SNV Netherlands development organisation

Women and Finance in Uganda

Low-income women: respected business partners

by Mariel Mensink

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Foreword

Since 1986, after the NRM government of President Yoweri Museveni came to power, peace and stability returned to Uganda, which enhanced a positive climate for economic development.

Benefitting from this conducive environment, the Uganda Women's finance and Credit Trust (UWFCT), established in 1984, managed to succesfully assist low income female entrepreneurs, through the provision of financial services, business training and management advise.

From 1989 onwards, UWFCT experienced a fast growth of the organisation, caused by the enourmous demand for its services. The Netherlands Development Organisation SNV was approached for technical assistance to professionalize the organisation and make it more efficient. Mariel Mensink got seconded by SNV to UWFCT in the position of Programme Advisor. From 1991 till 1995 she provided management advise on issues such as internal reorganisation, staff development and streamlining of savings and credit procedures.

Her experience with UWFCT and earlier working experience for SNV with cooperatives in Tanzania is reflected upon in this publication. Based upon the successes and failures realised by UWFCT and some similar programmes in Uganda, the report focuses on a possible design for a financial service programme, which successfully empowers poor women.

This publication represents an example of a successful SNV support to a very capable and promising Ugandan organisation.

Johan Veul

Preamble

During my work with cooperatives and women's groups in Tanzania and with a financial service programme for women in Uganda, the Uganda Women's Finance and Credit Trust Ltd. (UWFCT), I became involved in the provision of financial assistance to poor women.

The work in Tanzania involved training for cooperative societies. One of the aims of this training was to increase participation of women in the cooperatives. This was to be achieved through the formation of women's groups, who could then link with these cooperatives. Many development agencies and banks aimed at assisting these groups either with credit or with grants for so called 'income-generating group projects', we provided management training to them.

During my work in Uganda, I was involved in the development of financial services for small-scale businesswomen. Services were mainly given on an individual basis but sometimes also to groups. Poor women proved to be bankable clients and repayers. However, especially in remote areas, it was difficult and costly to reach them with financial services. In the course of the work we developed a methodology to approach these women through groups, mostly through the informal savings and credit groups already formed by poor women themselves. Based on experiences elsewhere, such as the Grameen Bank in Bangladesh and KREP from Kenya, it was assumed that poor women should be assisted on an individual basis, but that the group could be used as a conduit to deliver these services.

After my work with UWFCT in Uganda, I had the opportunity from my employer, SNV Netherlands development organisation, to reflect on my own practical experiences and compare it to experiences elsewhere. Literature on financial services to poor women is mainly based on Asian and Latin American countries.

The Ugandan situation has its specific opportunities and constraints, and experiences gained elsewhere cannot simply be replicated. However, important lessons can be learned from those experiences. With this report I hope to contribute to a possible approach of providing financial services to poor women in Uganda. In so doing, I have tried to incorporate practical experiences and my own vision derived from this experience, supplemented by literature on experiences from other countries.

My thanks go to Sarah Mangali, Rose Kigundu, Wim Mellink, Hanneke Dykman, Reint Bakema, Hope Kabuchu, Evelyn Nanjako and Elizabeth Kharono, who contribute greatly with their fruitful comments, and to the SNV offices in Kampala, especially the field director Mr. Johan Veul, who made it possible for me to write this report.

Mariel Mensink
April 1995

Introduction

One of the salient observations in developing countries in the last decade has been that a large percentage of women in these countries are amongst the poorest sections of the population, and that they continue to become poorer. The phrase 'feminisation of poverty' has appeared in several publications, underlining the particular disadvantages which confront women in less developed countries.

Poor women in developing countries are involved in a daily struggle for survival. They have to fulfill a variety of productive roles in agriculture, small businesses or in the service sector in order to contribute to the household budget. Moreover, they also have their reproductive role in the family, such as the upbringing of children, care for the sick and needy and preparation of food. All these responsibilities form a continuous demand on poor women's labour, energy and time.

Poor women themselves have devised strategies to guarantee a steady income for their families, while combining productive and reproductive duties. They opt for businesses which are accessible to them and which can be managed, in the sense that they can easily be combined with their household duties and allow for a regular minimum income. A common strategy among poor women found in many African countries, including Uganda, is the formation of informal savings and credit groups. These groups can function as a buffer in times of family emergencies, but also as a source of capital for women who want to improve their businesses. They are managed by poor women themselves and are constantly adapted to suit their capacities and needs. Accessibility, manageability and controllability seem to be key criteria for poor women in the selection of their business strategies.

Until recently, financial institutions and development banks did not recognise the importance of women's productive and reproductive activities in the national economy. Traditionally, development banking for the rural population or for small scale entrepreneurs was typically oriented towards men. Through bureaucratic procedures, security requirements and a gender bias on the part of banking officers, women were excluded from most of the services which financial institutions had to offer. Furthermore, women already experienced barriers to benefiting from the bank services, because of their limited access to resources, education and information.

Many development organisations, financial institutions and development banks now realise that directly targeting programmes to women could have a positive impact on the effectiveness of their programmes. Increasingly, they are aiming to address poor women with their programmes. In Uganda, for example, a variety of financial service programmes for the poor, with special emphasis on women, have started recently or are about to start soon. However, many of these institutions or programmes are still searching for the most appropriate ways of addressing poor women.

Financial service programmes experience a multitude of problems in reaching poor women, while examples of successes have only recently become evident. Experiments with alternative approaches are mainly developed through NGOs, by way of learning from local initiatives and from informal financial structures. Good examples are the Grameen Bank in Bangladesh, ACCION International in Latin America and KREP in Kenya. In Uganda, UWFCT has taken a lead in the development of appropriate financial services for women.

Furthermore, key criteria for successful financial services for poor women are accessibility, and the need for such services to be managed and controlled by women themselves. Accessibility of services to women involves physical accessibility as well as taking into account gender imbalances and sociocultural disadvantages in the programme design. Manageable and controllable services for women usually calls for acceptance of small savings and loans and, critically, for low transaction cost.

In essence, services should be based on the problems and needs, capacities and opportunities as perceived by women themselves. This calls for a participatory approach by the financial service delivery systems. Analysis of strategies developed by women, discussion with poor women and cooperation with the informal groups set up by these women can be instrumental in this.

The financial service programme should, furthermore, aim at the empowerment of women by increasing their ability to access and control resources and put them to effective use. Often this will imply that the programme has to encompass nonfinancial services such as business management and technical advice. Gender imbalances in the field of legislation, information and education also have to be addressed.

A participatory, gender-sensitive approach, however, will be time consuming, tedious and costly. Loan sizes to poor women operating in informal rural and urban markets will always be relatively small in comparison to loans to other beneficiaries. Although women have proven to perform better at loan repayment than men, the risks for the financial institution will be seen to be high, especially in the category of starting entrepreneurs. Before a loan is given out by a financial institution, the expense is often compared to the loan size and the potential income and risks involved. The overall costs of financial services to this particular target group are perceived by financial institutions to be high. Thus, in order to access financial services of institutions and banks to the target group mentioned, procedures, approaches and methodologies will have to be developed to reach these women in a gender-sensitive, participatory, but cost-effective way.

A possible way of achieving cost effectiveness, without compromising the goal of a participatory, gender-sensitive approach could be through informal savings and credit groups. These groups are usually formed according to the women's own needs, capacities and opportunities. They may be a focal point for discussion between their members, thus creating a forum for participation. Examples in other countries have shown that these groups take over the significant roles of the selection and administration of loans from the financial institution involved, and carry the burden of repayment within the group. By doing so, the groups reduce the costs of lending for the financial institution in the long run. Therefore, they are a possible solution to the question of how to provide long-term, cost-effective financial services to poor women.

Such an approach, however, will require careful analysis and selection of groups. The staff should be both knowledgeable on economic issues and sensitive to individual and group interaction. In addition, such an approach would need an organisation which is highly flexible and adaptable as well as accountable and controllable, especially with regards to financial matters. One may wonder whether a gender-sensitive, participatory approach is compatible with sound financial management, but there are some promising examples. Creativity, courage and experiments within financial services programmes will be necessary to solve the dilemma of providing accessible and effective financial services to poor women in the long run.

Considerable demands will be put on the management capacities of any financial institution or NGO, and major adaptations in certain areas of operation will have to be made. For example, financial institutions on one hand are required to become more target-group oriented, flexible and receptive to target group participation. They need to become more gender sensitive. NGOs on the other hand will have to substantially improve their financial management skills. Thus, the right balance between human and financial skills in organisations providing financial services to poor women will have to be struck.

Outline of the Report

In this report the implications of a participatory, gender-sensitive approach to financial services for poor women will be demonstrated, and an example of group-based lending systems based on informal savings and credit groups will be explored. Uganda will be the main focus of the report. However, since the approach is relatively new in Uganda, experiences from other countries are used as examples. Information is obtained through literature study and personal experience.

The first chapter gives a view on the economic empowerment of women. It states that financial services are important for poor women, provided they are given in the right way, incorporating gender analysis and participation as essential elements in the programme.

In the second chapter the business strategies of poor women are analysed. Financial requirements of poor women relate to their business strategies and reproductive duties. Key criteria such as accessibility, manageability and controllability appear to be of crucial importance for women's choice of business and for the financial services required by them. The main focus of this chapter is on Uganda.

The third chapter highlights the financial institutions operating in Uganda. An attempt will be made to assess the services of these institutions with regards to the financial needs of poor women. It will become clear that formal and semiformal financial institutions can serve poor women only to a limited extend. Informal financial structures play a very important role to supplement formal financial services to women.

In the fourth chapter, these informal structures will be analysed on their potential for a gender-sensitive, participatory approach for poor women. The results of a UWFCT study on informal savings and credit groups among women in Uganda will be worked out here. An analysis is given of the different types of groups that exist, assessing which groups have the best potential to be linked to programmes in financial institutions.

In the fifth chapter it is explained how formal and semi-formal institutions could link with these groups. This chapter is mainly based on examples from Asia, Latin America and Kenya since the programme is relatively new in Uganda.

Lastly, the sixth chapter gives the institutional requirements for successful financial programmes for the empowerment of poor women, based on a gender-sensitive, participatory approach, but aiming at long-term sustainability. It becomes clear that the management of such programmes is very complex and requires highly qualified management skills. Issues like flexibility, creativity, decentralisation of power and participation of target groups and staff in some decisions are as important as clear lines of responsibility and financial sustainability. In any financial service programme for poor women these seemingly contradictory requirements will have to be fulfilled.

Women, Finance and Empowerment, a Vision Statement

Introduction

Many women in developing countries are among the poorest section of the population. Due to several constraints such as limited access to resources, land, education and information, and limited control over income derived from these resources, women increasingly become poorer. The phrase 'feminisation of poverty' has recently appeared in several publications about developing countries.

Years of experience of working with poor women, made it clear that for many of these women, poverty is the most burning problem in their day to day live. Many poor women are involved daily in activities to combat poverty. These can include agricultural jobs, micro enterprise, trade and so one. These activities, however, bring very little income for the women and avenues of increasing income appear to be limited.

Financial services could assist these women to increase the income base of their daily activities, if they are made available to women in an easily accessible way. Merely making money available to women will not automatically ensure that they can use and control this money or that their productivity will increase. The complex components of oppression of women in many African societies works in such a way that it is not certain whether women can employ the money given to them for their own and their families' advantage.
Economic, but also political and cultural factors including gender roles have an impact on the way women can use resources made available to them. It has repeatedly occurred that availing credit to women boils down to indirectly supporting the businesses of their husbands. Programmes which aim at the economic empowerment of women, therefore have to consider gender imbalances and nonfinancial aspects of the empowerment of women in their programme design.

This chapter will elaborate on the complexity of providing financial services to women. It will be argued that women can increase their access to and control over resources made available by financial services, but only when other aspects of gender roles are also incorporated into the programme design. This can be achieved by involving women in the programme design and employing a participatory approach in the programme. In order to ensure continued availability of financial services to women, the programme should also aim at long-term sustainability.

Access of Finances to Women

Many poor women undertake a variety of economic activities in the fields of agriculture, small-scale business and services to get access to income to cover for their household expenses. An increase in income would reduce the stress on women of managing their households with meager incomes. Financial services to women in the form of savings and credit could assist women in increasing their income and managing their family budgets [1]. If given under the right circumstances, these women could increase their opportunities and chances as a result of the financial services.
The most important prerequisite for a financial services programmes to poor women is that initial trust is put in them that they are capable of dealing with these financial responsibilities and controls.
The essence of giving credit to a client is putting trust in somebody. It assumes that this person is a serious business partner, is willing and able to use the money effectively, and that he or she is willing and capable to repay. In order to access financial services to women successfully, women need to feel that a considerable level of trust is put in them with respect to their ability to handle financial resources. According to Fong [2] who undertook research on finances for women, the ability to obtain a loan, gradually use resources, control them

and decide on their use, in itself constitutes an affirmation of confidence. The trust put in women, that they will be able to use the loan properly and repay it, can make them feel proud. It is UWFCT's basic conviction, for example, that women are serious, capable and willing business partners and that they should be treated as such during any business transaction.

This initial confidence in the economic capacities of poor women is the first step for a financial institution to actually effect a financial service programme for women. However, despite the good intentions of many financial service programmes and despite the fact that women have proven to be good repayers, this initial confidence in the capacity of women still appears to be lacking.

Still, a 'businesslike' attitude towards poor women in a financial service programme does not imply that other aspects of gender imbalance are ignored. These imbalances should be carefully analysed for each area of operation and taken into consideration in the programme design. Active involvement and target group participation in the programme design and its implementation is essential to link services to women's real capacities and needs.

When financial service programmes want to empower poor women economically, they will have to address the following issues in their programme designs:

1. An integrated, gender-sensitive approach, which refers to the different roles and responsibilities, and to the balance of power between men and women in society. All of these aspects have their impact on the economic performance of women and their ability to access and control their incomes.

2. A participatory approach, which implies taking women's needs, perspectives, capabilities and strategies as a starting point for programme planning so that their active involvement and participation in the programme is ensured. It is hoped that financial and related nonfinancial services will really address women's needs.

3. Increasing women's access to money and their capacity to handle it properly. In order to build financially sound practises among the target group, training and guidance in handling money and related issues should be included in the programme.

Addressing gender imbalances

Any financial service programme addressing poor women cannot isolate the financial empowerment of women from other aspects of gender and empowerment, since they are closely interlinked.

In order to establish which aspects of gender relations need to be addressed by a financial service programme, the gender relations in society need to be clearly understood. Gender [3] refers to the roles, tasks and responsibilities of women and men in a society. It is socially constructed, which means it is subject to change, historically determined and therefore dynamic. Gender relations differs from country to country [4]. They form a complex system, deeply embedded in all facets of society.

The balance of power between men and women always plays an important role in the structure of gender, both in productive and reproductive relationships. Money also relates to power and any financial injection given to women will have an influence on the balance of power between men and women. Thus gender relations and control over resources by men and women respectively need to be understood before any intervention through a financial services programme is designed.

For example, one crucial difference between men and women almost worldwide is that women are held responsible for reproductive activities, often on top of their productive duties. These will limit her ability to get involved in economic activities. If financial services merely target economic activities, then involvement of women in their programmes will remain limited.

Women, especially in Africa often have no control over revenues from their own productive and reproductive work [5]. The question therefore is whether direct financial service intervention at household level would benefit women since household members may not share the same economic interests [6]. The limited control women have over resources will have to be considered in the design of a financial service programme.

Approaches to Gender

The history of thinking about women and gender relations has developed rapidly over the last few decades [7]. There has been an increasing believe that changing gender imbalances in favour of women is an essential element of development. Certain schools of thought can be distinguished, which approach gender imbalances in different ways, especially with regard to women's productive versus women's reproductive roles. All of these have their effect on the present programmes addressing women, and also on financial service programmes.

Most commonly known is the *welfare approach*, which sees women largely in their reproductive capacity of child bearing and rearing, care for the family and for the sick. Help is often provided free of charge, but without the true involvement of women, since they are seen as passive recipients.

