the flow of incomes is among the targeted clients most of whom are entrepreneurs. Such people having had their savings deposited would not expect any constraints and complications when that money is needed. The findings further indicate that though Pride Microfinance has tried to create a conducive environment for the entrepreneurs as regards their savings and accessibility to these savings, they might have somehow neglected the aspect of training their clients on how best to utilize their savings. This has limited the effect of Pride Microfinance services on the socio-economic growth of entrepreneurs.

Contributions of Money Transfer Services towards socio-economic growth of Entrepreneurs

The study findings revealed that among the money transfer services, mobile money was the most used form of money transfer services. It was frequently used to help client avoid moving with cash to PMI which saves time and minimizes the risk of moving with the money. This resonates with the argument of Ledgerwood (2009) who argues that money transfer services are among the services that protect against risks. However, it was also identified that some clients faced losses through the use of money transfer services by erroneously depositing money on unauthorized PMI mobile money numbers.

The study also found out that money transfer services are part and partial of the smooth running of the other services offered at PMI. For instance, many client use money transfer services to service their loans and some use money transfer services to save. This has made the services more accessible and flexible. This corroborates the findings of Asian Development Bank (2014) and Matovu (2009). They believe that socio – economic growth among Microfinance institution clients can easily be realized when services like savings are accessible with flexible terms and conditions that make them available whenever they are needed. In this case, money transfer services make savings and access to the savings more flexible through the use of money transfer services. However, though these services are offered by PMI, the finding reveal that very few of the clients have embraced western union and money gram transfer services.

Money transfer services have been so instrumental in boosting SSEs. It was found out that clients of PMI use money transfer services to pay their suppliers and also their customers make payments through money transfer services. As noted by Rutherford (2000), money transfer services allow transfer of money from individuals in one place to individuals in a different place. This suggests a steady source of funds and efficiency in running of businesses.

Conclusions and recommendations

PMI loans have the potential to transform the Socio-economic growth of the beneficiaries in so far as it is able to provide the required funds for microenterprise development. This potential has not been fully exploited due to the conflicting objectives of financial sustainability of PMI and reaching out to the poor population. From the findings, it is also clear that increasing awareness about the proper usage of the saving services through training would translate into significant improvement in the Socio-economic growth attained by targeted SSEs. The study also concludes that money transfer service contributes towards socio-economic growth of the clients of Pride Microfinance in Jinja Municipality though clients are yet to embrace other money transfers like western union and money gram.

The study recommends that policy support for microfinance should emphasis the training of clients so as to prepare them comprehensively to use the available services of MFIs to better their growth opportunities. The government should offer support to MFIs through tax exemptions which can help to lower the cost of capital enabling MFIs to offer low cost loan products to their clients. The study also recommends that PMI considers a more effective way of sensitizing and encouraging clients to use other money transfer products like western union and money gram money transfer services. The study recommends that research be conducted on how ICT can be harnessed as a tool to advance the microfinance services to the rural poor who are still excluded.

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