This approach still prevails in many development projects [8], 'income generating projects', church and relief programmes and even financial programmes addressing women. It can result in programmes which heavily undermine women's productive roles, triggering an undesirable effect. If such an approach is employed in financial service programmes, it can easily create the

Women often take care of family responsibilities, sometimes assisted by elder girls

impression that loans are given out as free services to assist women, and therefore they do not need to be repaid. Lacking the participatory element, employing a welfare approach in a financial service programme can seriously undermine the long-term sustainability of a programme.

Frequently prevailing in government programmes towards women are the *antipoverty approach* and the *efficiency approach*.

The *antipoverty approach* tries to increase the income of poor women by means of employment programmes and income-generating activities, so that women are in a better position to meet their and their families' basic needs. The productive role of women receives special attention but little attention is given to their reproductive role. Increasing their productivity is seen as the way to eliminate poverty, however, other aspects of gender roles are not fully comprehended and therefore many of these programmes fail to really increase women's income.

The *efficiency approach* is concerned with increasing women's participation in economic activities with the aim of strengthening the local (or national) economy. Women are seen as an instrument in the total development process, however, their reproductive and other duties are often not taken into consideration, nor are their views and opinions.

Both approaches emphasise women's productive role over their reproductive role and can result in programmes which seriously affect their reproductive duties. Often women slowly withdraw from participation in these programmes, either because the activities cannot be combined with household obligations or because they are forced into situations which are not culturally acceptable for them. The antipoverty approach and the efficiency approach are commonly found in financial service programmes for women, especially those that are stimulated by the government[9].

Women's organisations addressing gender imbalances in society often employ an *equity approach* or an *empowerment approach*.

The *equity approach* seeks to involve women in development activities so that they benefit as much as men. It focuses on the productive and the reproductive roles of women and is concerned with equality both in the public and private sectors. The emphasis is on the political and economic independence of women. Here, women are seen as active partners in the development process.

The *empowerment approach* tries to expose oppression and help women to acquire power so they can shape the direction of the development process. They need to control resources in order to do so. Both the productive and reproductive roles of women receive attention. Women will only be able to bring about the necessary changes if they have acquired their own power. Changes must be implemented starting from the grassroots level. Awareness and the formation of organisations are important elements in this approach which is the first to be strongly based on listening to women's organisations in third world countries.

These two approaches harbour an essentially different perception of the role of women, because women are seen as active partners in the development process. The empowerment approach[10], emphasises very strongly the participation of women, possibly through their own organisations. Productive, reproductive and other aspects of gender oppression are considered, through the participation of women who experience these problems as a daily reality in their lives. An empowerment process can here be defined[11] as 'a process whereby women become aware of the many aspects of their oppression and take subsequent actions aimed at and resulting in an improvement in their living conditions and position, and in their bargaining power.'

Several financial service programmes, emerging from the NGO sector, try to employ an empowerment approach while addressing poor women. A real focus on empowerment in financial service programmes for women will only emerge when women get more access to and control over resources and when they can gradually increase their capacity to use these resources. Such results can only be effected if women are actively involved in the design and programme's implementation from the start. Women can then be seen as true and active contributors towards development. Thus financial service programmes aiming at the economic empowerment of women can only be effective if they incorporate gender analysis[12] and a participatory approach in their programme design and methodology.

A Participatory Approach, How?

A participatory approach to development derives from the conviction that poor people are capable and adult, responsible people who know their own environment well and will select the most suitable strategies for survival and development, given the resources and information available to them. They are active partners in development and their contribution is vital to the success of any development programme which addresses the improvement of their position. This vision complies well with the initial confidence any financial service programme has to have in poor women when it wants to provide financial services to them.

A participatory approach was also advocated during the Dakar women's conference[13]. 'The design of development policies and their implementation have tended to depend on a top-down approach leaving little room for a participatory planning process. In contrast, it is maintained that without serious dialogue with producers, and the women among them, policies will continue to be misinformed about the gender aspects of production, thus tremendously reducing the effectiveness of those policies and programmes.'

Through a participatory approach, women's problems, views and strategies, which derive from gender roles, can be effectively communicated to higher levels. At the same time avenues are opened within the programme to exercise control and give responsibilities to poor women.

However, participation is a serious business that makes demands on people's time and requires considerable self-discipline. Fuglesang and Chandler acknowledge this[14]: 'If we recognise that people have the right to decide whether they wish to participate or remain passive, then we must acknowledge the dilemma that participation will never be 100%.' Inherent to a participatory approach is the freedom for people to participate and to decide when and how they participate. A participatory approach towards poor women can only aim at maximising the participation of poor women, by creating the right conditions and environment. Poor women will have a diversity of problems and capacities and they will select their strategies accordingly. The formation of a variety of local grassroots organisations is an expression of this. Therefore, local grassroots organisations can be a possible entry point for a participatory approach[15].

Participation Through Local Grassroots Organisations

Local grassroots organisations can be formed according to members' needs, problems and capacities, especially when the organisations are member-initiated. They can be a starting point for a participatory approach. Fuglesang and Chandler[16] suggests to 'distribute power to groups of active and interested citizens who are made accountable to themselves and the larger community.' They call this social accountability. It implies that the group, and the leadership of the group is made accountable to its members. It also implies accepting the rules that the community or the group has set jointly and to conduct oneself according to those rules[17]. Furthermore, it implies that groups remain in touch with the community objectives, and do not boycott them.

Friedman[18], also encourages a participatory, empowerment-oriented approach through giving decision-making power, autonomy and democratic control to local communities or groups. According to Friedman, this can be achieved through: 'A dense network of civic organisations, which strengthens community. It channels new information and resources to the community. It increases the community's stock of knowledge and makes it more adept in using it.'

In the context of financial services to poor women, the informal savings and credit societies formed by women could be a possible starting point for a participatory approach. These groups are often started by members. They aim to improve their members' economic position and discuss their problems, thereby creating recognition and solidarity among women. In many of these groups discipline and mutual accountability is enforced[19]. However, the level of participation, and democracy as well as the link with the gender issues of these groups will have to be carefully assessed before any participatory programme addresses them.

Linkages with higher level organisations, increasing poor women's capacities

Local grassroots organisations are severely constrained by factors beyond their control such as global economic forces, inequitable distribution of wealth and hostile class alliances[20]. For any participatory empowerment process based on local organisations to become meaningful, links with regional and national institutions are necessary here to foster real economic and political influence. According to Friedman, this is a role for NGOs, who can act as 'external agents', to facilitate a social learning process and relate local action to higher level political and economic changes.

In the SNV ideology[21], 'The primary task of such an organisation is to stimulate and facilitate the target group to formulate their needs and to identify activities which they believe to have priority. Furthermore, it is to assess together with the target group whether the choices made are feasible and which alternatives exist. They can support the target group to enter into agreements with governmental and private bodies and departments with regard to the implementation of the activities and to ensure adequate monitoring of the process.'

In the case of financial service programmes for women, NGOs or institutions that link with informal savings and credit organisations can encourage such a process by jointly analyzing the situation with these women and the opportunities open to them. Both the target group and the external institution should contribute to the planning and monitoring of the process, since both have relevant complementary sources of information from local and higher levels. Consequently, the NGO can try to stimulate a gradual increase in the capacity of women to control and manage resources by giving them more and more financial responsibilities, accompanied with training and technical advise, using participatory techniques.

Furthermore, the NGO or institution can try to address gender imbalances related to financial services at a higher level by political lobbying and by cooperating with other women's organisations. The NGO can help the target group in creating conduits to democratically control policy implementation at higher levels.

Financial Sustainability

Any financial services programme for poor women will have to ensure long-term financial sustainability so that it guarantees continuation of the services to women in the future. If the programme capital withers, funds will not be available in the future to continue to provide the services[22].

To avoid this problem and in order to create a cost-effective scheme, the programme should be self-sufficient. A reasonably simple definition of financial self-sufficiency[23] is the ability of programmes to cover both direct operating and financial costs and to maintain the real value of the portfolio with their incomes. So, financial self-sufficiency incorporates operational self-sufficiency, which is achieved when income is equal or greater than the expenses and losses of the fund caused by external factors such as inflation. For long-term sustainability of the programme, achieving and maintaining financial self-sufficiency is very important.
Financial sustainability will be difficult to achieve when the costs of reaching a certain target group with financial services are high, or when the fund is depleting rapidly because of poor repayment. Poor women are often perceived as a costly, high risk target group by financial institutions, despite the fact that women have proven to be good repayers[24].

Reaching poor women with financial services will be a costly affair at the start of a programme, especially when a gender-sensitive, participatory approach is employed. However, when financial services are channeled through groups, who can gradually take over part of the administration and bear the repayment risk, the costs for the financial institution will reduce over time. In this way, greater numbers of clients can be reached than in a situation where loans are given to individuals only. Thus, by channeling services to groups, the programme will become more cost effective.

Summary and Conclusion

This chapter provided an ideological framework for a view of financial services to poor women. It clarifies that financial services are important to poor women. However, there are certain conditions which will make these services more effective. First and foremost, a financial service programme for poor women should believe in a poor woman's business capacity and her ability to handle money. Secondly, accessing financial services to poor women will imply a gender-sensitive approach in the sense that gender imbalances are considered in the programme design. And, thirdly, participation of poor women in the programme will ensure that the finances can truly be controlled by them.

There are many theories about gender and development, which also influence financial institutions. The theories mainly differ in their perception of the capacities of women and the assessment of women's productive and reproductive roles. The empowerment approach is based on the full participation of women in the development process, while taking into consideration women's productive and reproductive roles. It is believed that this approach provides the best basis for a financial services programmes founded on poor women's capacities and needs.
A financial service programme aiming at the empowerment of women will have to ensure, furthermore, that women increase their access to and control over resources. This will imply addressing gender imbalances in other areas as well, for instance in the field of law, education and information. Nonfinancial services in addition to financial services will often be necessary to enhance access and control by women.

A financial service programme must also strive towards financial sustainability, so that continuing financial services to poor women are ensured. A viable cost-effective, participatory approach can be reached by offering financial services to groups.

In the next chapters, the vision presented in this chapter will be clarified with examples from Uganda, and, where necessary, from other countries.

Women's Economic Roles and Business Strategies, with Focus on Uganda

Introduction

Women in African countries perform a variety of economic roles in the productive and reproductive sphere. The economic roles of poor women are very important both to the household and to the national economy. In Uganda, for example, women constitute 70-80% of the total labour force in agriculture, which is the country's major income earner. Furthermore, women are responsible for almost all the reproductive labour, which includes care for family consumption, for the children and for the sick. In rural areas, this means carrying water or firewood for long distances, cultivating crops and carrying them home, preparing food and so on.

Women also perform a variety of off-farm businesses and micro-enterprise activities to obtain some form of cash income for the family. Small traders sitting on street corners selling small snacks are often women. These women contribute significantly to the family income. They often pay for the education of the children, for health care and for other basic family necessities, such as oil and salt. For all these expenses they need cash money.

Until recently, these women have often been overlooked by development programmes, in particular by financial service programmes. Currently, however, there are a number of organisations and NGOs in Uganda that want to address this particular target group. A meaningful financial service programme for women will have to carefully consider women's productive and reproductive roles, their business strategies and the requirements for financial services derived from these roles and strategies.

In this chapter the types and characteristics of women's businesses will be analysed, including the constraints women face in establishing these businesses and the strategies women have developed to overcome these constraints. Poor women's requirements for financial services will be highlighted after this. Examples will be used from Uganda, and in some cases from Tanzania.

Women fullfil a major role in agriculture, however they rarely control resources such as land

Brief Background on Uganda's Economy and the Economic Role of Women

Uganda's economy heavily depends on agriculture, which accounts for 76% of GDP and 97% of export earnings[25]. The country is very fertile and to a large extend self-sufficient in food supply[26]. In the sixties, Uganda was one of the richest countries in East Africa, but because of long periods of war, the country's economy deteriorated rapidly. Until recently, Uganda experienced one of the highest inflationary rates in Africa, which specially affected prizes of essential household commodities.

The situation is now gradually changing. Macroeconomic policies are being put in place to reduce overall inflation and enhance economic growth. The Uganda government, guided by the structural adjustment programmes, now focus on cash crop production while stimulating business countrywide. The World Bank's Financial Sector Programme[27] will hopefully increase the sector's efficiency and services. Major donors have come back to Uganda, supporting all sorts of development efforts, some of which specifically address poor women.

Still, the structural adjustment programmes tend to create harsh economic conditions for some sectors of society: they have been widely criticised for further marginalising the country's weakest subjects, such as the poor.

Women, constituting over 70% of the agricultural labour force in Uganda[28], have always, including times of war, contributed to food crop production, the country's food supply and to the national economy. Recent government policies, ignoring the women's role in agriculture while focusing on cash crop production, bear the risk of creating food shortages at household level. Traditional areas for food crop production are sometimes taken over by men, who use it not for home consumption, but either for cash crop production or for production for the market. Rural women are pushed into less fertile areas and increasingly encounter problems growing enough food for their families, let alone producing surplus to provide themselves with some additional income[29].

In Uganda it are usually the women who manage the household consumption. In urban areas, increases in price levels of essential commodities drive women to develop time consuming strategies to make up for the losses felt at home. On top of this, social services, both in urban and in rural areas, are severely limited. While it is women's responsibility to care for the sick and weak in society, this task becomes increasingly cumbersome. Women thus become a buffer to make up for the negative effects of economic adjustment programmes[30]. Many women have therefore involved themselves in all sorts of activities besides agricultural production to increase their income.

Small Businesses Run by Women in Uganda

Apart from agricultural enterprise, the following business categories run by women can be distinguished.

Survival businesses[31] are run by some urban and many rural women to add some income to the meager household budgets. These business activities are often undertaken on an irregular and part-time basis, for example small-scale resale of manufactured products or production and sales of craft artifacts. These enterprises usually need very little external inputs in terms of raw materials or technology. Women who undertake such activities mostly operate with extremely small profit margins. In remote areas in Tanzania and Uganda for example, women sometimes spend a week working on a mat or making pots which earn them just a few shillings. If this time could be invested in agriculture, their profit (in kind) would be much bigger. However, these women need the little cash they can earn and control through these activities so badly, that they are prepared to spend their valuable time. The money is often used for essential household consumption, school fees, and emergencies. Informal savings and credit groups can be found among this category of women, usually for assistance in major household expenses or for emergencies[32]. An example of this category is given in box one.

Chapter 2, box 1
Handicrafts

Handicrafts such as pottery, mat making and leather works are often selected by poor rural and urban women to increase their cash income. They can easily be combined with household duties and other responsibilities and many women in Uganda have the knowledge to make traditional craft artifacts.

However, profit margins have been relatively low in this sector. UWFCT has tried to increase the marketing of these products.

Gertrude **is a client of UWFCT who has benefited from this approach. She has been involved in making handicrafts for a long time. She also has some tailoring skills, therefore she picked up the training in hand bag and shoe making very fast. These products are more marketable than the traditional handicrafts.**

Gertrude got a loan from UWFCT for a sewing machine, materials and tools to expand her production. Unfortunately, as her business was improving, her husband became upset and refused to let her continue the business from home. Gertrude had to return the machine.

Now she is trying to acquire her own premises close to the home from which she can run her business. Currently, she continues to make bags and shoes by hand. Gertrude is one example of the clients who made UWFCT realise that gender sensitisation of men is very important in a credit programme to women.

Female micro-entrepreneurs[33] are the women that run their businesses usually on a more permanent basis. They often operate in and around the market places, running small stalls or tiny restaurants. They can also undertake beer brewing, brick-making and a variety of other activities. These women might use small amounts of money for their undertakings, usually smaller than men, but their capital circulates fast and is usually reinvested in their business. Membership of informal savings and credit groups is very common among these women. The fast circulation of capital gives them a clear need for a variety of speedy financial services.

Small-scale business[34] *women* run businesses on a somewhat bigger scale compared to the micro-entrepreneurs. They often employ people, take risks and are keen on making profits and letting their business grow. Therefore, they reinvest a substantial amount of the profits in their businesses. These are the women that run medium-size shops, restaurants or small tailoring workshops. These women have periodic cash constraints, especially with regard to investment purposes. Although financial services would help to overcome these problems, informal savings and credit groups are rare among the small-scale businesswomen: they mostly operate on an individual basis. Still, these women have no easy access to the formal banking sector either. An example of this category is given in box two.

Chapter 2, box 2
Timber Processing

Venna **has been a client of UWFCT for more than four years. She is married and has six children. Her husband helped her to initiate a business in timber.**

With the help of a loan from UWFCT she was able to purchase processing machinery and has expanded her business. She has bought a piece of land and. now employs five workers.

Venna fully recovered the loan, attended courses in small-scale business management and is a regular saver. She contributes to the family budget and the children's school fees. She has become a source of funding for other relatives, who see her as a respectable business women.

The above-mentioned categories of women are prototypes of a broad spectrum of business activities undertaken by women in Uganda. The diversity of businesses undertaken by poor women certainly calls for a variety of financial services. It appears that the first two categories of clients operate informal savings and credit groups, while the last category operates usually on an individual basis. Group-based lending programmes will therefore be more suitable for the first two categories.

Gender and Women's Economic Strategies

The importance of a proper gender analysis of women's economic roles before the start of a financial service programme has been emphasised. Although women run a variety of businesses in Uganda, there are some general factors related to gender imbalances in society which influence women's business strategies throughout the categories:

Customary and legal status, and control over resources
According to several reports[35], in many areas of Uganda women are still regarded by customary law to be their husband's property. On marriage, a woman, her children and agricultural (or other) produce raised by her belongs to the men. The law of succession sees to it that when a husband dies and leaves one or more wives, she or they get 15% of the property. The rest goes to the children and the husband's family. 'Clearly the customary and legal status of Ugandan women severely limits their access to property and income, says one report[36]. Many women hesitate to invest in property which is not theirs or which will not provide them with control over the benefits. The limited access to financial resources also severely limits their access to credit because of collateral requirements attached to obtaining bank loans. Furthermore, access to services from cooperatives are usually limited to landowners, and thus not easily available for women.

Women's Reproductive Duties and Time Constraints
In rural areas, women are primarily responsible for subsistence agriculture. They also play an important role in cash crop production. In addition they are the prime caretakers of the children, food processing and caring for the men and the aged. According to a UNICEF report[37], the rural Ugandan woman's working day ranges between 12 and 18 hours.

Time constraints on the rural woman and her responsibility for reproductive duties severely limit her participation in business activities. In order to minimise conflict stemming from their multiple roles, women choose home-based or ambulant businesses[38]. A high percentage of businesswomen run their enterprises on a part-time or seasonal basis. Animal husbandry for example, is a preferred business by many poor women because it can be easily combined with the household duties. Children often help out to keep the business running. However, operating from a home base limits space, time, mobility and therefore the volume of women's businesses[39] (see also box 3).

Chapter 2, box 3
Livestock

Livestock projects are often selected by rural and rural/urban women for additional income generation, because they are easy to manage in combination with reproductive duties. Knowledge and skills are usually locally available and they bring a steady daily income in the case of diary cows or poultry projects.

Leontina is one UWFCT client who opted for a loan for diary cows. She and her husband, who is a tailor, have eight children. They live in a rural/urban area 10 kilometers from Kampala town. With the loan of UWFCT she bought two cows, drugs, feeds and improved the cow shed. She also got technical advise in dairy keeping and followed a general business management training course. Her husband is very supportive of the project.

The project is going well. Leontina has already sold eight small cows. She gets an average of 25 litres of milk per day, which gives her an income of roughly $250 a month. With this money she has been able to contribute to the children's school fees and to buy some luxuries such as a bicycle and a cooker, after repaying the loan. She is now saving money for emergencies and to improve on her house.

Health Factors Constraining Productivity

Apart from working long hours, there are other factors that strain women's energy and affect their productive performance. The total fertility rate in Uganda is 7.4 live births per woman, which is very high in comparison to other countries. In rural areas large numbers of children are still preferred and most women have no decisive say in matters pertaining to their reproductive health and sexuality, leading to frequent pregnancies and poor spacing between the children. This is not the only thing that negatively affects their health[40]: sex differentiation in food intake in favour of men, and poor primary health care services can negatively affect women's health and therefore energy levels. This in turn affects her ability to start a business or run income-generating activities.

Women's Limited Access to Education

Although there is no policy on education which discriminates on ground of sex, more then 50% of schoolgirls drop out before completing the primary education cycle, due to numerous constraints such as cultural biases in favour of the education of boys, early pregnancies, domestic child labour and poverty[41].

This results in high levels of illiteracy and low levels of higher education among women in Uganda. Consequently many women do not acquire the skills necessary for running successful income-generating activities. This factor forces women to engage in business activities which require little technical and managerial knowledge, and often earns them very little.

Women's Limited Access to Information and Markets

Women's limited mobility, because of household duties and child care, gives them limited access to information and markets. Furthermore, channels for information on markets such as agricultural extension, cooperatives and small-scale enterprise organisations are mostly male dominated, although recent efforts have been made to open up these channels of information to women[42]. In addition to this women often produce 'low-value' food crops or engage in traditional jobs, which don't require a high level of technology but which are not easy to market, such as handicrafts.

According to an IFAD[43] report, agricultural and technical promotion, extension services and research programmes have almost always been oriented towards men. Women appear to be excluded from major information channels on technical and marketing advice.

On top of that, women also seem to have less access to techniques for improving the productivity of their labour. It is a common phenomenon in many development projects that activities which were traditionally done by women are taken over by men once technical equipment is introduced. This can be enforced through culture, but also because technical advisors address their services mainly to men. In Tanzania, for example, many organisations gave machinery to women, such as maize mills or oil presses. Control over these machines was gradually taken over by men, because women did not have the technical skills to run them.

"Poor" women are very eager to learn

Women's Business Strategies

While addressing the above mentioned limitations, women appear to develop business strategies which on the one hand give them access to and control over money and resources, and on the other hand do not contradict with women's reproductive duties. Some of these strategies[44] are mentioned in the following paragraphs.

Concentration in Certain Sectors

Women's businesses are often concentrated in certain sectors, which need little investment and where women's control of revenues is 'allowed.' In urban areas women seem to prevail in service and trade. In rural areas, female agriculturalists tend to focus on food crop production while men concentrate on cash crops. Data from Uganda show that women prevail in food processing, textile, handicrafts, and trade and restaurants, (see box 4). UWFCT loan portfolio data (see box 5) show that women in urban areas can mainly be found in service (restaurants, etc.) and retail trade, whereas women in rural areas run agriculture and livestock projects, but are also largely involved in service and trade. Women tend to operate in enterprises with few barriers to enter in terms of investments or new technologies, for example food and craft production.

Few women are found in those sectors which are traditionally addressed by small-scale enterprise programmes such as carpentry, metalwork, garages and shoemaking, and which are largely dominated by men.

Avoidance of risk

Women in business try to avoid risk and spread strategies. According to Gosses[45], 'Women entrepreneurs at small scale and micro level are more interested in a regular, secure income than in attaining maximum profits and/ or expanding their operations.' Women have a whole range of duties and responsibilities, especially to their families, so they prefer regular sales at reasonable level of payment in order to get a secure income every day, instead of a highly profitable but risky undertaking.

Chapter 2, box 4

Women's Participation in Small-Scale Enterprises in Uganda

The table below shows the findings of the 1989 Ministry of Planning and Development Manpower survey with respect to a number of selected informal sector units by industry and sex of head of enterprise*:

INDUSTRY	M.	Fe.	All	% female
1. Food processing:	36	27	63	43 %
2. Clothes/shoes:	39	27	66	41 %
3. Metal fabrications:	62	1	63	1.5 %
4. Wood production:	38	0	38	0 %
5. Handicrafts:	3	17	20	85 %
6. Construction:	26	1	27	4 %
7. Garages:	11	0	11	0 %
8. Trade and restaurants:	181	74	255	29 %
9. Transport:	26	0	26	0 %
10. Services:	50	7	57	12 %
11. Others:	2	1	3	33 %
12. Not stated:	4	1	5	20 %
TOTAL:	478	156	634	25 %

*** Source: the Manpower Survey Report 1989.**

Chapter 2, box 5
Types of Enterprises of UWFCT Clients

LOAN PORTFOLIO DATA UWFCT*:	RURAL	URBAN
1. Restaurants:	5	2
2. Commerce and shops:	34	31
3. Agriculture:	76	3
4. Livestock (dairy, poultry):	72	20
5. Textiles:	21	16
6. Bakery:	9	3
7. Nurseries/schools, clinics:	9	5
8. Food processing:	10	5
9. Shoe and bag making, carpentry:	12	7
10. Others:	0	2
TOTAL:	248	94

* As per Dec. 1993, loans to groups are registered as one.

Poor women in particular will avoid taking high risks, because in many cases they have to cater for all the household needs. Growth strategies of enterprises run by women are therefore different from those run by men. It is not uncommon in Uganda to see women running a few different small enterprises simultaneously (for example a poultry project and a small shop) in order to spread risks, rather than investing everything in one business.

Group Formation
Group formation is a common strategy found all over Sub-Saharan Africa which poor women adopt to allow them to exercise more control over their resources derived from business activities. In particular micro- and survival businesswomen often create informal savings and credit groups which help them to keep their money away from family needs. The husband and the community usually respect these groups and will not interfere much in the group's affairs. Usually women themselves are proud to be a member of such a group. The group can give them the courage to undertake risks they would not have undertaken by themselves[46].

Women in small businesses have developed these strategies to ensure access to and control over income for themselves and their families. Financial programmes aimed at these women could supplement these strategies and enforce them in order to make sure that the strategies continue to be effective.

Women's Requirements for Financial Services

The types of businesses that women run, their business strategies and their reproductive obligations determine their requirements for financial services. In several studies[47] and through UWFCT's experience, major requirements for financial services of poor business women appear to be the need for accessible and secure savings facilities, the need for small, fast loans without collateral or lengthy bureaucratic procedures and the need for nonfinancial services accompanying the financial services.

Accessible and Secure Savings Facilities
There is a still prevailing assumption among many financial institutions and government ministries that poor people, especially poor women, cannot save. At the same time, experience has proven that poor women have an urgent need to save. This allows them to balance the household budget, pay for major purchases and meet emergency needs. The interest rate paid on deposits seems to be the least important consideration for these women[48]. Factors such as security of the savings, privacy of accounts, proximity and easy access to deposited funds, seem to be much more important to poor women than actual returns on savings.

High additional transaction costs in the form of travel expenses or waiting time to access deposits can discourage women to save small amounts with the traditional banking institutions. Transaction costs and time spent waiting should be as low as possible, especially since the amount per transaction is relatively low. Women will calculate the costs of depositing savings both in actual cost and in time spend waiting. If these costs are too high, they will prefer to save on the informal market. Accessing savings facilities to women also means adopting a client-friendly, personal atmosphere in the office, as the examples of UWFCT and SEWA in box 6[49] shows.

Chapter 2, box 6
UWFCT *Savings Programme*

UWFCT operates a savings scheme for women in a personalised way in relatively accessible offices and with quick services. The savings programme of UWFCT is growing very fast and now has more than 6000 clients. In UWFCT's experience, access to savings facilities is one of the most burning but underestimated needs of poor women. Research in Uganda has shown that women consider it of utmost importance to keep their money away from other family members. Women frequently ask UWFCT to leave their savings passbooks at trust premises for better safety of their moneys. Savings groups, the informal market or organisations like UWFCT offer women a better savings opportunity than formal financial institutions, which are often far away, bureaucratic and inaccessible for poor women.

Accessibility of financial services for poor women also means creating a client-friendly atmosphere in the organisation. This was an important point of attention in all UWFCT branch offices where clients find an informal and friendly atmosphere. UWFCT staff have been trained to take even the poorest women seriously as a business partner.

The SEWA Bank in India also applies such an informal approach to clients. For example, customers may come around the counter and share tea with the bank staff. UWFCT has also developed alternative collateral requirements for small loans, such as group liabilities, guarantors or using business equipment as guarantor to the loan.

Small, Short Term and Accessible Loans

Most women's enterprises tend to remain small and are based on traditional technologies. The credit needs of these enterprises are also small, usually much smaller than the formal banking sector offers. They will be mostly for working capital, since there is little investment in assets. Furthermore, the loans need to be quick and easily accessible when need arises in order to be meaningful for the women's businesses. Bureaucratic procedures should be minimal to reduce time spent waiting. Traditional collateral should not be required, so that women can access the loans.

Flexibility in lending procedures, and loans which incur low transaction costs for the borrower are needed in order to target poor women. Furthermore, loans should not be tied to specific activities such as cash crops or specific small scale enterprises. Tying of loans to specific activities can be found in many rural credit schemes and has often excluded women in the past. Preferably, loans should be made available to a wide variety of business activities. Loans for reproductive activities can be considered, especially if they would free women's time for income-generating activities[50].

Nonfinancial Services Accompanying the Financial Services

Women face constraints such as illiteracy, lack of information, limited access to markets and lack of self-confidence while running their businesses. Therefore, women need additional services such as training in business management, bookkeeping, general assertiveness and technical and marketing advice, all of which can enhance the benefits of the financial services.

When women get finances for more complicated, new projects, for example maize mills or oil presses, additional management and technical training is compulsory. Awareness raising about gender roles can also be necessary in order to ensure that the project is not slowly taken over by men and is not conflicting with women's reproductive roles.

Follow-up after training is very important in order to establish the training programme's impact in addition to the financial services. Follow-up on training can also be a way of confirming the course's importance in front of village leaders or husbands. This happened in Tanzania, were it helped women to apply faster what they had learned. UWFCT experiences are given in box 7.

Chapter 2, box 7
UWFCT *Training Programme*

UWFCT's experience is that training women, either groups or individuals, should always be started by a needs assessment, after which the training programme is designed in detail and given intense follow-up. Furthermore, through experience UWFCT learned that technical and management training can best be combined so that the application of management skills is practically illustrated.

Management and bookkeeping training for women should be kept simple. At the same time the training should not contradict

'official' accounting rules, so that women can graduate into mainstream banking, if they want.

Increasing women's self-confidence is an important point of attention in training women, for example by giving them exercises to speak in front of others. UWFCT has developed the strategy to use experienced clients as resource persons to train others, for example in bee keeping training. These clients feel proud to train their fellow women. On the job and informal training is also provided to micro-business women. Women always have to contribute something to the costs of the training course, so that they value the training and see it as a serious contribution to their business.

General gender awareness-raising campaigns can be important to increase women's access to cooperatives and small-scale enterprise organisations. UWFCT has experienced in several areas of operation that sensitisation of men, not only husbands but also village leaders and local authorities has helped to increase women's access to and control over loans and reduced interference in the business by men.

Aiming at increasing women's access to and control over resources can also imply lobbying to change the legal status of women[51] and to access relevant information from government and development planners to women.

Furthermore, poor women need examples and role models of successful business women. UWFCT purposely tries to support such women, who can be an example for other businesswomen in the area, as box 8 shows.

Chapter 2, box 8
Innovative Businesses

Not many clients of UWFCT select a project which involves a higher level of (new) technology and management capacity. If they do, however, they can be a model and stimulus to other women in their environment, as these two examples show.

***Christina* is married and mother of four children. She was well educated and worked with a bank before she started her business. She buys honey and bee wax from small farmers, mainly women. The honey is refined and bottled and the wax is made into candles. She got a loan from UWFCT to expand her business.**

Christina has now trained about fifty women in modern bee keeping and she purchases the honey and wax from these women on a regular basis. The business is going well and the honey producers are happy to have a regular market for their honey, which they can produce close to their homes.

***Frederica* is a graduate agriculturist, married and with children. She attended a special course in mushroom cultivation, which she than brought into practice with the help of a loan of UWFCT.**

The business was very successful since mushrooms are currently scarce and highly marketable in Uganda. Frederica has trained some other women in mushroom cultivation and supplies them with spawn to start the production. Most of the women are enthusiastic because mushroom cultivation can easily be undertaken close to the home and produces a highly profitable product.

In conclusion, it can be said that accessibility, manageability and control by women are important criteria for successful financial services to women. Accessibility includes physical accessibility as well as a client-friendly, personalised attitude towards customers. It will also include considering gender imbalances in the programme design so that services are tailored to sectors and areas were women operate.

In order to make services manageable for women, savings and loan sizes need to be small and transaction costs need to be low. A participatory approach will ensure that services designed by the programme will be manageable for women and can be controlled by them. Increasing women's access to and control over resources can start in areas where women already have some control. Therefore, business strategies developed by poor women can be a starting point for a successful financial service programme.

Such programmes can best be tailored to the need of the area and the target group. Detailed research, including the nature of women's businesses and informal savings and credit practices as well as financial and training-needs assessments need to be carried out prior to the programme's takeoff. Participatory research methods are likely to provide better information. Informal savings and credit organisations may be an important source of information in this respect, since they are formed according to women's own perceived needs and capacities and they are managed and controlled by women themselves.

According to the SEWA Bank[52], such an assessment is a time-consuming process which includes building relationships, mutual understanding and trust between the women and the institution. 'A realistic assessment of women's financial needs and capacity is possible only on the basis of an intimate involvement and knowledge of the lives of these women and may take many months. This results in an understanding not only of women's various economic activities, but also of the problems they face in carrying them out, how decisions on financial matters are made at the household level and how women combine their domestic and income-generating roles.' Such an assessment needs to be done in order to truly access the services to women.

Effects of Increased Access to Resources for Women

When financial services are provided well, they can stimulate growth in women's income and increase their control over assets and resources[53]. There are many examples of clients of UWFCT who can now send their children to school, because of business improvements with the help of a loan. Some women have made the step from micro- to small-scale business, others have expressed that they feel independent when they obtain income for themselves, and that they are less prone to sexual harassment or violence by men than before.

women's groups with a profitable communal project were incessantly asked for contributions to the national women's organisation, to the extend that it seriously undermined the profitability of their own activities.

The effectiveness of financial services programmes to empower women will be determined to a large extend on its impact on the women's lives. There are very few studies about the real impact and effects of these kinds of programmes, either in Uganda or outside. Financial services to women are relatively new and impact assessment has just started [54]. Impact studies will be necessary, however, to be able to detect changes in the position of women and design more effective delivery procedures. In the mean time there is a need to strengthen the capacity of organisations to have an efficient monitoring and evaluation system and a basic data collection system in their credit schemes.

As a start, proper gender-sensitive baseline data would be helpful in establishing the programmes' impact. However, few NGOs have the required funds and expertise to gather such data, especially when they are just starting their programme. Therefore, gender-segregated data through national household budget studies should be encouraged to make this information available to NGOs and government ministries.

Cultural factors can limit the expansion of poor women's enterprises

On the other hand, others state that they now contribute more to the household expenses and end up working longer hours than before. Family members might try to control a woman's income and put her under pressure to earn more so that they can use it. This can greatly contribute to the inability of some women to repay their loans on schedule.

In the case of loans for group projects which took off well, the groups were often pressurised for contributions to village projects. In Tanzania, for example,

Summary and Conclusions

In the course of this chapter the economic position of poor women in Uganda has been analysed. These women undertake a variety of small and micro businesses in order to get access to cash money. The development of these different businesses appears to be affected by certain gender-related factors, such as women's customary and legal status in Uganda, their reproductive duties, their health situation and their limited access to formal education and other sources of information.

All these factors limit the expansion of poor women's enterprises. Many women have developed strategies within these constraints, however, which ensure they exercise control over the income they obtain from their businesses and, whenever possible, increase this income. Some of these strategies are: concentration in certain sectors, avoidance of high risk businesses and group formation.

Women generally undertake businesses which are easily accessible to them and whose revenues they can manage and control. Financial services to poor women should also comply to such criteria. The financial programmes should consider the limiting factors for women as well as the strategies women have developed themselves to access and control resources. These can be summarised as access to simple and secure savings facilities; access to short term, small loans without collateral or specific targets; and access to nonfinancial services which can assist women to overcome their backward position with regard to the law, education and information.

Formal Financial Services for Women in Uganda

Introduction

Since the beginning of the fifties, governments, planners and external aid programmes have cooperated to establish conduits for financial services to the rural areas and the poor. The main emphasis was on increased agricultural production. Lack of capital was assumed to be the biggest limiting factor to productive investment for the poor. Until recently, women were not seriously considered as a potential target group for these programmes. The economic role of women in the national economy was not fully recognised and the particular conditions under which women live and work were not considered in the programme design. Therefore, women were often not participating.
Recent experiences have shown that poor women are bankable clients. They are inclined to save money as much as possible and appear to be good repayers[55]. Banks, NGOs and government institutions have come to realise the economic potential of women and try to incorporate them in their programmes. However, their perception of women and their own internal procedures often undermine effective participation of women in their programmes.

In this chapter the variety of formal and semiformal financial services delivery systems will be described with special emphasis on the situation in Uganda. The relevance of each of these systems for poor women will be assessed, whereby criteria such as accessibility and delivery of manageable and controllable services to women are of key-importance.

Brief Background to Financial Services Delivery Systems

Common categories of financial services delivery systems distinguished in most literature about credit are formal financial services, semiformal financial services and the informal financial sector.

Formal financial services usually include commercial and government banks, and other official financial institutions, which fall under the banking law in a particular country. Formal financial institutions usually collect savings, give loans and undertake a variety of other financial transactions. Loans are mostly given to big businesses against considerable collateral requirements. In the present context, cooperatives and credit unions are also considered to be forms of formal finance because their operations are strictly guided by the cooperative law in Uganda. Cooperative societies usually give somewhat smaller loans as compared to banks.

Semi formal financial services include financial services given by NGOs or private companies which are officially registered, but do not operate under any financial or cooperative law. They can, however, be specialised in financial services. NGOs, being development oriented, often give loans to community groups or to individuals through the groups.

The informal financial sector includes all types of financial services rendered under no formal regulations or laws such as loans to relatives and friends, moneylenders and savings and credit organisations.

According to Fong[56], the institutional arrangements chosen for delivery of financial services to women will largely determine the extend to which women will or will not have access to credit and savings opportunities. Women will value each of the options available according to their own needs and capacities, and utilise them accordingly.

In Uganda these major categories of financial service systems can also be distinguished. The formal financial sector is undergoing major reorganisation to increase its efficiency[57]. Rural and urban savings mobilisation, even of the poorer section of the population, is stimulated by government. Financial services systems in Uganda are, however, hampered by a poor physical and communications infrastructure and by an ineffective legal system which makes it difficult to follow up defaulters. In the following paragraphs, the relevance of formal and semiformal services for poor women are described, chapter four will focus on the informal sector.

Formal Financial Services

Formal financial service institutions, which can be distinguished in Uganda are commercial banks, the government banks and other Financial institutions. Some of these programmes recently began to address women with their programmes.

Commercial Banks
Commercial banks[58] in developing countries rarely provide financial services to small farmers and small-scale business people. Especially women within these categories are excluded. They are perceived as risky, high-cost clients which require small amounts of money at relatively high transaction costs for the bank. Most commercial banks have branches only in the major cities. A possible relationship between the target group and the bank is mostly in the form of savings. However, even the savings facilities of these banks are not very attractive for the poor, especially for the poor women. Among the constraints are[59] the limited rural infrastructure, limited opening hours, high minimum deposit requirements, lengthy withdrawal procedures, lack of information about savings facilities and a generally client-unfriendly atmosphere.

In Uganda commercial banks have generally ignored the poor and especially poor women. Most of the constraints mentioned here also apply to the Ugandan commercial banks. For example, most banks only have branches in the capital Kampala and a few bigger towns. Minimum deposit requirement of UShs 100,000 ($100) are found among some of the commercial banks, which is more than the annual income of very poor women[60]. The Central Bank has recently established a women's desk[61] and started a special credit line for business women through the commercial banks. Loans will be targeting mainly the bigger business women, who also experience problems in obtaining loans from banks, despite the fact that their businesses are booming. This group is still very small in Uganda and most of them operate in Kampala[62]. The Nile Bank wants to experiment with 'mobile banking' to capture local savings in Mbarara. Thus some commercial banks are cautiously beginning to address women in their programmes while bearing in mind the risks.

Government Banks
Credit programs for the rural population or for small scale entrepreneurs, are often initiated through governments with the aim of improving agricultural production and stimulating rural development. These programmes are either channeled through government banks or through cooperative banks, especially in the case of credit for agricultural inputs. They are often implemented in cooperation with the government ministries. In the past, women were not specially targeted in these programmes. However, since the economic role of women is increasingly recognised, these programmes have made efforts to incorporate women.

The government banks and cooperative banks are usually more accessible to the rural population than commercial banks because of their often widely spread branch networks and because cooperation with government ministries helps to inform the rural population. However, the branch network is often maintained at high costs. Loans are given at subsidised interest rates and can easily be subject to political pressure by the rural elite, thus repayment of these loans becomes difficult. Repayment of these loans can furthermore be frustrated by an ill-functioning legal system and unclear property rights, as found in many rural areas in Africa[63]. All these factors undermine the liquidity of government and cooperative banks, thus leaving very small funds for loans to women.

The meagre resources available to women can still be prone to political interference from local leaders, as the example in box one shows us.

Chapter 3, box 1
Interference of Village Leaders

In Tanzania, a credit programme for women's' groups was established by the Cooperative Rural Development Bank. In one of the villages there was a well-running women's group, who's loan application was about to be approved by the bank. The group had already paid all the required fees. Local leaders of the village, however, wanted 'their' group, a different group, to get a loan. It turned into a conflict at village level, to such an extend that the bank had to withdraw the loan offered to the first group. In another case, the bank 'lost' a groups application and found it only after the agricultural season had started. The women's group themselves lost interest and told the bank to keep the money. These incidents caused loss of motivation and cohesion of the group.

Rural credit programmes implemented through government banks or cooperative banks, sometimes in cooperation with government ministries suffer from some specific constraints[64] in delivering their services to women:

1. The rural banking network is poorly developed, especially in Africa. Partly because of financial reasons, branches in remote areas could not be started or had to close down[65].

2. Delivery systems are used which limit the active participation of women. Savings and credit information and procedures are often channeled through the agricultural cooperatives or through agricultural extension workers. These are generally highly male dominated. Information about credit facilities is often disbursed in writing, not using the local language, and thus not easily comprehensible for illiterate rural women.

3. High minimum loans and rigid collateral requirements can also hamper the participation of women. Women's micro-enterprises often need a very small capital injection. Furthermore, land titles are frequently required as collateral, which is difficult to obtain for many Ugandan women. Co-signing requirements of husbands can also hamper women when they are obtaining loans.

4. Narrow lending policies such as the targeting of loans for the few economic activities of the financial institutions, are another obstacle for women. Many credit programmes target cash crops or selected crops which are men's responsibility, excluding food crops which are mainly grown by women. In small-scale enterprise credit programmes emphasis is often put on producing enterprises, involving highly technological investments, thus excluding areas in which the micro-enterprises of women can be found such as service and trade. Loans for investments in reproductive tasks are hardly ever given, yet they can free women's time for income-generating activities[66].

5. Lengthy and complicated loan procedures are one of the major obstacles for poor women to obtain loans from the formal banking sector. Such requirements can include the preparation of financial statements and investment plans and the acquisition of numerous documents. These requirements often imply frequent, costly and time-consuming trips to the banks. Approval procedures might be long and require a lot of checking. The total costs (in time and money) can be so high for rural women, especially in comparison to the loan size needed, that they easily give up or try to get a loan from the informal market.

6. A client-unfriendly atmosphere in the banks, and in some areas mistrust in the banks, especially when banks have sprung up and disappeared, can form another hindrance for women to enter banks.

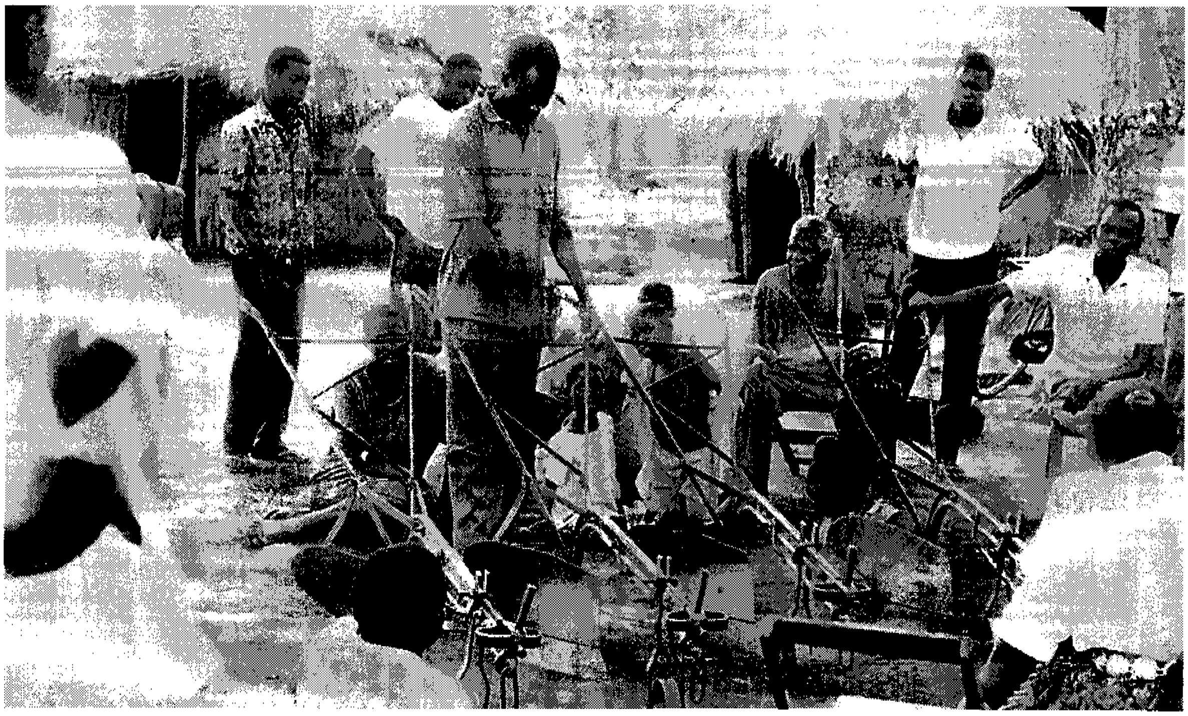
Many of the above-mentioned problems can also be found in the formal financial sector in Uganda. Rural credit programmes implemented by government or cooperative banks in Uganda are the Rural Farmers Scheme, implemented by the Uganda Commercial Bank (UCB), and the Agricultural Credit component of the Northern Uganda Reconstruction Programme, implemented by government ministries and the Cooperative Bank. Although these programmes purposely try to address women, they still face constraints in reaching them, as the examples in box 2[67] and box 3[68] show.

Chapter 3, box 2
Women's participation in the rural farmers scheme of the Uganda commercial bank

A report by Ugandan researchers Musoke and Amajo evaluated, among others, the Rural Farmers Scheme of the Uganda Commercial Bank (UCB) and its impact on rural women. The programme aimed at a 70% participation from women. However, despite the fact that character loans were given, also to clients who where new to the bank, only 30% of the beneficiaries were women. The following factors hampered the active participation of women:

1. **Information about the scheme did not reach the women, especially not those in remote rural areas.**
2. **Long and slow approval procedures, necessitating women spending a lot of time and money checking with the bank. Furthermore, sometimes the approval period for loans was so long that the agricultural projects could not be implemented.**
3. **Co-signing requirements of husbands where not a problem as such but it was a way for husbands to control their wives' loans. Some husbands pushed their wives into a loan.**
4. **Some women expressed that they had experienced a negative attitude from bank employees.**
5. **Not much training or technical advise was given with the project. Information about interest, the use of the passbook etc. was not available. Supervision of loans after disbursement was not very good, also because of staff shortages.**
6. **Many women complained they had taken up a project which cost a lot of time and labour, since loans where mainly given for agricultural projects.**

A strong point of the scheme was that they did not interfere with the women's choice of the project. Many women applied, but it appeared that the demand for credit was higher than anticipated, even illiterate women approached the bank for a loan. A total of 1400 loans had gone to women by 1989. The RFS stopped giving loans to small farmers and women for some time because of management and repayment problems. It has recently resumed operations.



Loans for technical equipment can easily be taken over by men

Chapter 3, box 3
Northern Uganda Reconstruction Programme, Agricultural Credit Component

Another example of a bank-implemented credit scheme is the Agricultural Credit Component of the Northern Uganda Reconstruction Programme. This programme started in 1992. It is constantly reviewing its procedures to adapt to the target group's changing needs. It now gives loans to individuals using a group guarantee system. Existing or new groups are intensively trained for a period of 6 months. The local administration is involved in approving the projects. The loan sizes are relatively small and transaction costs for the borrower are kept low. Loans are targeted at agriculture and are mainly for cash crops. Inputs can be provided in cash or kind.

Although this programme has tried to adapt its procedures to the needs of its target group, there are still some problems with the programme's implementation with regards to women, such as:

1. **Diversion of the loans to other activities, probably because the loans were to narrowly targeted towards cash crop production.**
2. **Loan approval and disbursement procedures were long and bureaucratic so funds did not always arrive in time to undertake the projects described in the loan request.**
3. **Monitoring and supervision facilities were not enough, both in terms of required staff and transport.**
4. **Politicians influence on disbursement of the loans, favouring the rural elites.**
5. **Repayment was a problem, although the peer group pressure system helped in recovering money.**

This programme has given out 4,600 loans to the poorer section of the rural population. There are no gender segregated data available, however, so it is unclear what the female participation in the scheme is.

At the moment many government banks are still restructuring and their service is very slow, especially in rural areas. Special programmes for small-scale and micro-entrepreneurs in urban areas, where many poor urban women operate, are not yet undertaken in Uganda. Within the formal banking institutions, gender sensitivity of banking personnel is usually very low. The Central Bank's women's desk has embarked on gender sensitisation within the financial sector, but that appeared to be a difficult task, since the desk is severely understaffed.

Other Financial Institutions
Other financial institutions, such as cooperatives or private financial institutions are usually less commercially oriented, less controlled by government or by banking laws, and less influenced by political interests. They have more freedom to adapt their procedures to the poor target group, and can therefore develop systems which have the potential to reach more women.

Cooperatives have a long tradition in East Africa. Many of them were founded in the thirties. Rural cooperatives are usually involved in the agricultural marketing of inputs and outputs. Savings and credit societies were initially mainly urban but are now increasingly found in rural areas, also in Uganda.

Traditionally, organisations such as cooperatives are male-dominated establishments[69] and their delivery systems are mainly oriented towards men. Yet, they seem to impose fewer barriers to women than formal banks. For instance they give character based loans, as opposed to loans against collateral. The cooperative society is usually based within the community, and the loan can be approved, processed and repaid at a local level. The loans can be small and their use can usually be determined by the client. Women are still underrepresented in cooperative societies, as the example in box 4[70] shows.

Chapter 3, box 4
Women's Participation in Uganda Cooperative Savings and Credit Union Ltd.

In Uganda, savings and credit societies can be found all over the country. They give financial services to their members. The Uganda Cooperative Savings and Credit Union Ltd. (UCSCU) is the apex organisation for savings and credit societies in Uganda.

Officially, a savings and credit society can be formed by a minimum of 30 members. They have to pool an amount of UShs 800,000 (US$800) in savings and give out shares worth UShs 500,000 before the society can be registered. A committee is selected to manage the society. The requirements of registration as a society appear to be high for many women's groups.

Training of society members is emphasised by UCSCU, which concentrates on training the societies in management skills, insurance of the loan funds and their transfer between societies.

Members of cooperative societies who have saved for some time can apply for a loan, usually up to twice the amount they have saved. Normally members who have saved more can apply faster for loans. Repayment is enforced by peer pressure and mutual guarantees within the societies and appears to be good.
A study on the participation of women in UCSCU and member societies by the Canadian Cooperative Association reveals that there are more urban than rural women members, that women's participation in the movement is very recent and that although participation of women in the mixed group is relatively high (39%), very few of them get loans from their society. Participation of women in the management of the societies is 17%. Women's savings in comparison to men are generally low, so very few women get loans. Thus, there are several factors hampering full participation of women as individuals or in groups in these savings and credit societies.

Private financial institutions mostly operate credit schemes that are oriented to the bigger companies. Those that address the poor frequently originated from the NGO sector[71].

In Uganda an example of a target group oriented financial institution, which has many clients in the rural areas is CERUDET. This organisation originated from the initiative of the Catholic Church and is currently owned by 12 dioceses. Through its parish network it has the potential to reach a lot of women, as the example in box 5[72] shows.

Chapter 3, box 5
***Centenary Rural Development Trust* (CERUDET)**

CERUDET is a Catholic financial institution. It operates through an established bottom-up structure which comprises of the basic community: subparish, parish, diocese or Resistance Council. Character loans are offered in genuine emergency circumstances, otherwise securities such as land titles are required. Saving is encouraged and loans are mainly given from deposits.

CERUDET reaches a lot of rural people at low costs through its church structure. Cerudet generally does not intervene with women's choice of the project and has a somewhat decentralised decision-making structure so that loan approvals can be quick. In 1990, 117 loans were given to women's groups as compared to 525 male borrowers. CERUDET is still building its institutional capacity, branch network and management information system, and has now established four regional offices.

Cooperatives and financial institutions stemming from an NGO background, usually emphasise training and other technical advise to their members, thus increasing their capacity to handle resources.

Conclusions on Access of Women to Formal Financial Institutions
In general, the financial sector in Uganda is beginning to have a positive attitude towards the involvement of women in its programmes. The commercial banks

appear to be the most reluctant in this respect. They target the bigger women's' businesses only. Government banks and other financial institutions are making considerable efforts to increase involvement of women in their programmes.

However, taking into consideration the criteria of accessibility of services, both physically and with respect to gender imbalances; and participation of women in the programme in order to establish manageable and controllable services for women, the formal financial sector does not score very high.

Government and cooperative banks may have a widely spread branch network, but appear to reach men because they focus on cash crop production instead of food crops. Political motives can, furthermore, guide their programmes, which results in mainly reaching rural elites. They often employ an antipoverty approach to women, leaving little allowance for women's reproductive duties. Therefore, poor women can easily opt out. Bureaucratic procedures, high transaction costs and centralist structures together with a client-unfriendly atmosphere can further hamper the access of formal financial services to poor women. Formal banks have limited freedom to design programmes and procedures according to locally felt needs. Therefore, they cannot easily adapt their programmes to a participatory approach. This can result in services which do not tally with poor women's capacities and needs.

However, banks in Uganda have recently become interested in reaching poor women. When they succeed in adjusting their systems, they have a big potential to reach larger parts of the target group than NGOs. They will have to institute changes in policies and procedures as well as in credit delivery systems. They have to become more flexible in loan size and collateral requirements, and become more customer-oriented. Decentralisation will help to bring the services closer to the people. Furthermore, they will have to take account of women's reproductive roles and refrain from targeting loans to economic sectors where women do not feature. Other formal financial institutions, such as cooperatives and private financial institutions, tend to have greater freedom to adjust their procedures to their target group. They are usually less bureaucratic and more flexible than banks, and therefore more accessible to women. Furthermore, services are often locally based.

However, many of these organisations are typically male dominated and have not incorporated gender analysis in their programmes. Recently-appointed gender officers experience constraints in resources and in support to implement a gender-sensitive approach into the programmes. Participation of members or clients in parts of the programme is to some extend allowed, but women are still underrepresented in these organisations. If discriminatory rules and regulations can be analysed carefully and removed, and internal support to gender officers increased, there could be a real potential for poor women in the cooperative movement[73], especially because cooperatives provide additional services such as training and technical advise as well.

Semiformal Financial Institutions

Semiformal financial institutions are those organisations providing financial service which are allowed by government but do not operate under the laws for financial institutions or cooperative laws. Mostly, these are NGOs running a financial services programme.

In many countries, especially in Asia and Latin America, innovative credit and savings schemes came up out of NGO efforts. The NGO approach[74] puts the emphasis on grassroots development, sustainability, active participation of women and a development of their sense of self-reliance. In line with this is the development of grassroots institutional structures, possibly building on existing savings and borrowing customs and on indigenous organisational structures.

According to Jazairy[75], 'NGOs have played a crucial role in the development of alternative credit schemes for the poor, especially for women. Their experience and close contact with the poor have given them important insights into local conditions, have created a sensitivity to poor people's needs and fears and have earned the people's trust. Some of these initiatives have grown to become officially registered financial institutions, but with a clear human-oriented focus still prevailing in their programmes.'

Organisations which started as NGOs and obtained the status of a financial institution later seem to have performed well in providing services to poor women. Worldwide examples are the Grameen Bank in Bangladesh, SEWA in India and some work of ACCION International in Latin America. In these organisations, systems and procedures have been developed with the target group's full participation. Timely and proper investments have been undertaken to develop financial professionalism within these organisations.[76]

The experience of NGOs running financial schemes in Uganda is relatively young. In Uganda distinguished categories of NGOs involved in financial services are:

1. NGOs running integrated programmes, including a credit component.
2. Special 'Income-generating projects for women,' started with credit.
3. NGOs specialised in financial services.

NGOs Running Integrated Programmes, which Include a Credit Component

Many NGOs all over the world provide financial services along with other services. In almost all integrated development programmes there is a tendency to add a credit component at some stage or the other. This, however, can cause management problems [77] when the credit component does not receive the required professional and financial attention. If the NGO concerned does not have the internal capacity to manage finances and employ a businesslike attitude towards women, the credit component will have little prospects of becoming financially viable[78]. The creditworthiness and repayment capacity of clients are not always properly assessed. Sometimes the marketability of the loan products of the businesses is not taken into consideration, thus unviable projects are financed.

Furthermore, it may be difficult to separate loan transaction costs from overall staff costs, since many different roles are performed by the same field people. This can result in loan transaction costs which appear to be very high. Field officers are performing two, sometimes conflicting roles, being the business advisor as well as the credit officer, who collects repayments.

Despite these problems, integrated development programmes with a credit component can be suitable for women as they address women in their own environment and often apply a participatory approach.

In Uganda, there are a number of NGOs that have started a credit component or a revolving loan fund[79]. Even some of the programmes which started as relief aid now run credit programmes. Many of these NGOs have special programmes for women. They invest a lot in awareness raising, mobilisation and training to make the target group ready for business development programmes. In remote rural areas, these NGOs give both training and credit as an integrated package. However, many NGOs, especially those related to church or relief aid, still make serious strategic mistakes when they design their credit schemes by employing a charitable approach to credit. They may for instance provide credit to people with many social problems who will never be able to pay back the loan.

When it is politically or strategically opportune for an NGO to spend much money in a certain region, it can happen that they allow for much bigger loans than clients can actually handle[80]. On top of this, many NGOs operate revolving funds in areas where there is competition with grant schemes for the same target group and the same projects. Or they select very remote areas, with a low business activity to run their revolving fund. In such cases the repayment behaviour of clients can be seriously affected. An example of an integrated project with a credit component is given in box 6[81]. Information is obtained from the ACORD report on the East Africa regional credit workshop, and from visits to BUSO.

Chapter 3, box 6
BUSO Foundation Revolving Loan Fund

BUSO foundation is an indigenous voluntary NGO, which started in May 1987. It operates in the Luwero Triangle, an area which was severely affected by the 1983-1986 civil war. BUSO aims to resettle displaced war victims, and started with community-based health care programmes, it now has the following programme components:

1. **Community based health care and preventive health awareness raising.**
2. **Education on nutrition and family planning methods.**
3. **Water and sanitation projects and nutrition campaigns.**
4. **Support of income-generating projects though a savings and credit fund.**

BUSO tries to employ a participatory, empowerment-oriented approach in its programme and aims at the full participation of women in its projects.

The foundation gives credit to women's groups, mainly for communal group projects. A loan supervisory committee is formed of some group members, Resistance Council members, chiefs and community health trainers. It operates on a voluntary basis, though eligibility and selection criteria for groups have been set. 26 Loans have been disbursed so far.

BUSO has experienced problems in the repayment of loans because, as it says, the population in the area is used to relief grants. Furthermore, there is no real financial expertise available among the project staff or in the loan committee, and the monitoring and supervision of loans is poor. BUSO is now considering giving loans to individuals, using the groups merely as a peer pressure mechanism. The foundation would also like to start mobilising savings, but this has been hampered so far by its inappropriate status.

Despite these problems, NGOs running financial programmes, such as ACORD, BUSO and VEDCO have a number of features which makes their loans attractive to women. They often have there credit delivery systems locally based and give loans based on character. They also give small loans and encourage participation in loan decisions and procedure designs. Often they are also able to obtain a lot of information about the loan beneficiaries, because they operate within the community.

Integrated programmes, furthermore, have the advantage that they also address other problems hindering the economic advancement of their target groups. The ACORD district programmes, for example, have assisted the community to form marketing associations. Furthermore, they give legal and technical advise and assistance on labour-saving technologies for household production and organise gender-awareness training for women and men. Although the performance of the ACORD credit programme was not very good, women's participation in the credit schemes has improved, because of additional gender awareness programmes. Action Aid Uganda intends to start a credit scheme alongside with literacy classes, hence trying to overcome the educational disadvantages of women.

Special 'income-generating projects' for women

The second category of NGOs involved in financial services run income-generating projects. In most cases, these are community-based projects, usually owned by a group with the aim of creating additional income for the members. They are sometimes financed with credit. Many of these projects started with charitable contributions from churches or church-based NGOs. Women are approached as mothers and family caretakers, thus employing a typical welfare approach without taking into account their capabilities as economically active producers. A common misconception in these programmes is that poor rural women have ample time, which they can spend on labour-intensive projects such as embroidery or knitting[82].

Many of these programmes do not involve poor women's views in the type of projects run. The profitability and market situation of the income-generating projects is not taken into consideration. Poor women who can not afford to spend time on unprofitable activities will eventually pull out. Very often, these programmes take a community-based approach to projects that are in fact difficult to be managed by a group, such as pig keeping and poultry keeping. Poor management of the project and severe losses are often the result[83].

When these projects are funded with credit and managed as a group enterprise, which earns little income for members, repayment can be a severe problem. In case of default, the lender is left with the problem of identifying the legal 'loan beneficiary', which is difficult in case of a group. The group's remaining members will have to repay for the whole group. In several areas in Uganda, women have formed groups purposely to get a grant or a loan which they presume they do not have to pay back.

During a workshop on 'Income-generating projects in Uganda' held by British development organisation Oxfam, the lack of profitability in 'income-generating projects for women was confirmed[84]. 'It transpired that women had invested huge amounts in terms of time, money and energy in projects which, on closer investigation, produced little or no profit' and that 'Many women were unknowingly subsidising their income-generating projects with income gained through other activities.' The women appreciated the association with other women and the sense of self reliance and respect they obtained through these projects, better than the income-earning capacity of the projects.

Initially, UWFCT also funded some of these group-based, income-generating activities, but it soon experienced the complexities of repayment of loans to communally owned group projects. It now seriously tries to move away from this charity approach to women and approaches women as business partners. Income-generating projects for women appear to have a very important social function, but are of little economic value for the group members.

NGOs Specialised in Financial Services, with Emphasis on Women

Some innovative programmes to provide financial services to the poor and to women emerged from the NGO sector, especially from NGOs which specialised in financial services for a particular target group. These organisations had the ability to experiment with several approaches and tailor their services to the needs of their target group. NGOs specialised in financial services have also concentrated on developing the necessary financial management skills, putting long-term financial sustainability as one of the priorities in their planning. Financial sustainability is reached by encouraging savings among the target group as well as reaching large numbers of clients.

Nevertheless they also employ participatory procedures in their programmes and have features which make the programmes accessible for poor women. They often rely on character loans and group liabilities, with the prospect of repeat loans to stimulate repayment, thus removing the need for costly loan appraisal and collateral requirements[85]. Participation ensures that services are constantly related to the changing financial needs of a particular target group.

Generally, the most successful programmes are based on existing financial practises in the informal sector which are used as examples for savings and credit delivery. Examples of such programmes can be found with ACCION International and KREP[86].

In Uganda, some NGOs are now moving in this direction such as UWFCT and maybe a recently started international NGO called FINCA[87]. They try to employ a gender-sensitive, target-group oriented, participatory approach while still aiming at long-term sustainability. They run their programmes in the business areas around the towns, and in rural centres.

Both UWFCT and FINCA base their programmes on building 'partnerships' with their clients. They encourage savings which also become a guarantee for loans, and they (informally) train and guide the groups or individuals in the process of financial discipline, manage-

ment of group funds and in loan assessment.
The example in box 7 shows how gender sensitivity is emphasised in the UWFCT programme.

Chapter 3, box 7
UWFCT's Approach to Gender in Financial Services

UWFCT, has been providing financial services to women since 1988. It has gradually developed its systems and decentralised its branch network to serve the target group better. It has separated financial from nonfinancial services. It has also developed specific procedures for the different segments of its target group, using the group liabilities for the poorer women and individual loans for the bigger business women, who can fulfill collateral requirements and may graduate into the traditional banking service. A study on informal financial structures was undertaken before the group-based lending system was designed.

UWFCT has made a serious attempt to incorporate a gender approach towards the target group. UWFCT wants to address women as serious, capable business partners, while at the same time meet the gender-specific needs of these women by using simple client friendly procedures, specific opening hours, group-based lending systems and offering nonfinancial services and general awareness raising on gender. It emphasises personalised relationships with clients and tries to build a partnership with the women. Also it tries to gradually increase women's capacity to handle and control resources through training and other services.

Furthermore, in order to address general gender imbalances in society, UWFCT has also tried to seek cooperation with other women organisations who address other aspects of gender, such as Fida (women layers association) and ACFODE, which concentrates on general gender awareness. UWFCT has purposely organised joint awareness-raising campaigns whereby UWFCT handle financial issues and FIDA dealt with legal issues. In this way, both NGO's combine efforts, but maintain their own areas of specialisation.
UWFCT has also made a big effort to lobby on behalf of female micro entrepreneurs with government and other organisations. For example, through its efforts more gender awareness was created within the Central Bank and it supported the efforts to open credit lines for women in the Commercial Banks.

Conclusions on Semiformal Financial Institutions
Semiformal financial services, mostly provided by NGOs, increasingly become an important form of finance for poor women in Uganda. There is a variety of NGOs providing financial services to this target group and their number is on the increase. It is very difficult to draw general conclusions on the way they provide their financial services, because the diversity in services is very big. However, they appear to be more target-group oriented than the formal financial institutions.

NGOs generally operate in areas close to where the target group lives, which makes services easily accessible. Furthermore, they apply flexibility in their financial services for poor women. Their approach to gender can vary from charity oriented, welfare approach, by churches and relief organisations, to an empowerment approach by progressive NGOs. Their perception of gender differences determines to a large extend whether they allow for real participation of the target group in the programme and whether they perceive women as serious business partners. A welfare-oriented approach towards women can result in projects which are only appreciated for their social function while giving them little economic benefits.

The empowerment-oriented NGOs especially, allow for high participation of the target group in procedures, and even in decisions on loans. They give services which are to a reasonable extend adapted to women's needs and capacities. They also emphasise nonfinancial services to increase women's capacity to control and manage resources, which they consider as an important aspect of empowerment. In addition to this, NGOs can provide services in the field of marketing, gender awareness raising, legal awareness raising and organisation and they can lobby on behalf of the target group.

The major constraint for NGOs appears to be in the area of financial management and sustainability. This hinders them to increase their levels of operations and to plan for long-term, gradual expansion. It makes their prospects for future operation of a revolving fund insecure. Many NGOs operating financial services in Uganda are relatively young[88] and are still building their internal capacity. Furthermore, some NGOs operate in very remote areas with hardly any business activity. Building a sustainable, revolving fund will be almost impossible in such areas. NGOs will have to address these issues in order to increase efficiency of their services and to ensure continuity of services for the future.

Specialised NGOs are more inclined to emphasise professionalism in their services than integrated NGOs. They provide financial services to women in an efficient, but client-oriented, gender-sensitive and participatory way.

Summary and Conclusions

In this chapter an attempt was made to analyze formal and semiformal financial services, operational in Uganda on their effectiveness in reaching poor women, based on limited information[89]. The formal institutions include commercial and government banks and also cooperatives and private financial institutions, which are officially registered under the financial law. The semiformal sector includes a variety of NGOs operating financial service schemes.
In order to assess their effectiveness in reaching poor women, factors such as accessibility of services, the institutions approach to gender, and participation of the target group in the design and procedures of the programme was assessed. The assumption thereby is that a gender-sensitive, participatory approach will ensure accessible, manageable and controllable services for poor women better than other approaches. Furthermore, efficient financial management was considered to be important to ensure continued services to the target group.

The variety in financial services, both in the formal sector and in the semiformal sector is wide, which makes it difficult to draw general conclusions. However, it can be said that the NGOs score higher with respect to accessibility, gender sensitivity and participatory approaches than the formal banking sector. Their major constrain is in the area of financial management, which severely limits their capacity to continue and expand services to larger parts of the target group. This is especially the case for integrated programmes. NGOs specialised in financial services emphasise proper financial management much more.

Although even formal financial institutions are increasingly aware of the importance of participation of women in their programmes, their services are not easily accessible for poor women because of lengthy bureaucratic procedures, high transaction cost and loan sizes, and a gender-insensitive, top-down approach towards their clients. Programmes of other financial institutions such as UCSCU or CERUDET are better target-group oriented and flexible and therefore give more scope and potential for poor women to participate, while they still operate their financial systems professionally.

Because of their branch network and financial systems, financial institutions can reach larger parts of the target group than the NGO sector. They would have to adapt their procedures, however, make them less bureaucratic and more flexible in order to make the services accessible to women. Furthermore, gender sensitivity and a positive attitude towards a participatory approach would have to be created within the organisation.

In general it appears that both the formal and the semiformal financial institutions increasingly become interested in serving poor women. It seems that they could learn from each other in certain respects. Therefore, coordination between the different organisations addressing this target group would be of great use. There appears to be little coordination and sharing of information among the organisations providing credit to the target group, at national and district level. The demand for credit among small-scale entrepreneurs and women is far bigger than can be covered by the formal and semi-formal institutions together in Uganda. Joint efforts to increase the effectiveness of services to the target group, would therefore be beneficial both to the institutions and the target group.

Many small-scale entrepreneurs and women still rely largely on informal financial systems. In the next chapter, the importance of informal finance, especially of informal savings and credit groups will be discussed.

Informal Financial Structures for Women in Uganda

Introduction

Through extensive research[90] it has been proven that the informal sector is a major source of finances for the poor, especially for the female micro entrepreneurs. Informal savings and credit organisations can be found all over Sub-Saharan Africa. The informal sector can be a useful source of information for formal and semiformal financial institutions who want to channel financial services effectively to the poor, among whom women.

Especially, the delivery mechanisms used in the informal sector can be a model for the financial institutions. Alternatively, these institutions can link their financial services with already existing informal financial structures that address the poor, so that a high level of client participation in design and formulation of the programme can be ensured.

In this chapter, an assessment will be made why informal finance appears to be suitable for poor women's financial needs. Common types and features of informal finance are described, with special focus on Uganda. Furthermore, the function of informal savings and credit groups is examined in detail, based on the results of a study carried out by UWFCT and other studies[91]. These groups appear to have some characteristics which makes them suitable to link up with financial service programmes, based on a gender sensitive participatory approach. These characteristics and the benefits of linking formal finance with informal groups will be pointed out, seen from the informal group's perspective.

Types and Features of Informal Finances

Informal finance is a widely spread phenomena, especially in developing countries. Several sources of literature[92] refer to common types of informal finance, which are mentioned below. In Uganda, research on the informal financial sector has only started recently. First indications imply that informal savings and credit groups are widely spread in Uganda and are used by many poor women. Although other forms of informal finance can also be found, there is much less information available about these forms of informal finance[93].

Money Lenders and Pawn Brokers

Money lenders are usually classified as individuals who spend most of their time lending money. They can obtain their initial capital from different source, and make money by providing financial services to others. Their loans are usually granted for short periods, unsecured and extended to long-term clients. They charge high interest rates but impose few other transaction costs to borrowers. Especially in Asia, the money lender is a common source of loans.

Pawnbrokers also make money by providing financial services. They usually give quick, short-term credit against alternative forms of collateral such as jewelry or ornaments. They are very common in Asia.

Moneylenders and pawnbrokers appear to be a very rare feature in Uganda, according to research of UWFCT[94] and of Makerere Institute of Social Research (MSIR). Money lenders can occur in the form of traders or big farmers, who give credit to farmers on the condition that farmers sell produce to them at a lower price than the market rate[95].

Wholesalers and Shopkeepers

Wholesalers and shopkeepers are common sources of credit for women, both for household consumption and for productive activities or trade. The loans from wholesalers or shopkeepers to their clients is often related to another trading activity. For example a women can buy on credit from a wholesaler and repays him when she has sold her stock. The wholesaler has increased his sale by giving her the goods on credit.

Wholesalers and shopkeepers are mentioned in some reports about Uganda as a source of credit to good customers, relatives and friends. Very little is known about the scope of this form of informal finance in Uganda.

Loans from Landowners, Relatives or Friends

Landowners can provide loans to their tenants, often on a basis of share cropping arrangements[96] or agreement that the farmer sells his crop at a low price to the landowner.

In Uganda there is little written information about the role of bigger landowners in provision of credit to smaller farmers. The MSIR report mentions its occurrence but it is not clear whether it is a widely spread or relatively small phenomena. In Uganda, land ownership seems to be fairly equally distributed among many subsistence and semi-subsistence farmers and loans of this kind will probably mainly be given in family or clan atmosphere, since land is traditionally clan property in many areas of Uganda.

Loans from relatives and friends appear to be very common in Uganda, although little systematic research has been undertaken on this form of informal finance. These loans are often given without interest and with very flexible terms of repayment. They are essentially based on strong reciprocity within the relationship, founded on mutual trust, understanding and dependency in emergency situations.

Informal Savings and Credit Groups or Associations

Informal savings and credit groups or association are very common among poor women, especially in Africa. They give women access to savings and credit facilities, which helps them to keep money away from the household and family requirements. Familiar forms are the Rotating Savings and Credit Association (ROSCA), whereby members pool the money and give it to one member in turn, and the Accumulating Savings and Credit Associations (ACRA) whereby members pool money which is used as a fund for loans. A variety of versions or a mixture of these two basic types is possible[97]. It appears that many of such groups have both social as well as economic functions but social functions are more pronounced in some groups, while economic functions are more pronounced in the other group.

Especially among Uganda's poorer people and poor women there seem to be many informal savings and credit organisations or groups. These groups can take several forms. Most common are the ROSCAs, ACRAs and funeral groups, although other forms can be found as well[98].

1. Funeral groups are groups whereby members save a certain amount of money regularly to create a fund, which can be called upon in time of severe emergencies such as death. These groups are usually large, a whole village or a whole clan can form the membership. Financial transactions are based on reciprocity, which is very important in case of any emergency, especially in rural Uganda.

2. Rotating digging groups are groups whereby members cultivate on each others land in turn in order to save expenses of hired labour. Although this arrangement clearly provides economic benefits to its members, there is usually no cash involved.

3. Clan- or kinship-based savings and credit groups as found in, for example, Busoga[99]. These groups usually give loans to their members within the family or clan sphere. They are often dominated by men because women are assumed not to be fully integrated into their husband's clan. Repayment of loans in these groups is sometimes difficult to enforce because financial transactions are based on sociocultural as well as economic motives.

4. Rotating Savings & Credit systems in cash or in kind (ROSCAs) whereby fixed contributions of members are pooled together and handed to one of the members in turn. It appears that these systems are usually found among women (and men) who live in proximity to each other or who perform similar economic activities, for instance among market women. The prime aim of these groups is to provide financial services to their members. Groups who save in kind such as agricultural produce, usually convert their savings in cash by selling the produce.

5. Accumulating savings and credit associations (ACRAs), whereby members save fixed or voluntary amounts which create an accumulated fund used for loans to members. Loans can be given with or without interest, often depending on the use of the loan. For instance, a group may charge 20% interest per month for a business loan to a member, while a loan for emergencies such as a sick child is given interest-free by the same group.

6. Accumulating savings groups who invest their money in group activities or so-called group-based, income-generating projects or community-based enterprises[100]. This is a common form of group activity in rural Uganda, often stimulated by politician or by the church. It can be a 'social' activity such as building a school, hospital or road, or an economic activity such as a maize mill, agriculture or a bakery, aimed at increasing the income of individual members.

In ROSCAs and ACRAs the economic benefits are usually more pronounced than in the other groups[101].

Advantages and Constraints of Informal Finance for Women

Informal finance appears to have a number of advantages over formal financial services by making the services more accessible and manageable for poor women.

The informal financial sector is able to deliver financial services close to the women's homes. The transaction costs are usually kept low and the terms of credit are flexible and negotiable[102]. Women select the purpose for which they want to use the finance themselves, thus ensuring that they can control the benefits. In the following paragraphs these characteristics of informal finance are looked into in closer detailed.

Personalised Relationships

Informal finance usually operates within a certain area or neighborhood where borrowers and lenders also interact in other ways. Therefore, lenders and borrowers undertaking informal financial transactions usually know each other very well. Informal finance is based on personal relationships between borrowers and the lenders, or between members of a savings and credit group. Usually this relationship is characterised by mutual acquaintance, understanding, trust and respect, rather than provision of collateral or business documents. This personal relationship, which has to grow over time, assist the lender and the borrower to assess each other's reliability and creditworthiness.
The personal element makes informal finance suitable for poor women, who usually have no collateral's to present and hardly keep any business administration. Through personal relationships they will be able to get credit in the informal sector if the lender is convinced of their trustworthiness. According to Adams[103], 'informal finance is able to tailor loan and savings contracts to fit the individual dimension, requirements and tastes of a wide spectrum of lenders and borrowers, based on the personal knowledge of clients.'

In informal finance, there is a continuous creation and recreation of mutual reciprocal relationships which also occurs in grassroots savings and credit organisations. This helps to create a strong cohesion and mutual trust in informal savings and credit societies, which is the basis for their financial management.

Adams[104] describes the building of personal relationships in informal finance as a 'process of learning based on discipline: informal lenders typically learn to judge creditworthiness and mobilise deposits over many years and only survive in the business if they are successful in developing these skills. Borrowers of informal loans must earn the privilege of borrowing through disciplined steps that may include saving before borrowing, repaying small loans before receiving larger loans, and always repaying obligations to sustain access to informal finance. The product of increased discipline are strong and dependable working relationships between lenders and borrowers (or the members of an informal group). These working relationships are the foundation of stable, reliable and sustainable financial markets.' Thus personal relationships are a strong fundament on which informal financial procedures and management is built. Poor women, who can not rely on other sources, use their skills to maintain these personal relationships well.

Flexibility in Services

Micro businesses of poor women usually need much smaller loan sizes than the formal sector is willing to provide. The informal sector, however, can provide small loans for short periods of time, for example for working capital. Usually the loan conditions and terms of repayment can be negotiated, depending on the relationship between borrower and lender, the borrower's activities and circumstances, and the size of the loan. Therefore, loans can be obtained for any activity and at any amount women consider worthwhile[105].

Loans can be used for all kind of productive as well as for consumptive purposes. This is a big advantage for women who sometimes need assistance in the reproductive sphere in order to be able to continue their productive work.

The informal sector usually offers a variety of savings possibilities. Informal savings and credit societies are also able to adapt their savings and credit operations to their members' changing needs. This is contrary to the opinion of many economists that ROSCAs and ACRAs are traditional and rigid organisations, irresponsive to change or development. In his article, Bouwman[106] describes how the traditional Tontine in West Africa have adapted to highly monetarist areas in the suburban parts of the cities and fulfill an important role in the support of microenterprises started by the youth.

This flexibility and adaptability of the informal financial sector and also of informal savings and credit groups makes it a very suitable source of finance for poor women.

Manageable transaction costs and time to obtain loans

Another important feature of informal finance is that transaction costs such as travel costs to and from the lender, waiting time to get the loan and the paper work involved, are usually minimal, both for the borrower and the lender. The loans and savings transaction usually occur close to the clients home and money can be obtained quickly when it is urgently needed. Thus, in times of emergency, the informal sector can provide finances, which are often crucial to survive for poor women living in an uncertain economic environment.

Although interest rates in the informal sector are sometimes high, other transaction cost are usually minimal. Furthermore, a borrower will measure the transaction costs of a loan not only in terms of interest rates, but also in terms of other benefits, or, as Adams[107] puts it: 'The perceived costs and risks versus the opportunities and benefits of borrowing on the formal or the informal market are often wrongly understood by bankers and economists. They assume that interest rates are the major costs of credit for the borrower. For some poor people interest payment may be a relative minor consideration especially when loans are small and for short periods of time. From the borrowers perspective, they may be willing to substitute relatively high interest rates for associated transaction costs that are modest and for linked implied agreements that the lender will provide additional loans in times of emergency, offering a credit reserve.'

In general, time and other transaction costs related to obtaining credit in the informal sector are much lower than in the formal sector. In the case of informal savings and credit groups, the major investment of the members in the group will be the time spend in attending the group meetings. Usually the meetings will be held close to the homes of members, and other benefits easily outweigh the invested time.

Strict Discipline and Enforced Repayment
Enforcement of repayment is usually much higher in the informal sector than in formal finance. Social pressure and the will to maintain a good relationship with the lender appears to be a strong medium to enforce repayment. Borrowers will usually repay their debts to an informal lender or to a group because they value the services they get and they know they will be sanctioned in case they fail to repay[108]. A major sanction for the borrower will be to be excluded from further services in the future, for example a group can deny membership to a defaulter, which means that she might nog have access to another group.

According to Adams[109], 'In the small and highly personalised societies that typify the life of poor people in most low-income countries, a failure to repay one lender can result in an individual losing most borrowing privileges in society.' Poor women operating under marginal economic conditions, can not afford to risk losing the opportunity to lend from the informal market. In the informal savings and credit groups, repayment is usually enforced by social pressures. The formal sector, in contrast, usually has to rely on the official law to enforce repayment. When legal systems are poorly developed, this often appears to be ineffective.

Limitations to Informal Finance
The above-mentioned factors contribute to the efficient and flexible operation of informal finance, especially to financial service delivery for the poor women. However, the informal financial sector also has some limitations[110]. These handicaps include the limited capacity to finance larger, long-term loans; the lack of security measurements offered, in case of savings; and high interest rates.

The informal financial sector usually does not aim at increasing poor women's capacity to handle and control resources. Therefore, training and technical advice to women is provided only to a very limited extent.

Furthermore, the highly personalised relationship can become a problem when it is based on dependency. For example, in patron-client relationships with small farmers and big landlords or big merchants and micro-businesswomen. In some cases these relationships have become exploitive, and this exploitation has become a kind of trade mark for the informal financial sector. The mean moneylender, who pressurises the last penny out of a poor women is a common picture that emerges when people talk about informal finance. However, the above advantages have made clear that this picture is rarely true. Especially in the case of informal savings and credit groups, which are formed by the members themselves, these can hardly be classified as exploitative.

Informal Savings and Credit Groups

All the above-mentioned elements of informal finance, which makes the services in the informal sector so accessible for poor women can also be found in informal savings and credit groups. The few studies that have been undertaken in Uganda, indicate that informal savings and credit groups are a common form of organisation among poor women. These groups can be a useful source of information on women's business strategies and poor women's financial requirements. If they are selected carefully, they can also be a possible conduit for financial services of formal financial institutions to poor women.

A UWFCT study of the function, mode of operation and benefits of these groups gave a wealth of information which was used for the design of a group-based lending system by UWFCT[111]. Although the scope of the research was limited to six districts and 94 groups, of which 38 had savings and credit arrangements, the study results can provide good insight into the function of informal savings and credit groups in Uganda and their relationship with poor women's financial requirements. In the next paragraphs the study results are summarised, with emphasis on the financial services in the group[112]. We will see that many elements mentioned in paragraph 4.3, which make informal finance so suitable for women, can be found in the informal savings and credit groups.

Personalised Relationships in Savings and Credit Groups
In informal savings and credit groups personal relationships between members are very important. Especially in the small groups, most transactions are based on mutual knowledge and trust. Strong group cohesion is one major factor in the group's success and continuation. It was found that the factors[113] such as the group's history, member initiative, unity in objectives, group size, homogeneity, frequency of meetings and participation of members in decisions influence the strength of personal relationships in the group and the commitment of members to the group.

History of the Group Most groups interviewed in the UWFCT study started within the last 6 years, after the end of the civil war in Uganda, when economic and social live had become relatively stable.

Groups generally evolve through some stages in their live cycle:

1. The first phase could be earmarked by enthusiasm. The new bond among the members creates high expectations and the group has a lot of plans. Members are prepared to invest a lot in group activities. New members join fast. The groups develops its objectives, rules and regulations and procedures usually at this stage.

2. The second phase could be earmarked by awakening. In this phase members begin to weigh their individual objectives against those of the group. They begin to realise that not all their expectations can be met by the group. The initial plans might not be all implemented. Some conflict might evolve in the group and disappointed members leave. In the worst case the whole group might disintegrate. In groups with financial arrangements the first defaulters may appear.

3. The third phase can be earmarked as stabilisation. The members who continue in the group are more determined to meet group objectives. Sometimes the group objectives and plans have become more realistic, and rules and regulations have been reformulated to suit the members needs. In ROSCAs and ACRAs the group has gained some experience in money management and members have enhanced mutual understanding and trust. Usually when a group has come to this stage it has a bigger chance of surviving for some good time.

Thus, in groups which have gone through some experiences together and have solved some conflicts, personal relationships have grown and these groups are stronger than new group.

Member Initiative and Objectives The mutual understanding and commitment within the groups appear to be influenced to some extent by the way the group has been initiated. When groups have been initiated by one or some members in the group, they are usually more active in their operations, hold meetings more regularly and are stricter in applying the (usually unwritten) rules for members.

The group's objective was also related to some extent to whether the group was started by members or by an outsider. Groups, started by outsiders or by outside organisations, for example churches or politicians, usually have broader developmental initiatives while for most groups which start on member initiative, income generation for the members is the most important objective[114]. It appears that groups operating informal savings and credit systems are almost always member initiated.

Group Size and Homogeneity Group size and the homogeneity of members, referring to the economic and sociocultural status of members within the group, appear to be additional factors which influence group cohesion.

In relation to the group size, the UWFCT research found that groups operating ROSCAs usually have less than 20 members. Groups operating ACRAs, cooperatives or village banks are usually slightly bigger with 25 to 40 members, while groups operating a communal project can range between 5 to over 200 members. Sometimes, the exact number of members is not known.

Although all groups were relatively homogeneous in socioeconomic status of their members, the group leaders were usually better of than the rest of the group. If they had also started the group, their position in the group was powerful.(See box 1) Through the in-depth studies it became clear that a certain level of economic homogeneity is important for the ROSCAs so that a convenient and meaningful level of contribution can be set for all members (see also box 2 and 3).

Chapter 4, box 1
Munno Mukabi Women's Club

Munno Mukabi Women's Club was started by the present group chairperson, who realised that women in her area depended too much on their husband. She formed the group in order to help women to become less dependent.

The group started with 16 members, and till today there are 16, as a 'burial society', whereby the members assist each other in case of death or severe problems in their families. They also grow some crops together, on land provided by the chairperson, and have a rotational digging arrangement within the group. Furthermore, they make handicrafts within the group, which, however, does not bring a lot of income, since the crafts are very difficult to market.

The group has opened an account with UWFCT and the members are now saving weekly Ushs 100 (US$ 0.10) on that account, in order to get a loan for a communal group project.

Most members of this group are poor women, with an annual income of below Ushs 100,000 (US$ 100) except for the chairperson and the treasurer, who earn a few million Ushs per year.

Regular Meetings and Participation of Members in Decisions Other indicators for a strong group cohesion appear to be regularity and attendance of meetings by members, regularity of savings and knowledge and involvement of individual members in decisions on group activities.

Many groups, especially the groups operating ROSCAs meet very regularly, even daily or weekly. In bigger group meetings can be irregular. Usually the executive committee meets more often than the whole group, indicating less participation and involvement of the other members in decision making.

Almost all the groups, apart from those with less than five members, have established an executive committee consisting of a chairperson, a secretary and a treasurer. In the smaller groups, decisions are often taken by the whole group during the general meetings, while in the larger groups the executive committee is the main decision-making body. Much depends on the character of the committee members, whether they allow for participation of members or not. Sometimes a conflict of interests could emerge between the executive committee and the members, when the executive committee was pursuing a 'group-owned enterprise' which hardly brought any profits for the individual members.

Important social function Informal savings and Credit groups were generally appreciated for the mutual support and encouragement members give to each other. The groups provide a forum for discussion of daily problems for the members. Other social functions of the groups were mutual support in emergency situations, taking care of each others children, looking after each others businesses and education of the group members. Often, group members exchange business information and marketing advice as well.

Many groups initiate communally-owned group projects in order to generate income for the group or for the members. However, such projects appear to bring very little income to the individual members, mostly because of marketing and management problems. These projects can still have an important social function and provide a learning experience to the members, since the group jointly undertakes an activity which individual members would not undertake. Some of the communal projects, such as maize milling were appreciated for its labour saving technology in the reproductive sphere.

Informal savings and credit groups often fulfill social and labour saving functions thereby creating a strong feeling of solidarity and mutual bound which is a useful basis for communal action and further organisation of women.

In conclusion it can be said that the group's history, membership initiative and homogeneity are important factors for creating strong cohesion. Groups should go through some experiences together, settle their objectives and possible conflicts in order to create mutual solidarity. A solidarity which is also enforced by homogeneity in the group, a small group size and frequent contacts. Small groups with a homogeneous membership and a strong cohesion tend to be more democratic than bigger groups. In bigger groups, members tend to loose insight and grip on the group proceedings. This, in turn, makes it necessary for the group's executive committee or the group leaders to make more decisions by themselves. This might, however, open the door to the leaders' personal ambitions, and autocratic tendencies may result. However, when leaders of bigger groups are democratic, participatory decision-making procedures can be employed. Further is was found that smaller, homogenous groups were more likely to operate savings and credit arrangements than the bigger, heterogeneous groups.

Brickmaking is one of the few profitable enterprises, but it is difficult to manage as a group

Chapter 4, box 2
Namutambo Widows Group

The Namutambo widows group is composed of very poor women who have hardly any cash at their disposal. Five members of the group grow crops for subsistence only, the others have no access to land. Mostly the women of these group rely on activities such as making handicrafts, brewing, trading in maize and daily labour for others, to earn some cash money. The little money they earn is quickly consumed by household necessities and the school fees for the children.

The group started in 1989 and has ten members. They want to remain ten, so only if a member leaves or dies, another member can join the group. Membership is open to widows only. The group's objective is to increase the cash income for its members. Members pay a membership fee of Ushs 5000. No other contributions are made.

The group started making bricks, which was later abandoned because of lack of funds. Recently the group also started a tree-planting project and they are looking for funds to start trading in maize.

Income from these projects has not yet been realised, therefore, the members have not yet obtain any economic benefits from the group. However, members say they benefit from the strong social bond in this group, discussing and sharing their problems in the group.

The members are in desperate need for some cash money. However, their business undertakings are so small that it will be difficult to serve these women with financial services. The group is not operating a ROSCA, because the members can not afford regular financial contributions.

Flexibility in services among the informal groups, according to members' needs

The conditions and arrangements for financial services vary among the groups, and are usually tailored to members needs. The most common arrangements found are:

THE ROTATING SAVINGS AND CREDIT ASSOCIATIONS (ROSCAs) whereby the members bring a certain amount of money to the group at regular intervals, after which the total amount is given to one member in turn. The rounds can be held at a daily, weekly, fortnightly or monthly basis and the amounts can vary from Ushs 100-500 (US$ 0.10 to $0.50) daily to Ushs 2000-12,000 (US$2-$12)[115] per month, depending on the source and level of income of the group members. The conditions for ROSCAs are set according to members' capacity as box 3 shows.

Chapter 4, box 3
***Comparison between some* ROSCA'S**

In the UWFCT research, the group contributions per round were compared with the income levels of the individual members. This was done to gain insight into the relative importance of the ROSCA round for the members. Two of the five groups selected for the in-depth study were composed of very poor women such as subsistence farmers and widows with a cash income of less than 50,000 Ushs (US $50) on average per year. These groups were involved in rotational digging or other activities but not in savings and credit arrangement. There was simply too little cash available for them for any financial arrangement. Two other groups were composed of semi-subsistence farmers and women who were involved in some small survival business such as handicraft making, beer brewing and other survival businesses. The members's average income varied between Ushs 100,000 and 200,000. per year (US$100-$200). The pool per round per two weeks was Ushs 32,000 and 35,000 (US $32-$35) respectively. This money was mainly used for larger investments in the reproductive sphere or in agricultural production. The last group comprised of market women who had an annual income of 1 million Ushs (US $1000) and above. They pooled money on a daily basis of9000 Ushs per day or 54,000 Ushs (US$54) per week, which helped them to keep their businesses running. The last group also charged interest on loans.

Financial contributions in ROSCAs are adapted to the members' financial capabilities and needs, and function well within a relatively homogeneous group of members. Women must have some access to cash in order to be able to run a ROSCA. The groups should not be too big, to allow for mutual understanding and trust. Many members of ROSCAs express they are happy with the financial assistance they got through the group. The ROSCA was seen as a place where the women can reserve savings for investment purposes, and keep their money apart from household expenditures.

Although the ROSCAs composed of market women were few in the UWFCT study, they generally seem to have a much higher capital turnover than other ROSCAs. Also, they run highly profitable businesses.

The accumulating savings and credit associations (ACRAs) whereby the pooled money or the members' savings are kept in joint funds and can be used for loans to members. Loans to members of an ACRA are usually given according to clear criteria, either verbally or in writing. Common criteria are active membership and participation in the group, and payment of membership and other fees. Loans are usually given up to a maximum of twice the amount saved by the member in question.

Chapter 4, box 4
Bugwele Road Market Women's Group

Bugwele Road Market Women's Group (BRMWG) is composed of typical business women. This group started in 1992 and has nine members now, all market women who operate their businesses from the Bugwele Road in Mbale, near the industrial area. All of them, except one, run their own market restaurants. The business in the area is blooming and the industrial workers come to the restaurants every day for their lunch. Income from the restaurants vary from 3,000 Ushs to Ushs 15,000 per day, which amounts to Ushs 1-4 million (US$1000 to $4000) per year. Five group members also run retail shops and one member is an employee of Uganda Railway Corporation.

Rotational Savings and Credit is BRMWG's only group activity. Members make a daily contribution of Ushs 1000 from their earnings that day. Thus, at the end of the week the accumulated Ushs 53,000 is given to one member. After two weeks the receiving member has to pay 2000 Ushs to the group fund. This money can be used to give as loans to other members who are in urgent need of money, this money does not have to be repaid. However, members who fail to make their daily contributions to the ROSCA are expelled from the group immediately.

The members of this group see real benefits from the ROSCA arrangement. The ROSCA replaces the function of a bank, it enables them to save and money is available for emergencies. According to the members of this group it is not practical to open up an account with a commercial bank. The initial deposit required is high and withdrawal procedures are complicated in the bank.

Flexible arrangements are used to determine the loan amount and conditions, whereby the use of the loan is also taken into consideration.[116] A loan used for commercial purposes or business investments is assessed on its viability and high interests has to be paid (5%-20% per month). Repayment is strictly enforced, usually in a short term. However, when the loan is used for emergency purposes such as sickness in the family or death, no interest is charged. Sometimes the money is just donated to the member. Usually the request for a loan is forwarded to the group, who jointly assessed and decided on the application, the loan conditions and the terms of repayment.

Combinations of ROSCA and ACRA systems and other financial arrangements[117] are often found, especially in the somewhat bigger groups like *village banks* or cooperative societies. They have a tendency to formalise savings procedures and loan requests. In bigger groups, mutual understanding and trust is bound to reduce, so other mechanisms are put in place to control and manage finances such as savings pass books, loan application forms and loan agreements, also loan supervisory committees are established.

Members of village banks often express that these services are very convenient because the procedures for savings and credit are not as rigid as with normal banks. Whereas financial services in village banks are more structured than in ROSCAs or ACRAs, they are much less complicated and more accessible than with formal banks. See example village bank box 5.

However, the most flexible arrangements are to be found in the small and informal savings and credit groups, where borrowers and lenders know each other well. Reciprocity of services is expected in case of emergencies. This creates strong bonds based on mutual dependency and trust. It also creates a strong incentive for repayment within these groups.

Chapter 4, box 5
Aldina Women's Village Bank

Aldina Women's Association was started in August 1992 as a voluntary organisation with a major aim of enhancing women's economic status through operation of a savings and credit scheme. The members pooled money through savings and lend it out again to members at a modest rate of interest.
The Association started with 39 members who agreed to pay 2,000/= Ushs as an entrance fee and one share of Ushs 30,000/=. Members would be free to buy as many shares as possible depending on their financial abilities, on condition that they would continue remitting their weekly savings.
The original capital in the form of shares was Ushs 1,000,000/= million. An account was immediately opened with the Cooperative Bank to safeguard members' funds.

Membership is comprised of women only. These women operate survival farming and all sorts of other small business activities such as retail shops, producing and selling food-stuffs or trading in such items as charcoal, poultry, cooking oil or flour. After the rules and regulations had been laid down, an executive committee comprising of a chair-person, a vice-chairperson, a treasurer, a secretary and three committee members was elected. Two subcommittees were formed: a credit subcommittee and a supervisory committee in order to ensure efficient operations.

The savings and credit scheme forms the backbone of this group's activities and existence. All members are involved in both the savings and credit scheme. Members save on a weekly basis. There is no prescribed maximum or minimum amount to be saved weekly. There are two types of savings; programmed and voluntary savings.

***Programmed savings.* This is a fixed amount of Ushs 10,000/= per member. A member who wants to obtain credit must have first paid this amount. In this group all the members had paid up the programmed savings.**

***Voluntary savings* can be fixed by the member but is to be saved weekly. However, from available savings records, it seems members save at least 500/= weekly.**

The credit scheme is run in cycles. Every cycle has a minimum and maximum loan. During the first cycle, every member is entitled to a loan of 50,000/= on condition that she has fully paid the programmed savings. On the group records 3 members missed getting credit because they had not paid the programmed savings. A member can borrow twice the amount she has saved voluntary.

The group keeps an extensive record system, including savings passbooks, ledger cards, loan application forms and guarantor agreements and the normal books of accounts.

Services Controlled and Managed by Members
Members of informal savings and credit groups set their own conditions, in terms of contributions and number of meetings and manage their finances themselves. Transaction costs and other costs related to informal savings and credit groups are adjusted to the capacity of members. In the UWFCT study it became clear that ROSCA's and ACRA's generally know how to manage their savings and credit operations. Financial procedures and management systems are adapted to the needs and size of the groups.

In small groups financial management is often done by the whole group during meetings, through verbal agreements. In the some what bigger groups, financial management is usually the executive committee's responsibility. The administration is kept by the treasurer. The executive committee is normally not allowed to use any funds without the consent or knowledge of all group members. In some cases, when a treasurer or chairperson has mismanaged group funds, this results in a serious conflict and often a total halting of group activities. The offenders are referred to a general meeting or to the local authorities.

Methods of administration are often quite simple, kept in an exercise book[118]. Treasurers for these groups hardly get any training in book keeping. In bigger groups, such as village banks and cooperatives, a variety of books for accounts could be kept. These book were easy enough for members to understand. Overall, mostly savings and credit procedures were controlled by group members.

Strict Discipline and Rules and Enforced Repayment
A remarkable observation made in the research carried out by UWFCT[119] is that the smaller informal savings and credit groups are very strict and disciplined in their operations.

They have developed selection criteria for new members such as being a female resident of the area or being engaged in certain economic activities. An unwritten requirement for a new member can also be that she must know one or more members in the group who ensure her trustworthiness. The groups can put a limit to the number of members and observe a strong social control mechanism which helps to maintain the mutual trust and understanding among the members.

The groups furthermore have rules which members have to observe when they want to remain a member. For example, members should attend all meetings, pay their contributions to the savings and credit scheme in time and should participate in group activities. If somebody does not obey to the group rules, she will be expelled from the group or even sanctioned in other ways[120]. ROSCAs and ACRAs are very strict with defaulters. Repayment of loans is enforced by peer group pressure. Furthermore, often members have to repay the full loan before being able to get a new one. Groups can also ask for security from their members, for example in the form of bringing her best suiti[121] or some household utensils. Other groups ask for guarantors either from within or outside the group, who have to sign the loan agreement. Groups can refer defaulters to the local leaders, in Uganda mostly Resistance Councils. Usually groups deal with defaulters internally, as one group was saying 'When somebody runs of with our money, we know were to find her.'

All this implies that a high level of discipline is necessary for these groups to run their financial operations and maintain cohesion in the group. Rules and regulations governing the group are hardly ever put on paper, however, in the form of a constitution.

Also most groups are not officially registered[122], which makes it difficult to assist these groups with financial services.

Conclusions on Informal Savings and Credit Groups, and Their Potential for Linking

In this chapter the informal financial sector was analysed, with special emphasis on the benefits of the informal sector for women. Elements such as personalised relationships, flexibility in services, manageable sizes and costs of services and the discipline observed in providing the service, can be found across almost all types of informal finance and appear to appeal to poor women.

Especially informal savings and credit groups, which are organised by many poor women in Uganda, have adjusted the financial services and management of the group according to members needs and capacities. The are often controlled and managed by members themselves. They strongly rely on personal relationships, which help to enforce discipline on financial transactions within the group and they often fulfill social and educational functions for their members as well.

Active participation of group members in decisions and in the group's financial affairs was a major element observed by the research in informal savings and credit organisations, especially in the small, autonomous and homogenous ROSCA's. Participation is ensured through simple, clear and understandable procedures for all members and through discipline, which forces all members to fulfill their obligations.

Many of these groups also discuss the daily, often gender-related, problems of the members and thus provide a forum for solidarity, which forms another good basis for gender sensitive approach. Furthermore, the groups seem to strengthen women's' sense of her own capacity and increase her potential by informal business advice and marketing services.

All these factors make informal savings and credit groups suitable for poor women. They can be used by a formal financial service programme, which wants to adapt a gender sensitive, participatory approach to poor women. this participation in the groups can be a starting point for a participatory approach in a financial service programme.
A gender sensitive approach, for example, can relate very well to the personalised, flexible structures and procedures in the groups which are adjusted to women's capacities and needs. From the bank's point of view, through groups more clients can be reached at lower costs, than in case of loans to individuals. Thus channeling financial services through groups helps to overcome the disadvantaged position of poor women vis-a-vis the formal banking sector.

Further research on informal financial structures and local grassroots organisations is urgently needed in Uganda. Very little is currently known about the extent to which informal financial organisations serve poor women in Uganda. Such research will help to asses whether financial and related nonfinancial services can be linked to informal structures. Research on group processes, decision making procedures, life cycles of groups and relationships between groups is needed. This could best be undertaken by organisations who closely interact with such groups and have good relationships with the groups.

Personalised relationships across almost all types of informal finance

In the next chapter the modalities, advantages and dangers of a linking programme and the issues which need attention in the design of such a programme, will be further worked out.

Linking Formal Services with Informal Financial Groups: A Possible Gender-Sensitive Participatory Approach

Introduction

As was shown in the previous chapter, linking formal financial services to informal savings and credit groups of poor women can enhance the successful implementation of a gender-sensitive, participatory approach in a financial service programme. The groups can be a useful source of information for analyzing gender barriers and of poor women's opportunities with regard to finance. Furthermore, the groups have based their operations on member-felt needs and capacities which are linked to their gender position in society.

Informal savings and credit groups, especially the ROSCAs appear to be controlled and managed by the members themselves. They, moreover, provide a focal point for mutual assistance and discussion. These characteristics make them suitable to fit a participatory approach in a financial service programme. The programme can gradually increase the group's potential to control and manage resources.

Channeling financial services through groups has for the financial institution the advantage of reducing the costs of loan handling and administration while responsibilities for supervision and repayment can be handed over to the groups.

The success of such linking programmes[123] will greatly depend on the way the programmes are designed and implemented. Linking formal financial services with informal savings and credit groups bears many risks

Informal savings and credit groups of poor women are a useful source of information and needs to be done with great care to avoid that the autonomy, flexibility and membership control over operations are destroyed.

This chapter explores several points of attention and possible methods to design and implement such programmes as well as the advantages of a linking programme. In order to examine the environmental and economic preconditions for a linking programme a Ugandan example will be used. An overview of issues to be considered when designing a group-based financial service programme is given based on examples from outside Uganda, such as the Grameen Bank from Bangladesh, ACCION International from Latin America and KREP from Kenya. It should be noted that the methodology used in these organisations can not be transplanted in wholesale to the Ugandan situation. However, they provide a good framework which could be adapted to the Ugandan context.

Linking to Combine Positive Elements of Informal and Formal Finance

Informal saving and credit groups of the type found in the UWFCT research, bear a great potential for linking with a financial institution that would be interested in establishing sustainable, gender sensitive financial services for poor women, using a participatory approach. Linking informal with formal or semiformal financial institutions can combine positive elements of informal and formal finance. Some of the disadvantages of informal finance, such as limited capital, lack of securities and high interest rates can be overcome by linking with the formal sector.

A linking programme can bring financial services of formal institutions within reach of the groups and their members. It helps, for example, to increase the group funds and therefore the group's financial ability to give credit to its members. When the savings facilities of financial institutions become accessible for the groups, they will be able to deposit their savings in a secure place, while receiving interest for it. In case of credit from the financial institution to groups, the collateral problem of women can be overcome by group guarantees and joint group liabilities for loans, which will be accepted by the financial institution.
A linking programme can also provide the groups with training in group and financial management and in business management and with technical advice. This will increase the groups management capacity and the absorption capacity for finances within the groups. When a linking programme increases financial responsibilities and management capacity in a group through a participatory approach, this might enhance members' feeling of responsibility, accountability and perception of self determination.

Furthermore, groups are likely to increase their contacts with other organisations through a linking programme. Contacts with one institution or NGO usually triggers of contacts with other organisations, who can offer services in marketing, such as the cooperatives, legal education or other services useful for the women. The potential for horizontal linking with similar local grassroots organisations can also increase. For example when groups meet during seminars, organised by the programme. When this horizontal linking is backed up by supportive national NGO's, it can form a basis for the grassroots groups to exercise influences at a higher political and economic level.

Seminars for women can combine theoretical & practical lessons

Despite the many advantages groups can experience from a linking programme with a formal financial institution, some groups might decide to withhold from participation. Linking with formal financial institutions forces the groups to come out in the open and therefor can make them prone to political pressure of corruption. Husbands can suddenly try to exercise control, when they see that their wife is in a group that has the interest of a financial institution. This can destroy the autonomy and self determination of a group. For some groups this might be a reason to remain very informal.

When the programme is not well designed and huge amounts of money are dumped too fast on the groups, which they are unable to manage, this can have a negative effect on them as well. Furthermore, when the terms are dictated by the financial institution without true participation of the groups and their members, the programme can do harm to the groups' autonomy, especially when all kinds of legal and procedural obligations must be met.

If the costs can be minimised and the benefits be maximised, however, the programme can be very useful. Proper research and selection of the groups, within their environment will have to be undertaken before the programme starts. Further area specific research will enforce understanding of the groups' function, objectives and benefits for the members. This is necessary before criteria for selection and linking up with any kind of financial and nonfinancial support can be drawn in any area. In the next chapter the modalities, advantages and dangers of a linking programme and the issues for attention will be discussed in more detail.

Preconditions for Linking with Grassroots Organisations

A linking programme of any financial institution with local grassroots organisations only has a chance to succeed, if some basic environmental and economic conditions are met. These conditions can be summarised under a conducive economic and political environment and favourable external funders to support the programme. In the following paragraphs these preconditions will be further elaborated.

Conducive Political and Economic Environment

Any financial service programme for the poor can only have some positive effect when the basic political and economic conditions are met. The political situation of an area should be relatively stable and infrastructure, market outlets and communication channels should have reached a required minimum before any micro-entrepreneur can make profit or before a significant number of beneficiaries can be reached.

Especially NGO's however, often try to operate credit schemes or revolving funds under conditions which do not meet these basic requirements[124]. According to Abugre[125] 'An alleged distinguishing characteristic of NGOs is that they choose to work under the most difficult circumstances, where because of the lack of capacity or otherwise, governments and institutional donors do not easily reach.'.. 'Transport and communication systems are usually difficult, physical infrastructure severely deteriorated, access roads linking villages and markets are limited, non cash exchange transactions may still be substantial and financial services may largely provided by informal finance.'

Under such extreme remote conditions linking programmes for financial services will become difficult to implement. The costs of running such a programme will become so high that any change of financial sustainability in the future is ruled out. (See box 1).

Furthermore, the economic prospects and 'business density' in an area should be high enough to allow for a substantial number of clients, so that the programme eventually can break even. High population and business density helps to increase the potential number of groups per square kilometer, which will assist to reduce the operating costs per client. Programmes, such as those of Grameen bank and ACCION International operate in highly densely populated and industrious areas[126]. The UWFCT research[127] found the highest density of groups which had a substantial capital turnover in and around the towns in East and Central Uganda.

A stable political climate will also help to improve programme performance. Political and other leaders can easily try to influence the programme and use it for their own benefits. In times of political change or elections, the programme can be used by politicians in their campaigns to win votes. Such an action can harm the programme's image and have a negative effect on recovery.

When a financial service programme operates in an environment with many other donor and relief organisations, who target the same groups with grants, this will also have an effect on the target group's attitude towards the programme and their repayment behaviour. In Uganda there are many rural areas who have become used to relief aid and handouts. People in those areas find it difficult to understand the difference between a grant and a loan, especially when the last one is given by an international NGO (see again box 1[128]).

Any financial institution or NGO that wants to start a group-based lending programme for the poor should select its area of operation carefully and asses possible influences of external factors. Political and economic stability and business density should be among the criteria for selection.

Favourable External Funders

A financial services programme for poor women that wants to employ a participatory, gender-sensitive approach needs to have access to flexible funding, which

Chapter 5, box 1
The ACORD Credit Programme

ACORD is an international NGO, which has been working in Uganda for more than 10 years. It aims at empowerment of marginalised groups through enforcing local grassroots organisations, formed by the poor. In Uganda, it operates in remote rural areas. It is implementing financial service programmes, based on existing informal groups in the districts Gulu, Nebbi and in Mbarara. ACORD usually works for a long period of time in an area (> 10 years) and emphasises local institution-building. ACORD employs an integrated approach towards development. In Uganda, it operates in remote rural areas.

The financial service programmes in the three districts of Uganda started in the late 1980s as components of an integrated rural development programme. People were encouraged by the rural development workers of ACORD to form self-selected savings and credit groups of not more than 15-30 people. The groups members pooled their savings from which they could give short-term loans. Rural development workers helped the groups to record their financial transactions. In the first two years, savings mobilisation was going well, and more than 200 groups were formed. The programme extended external funds worth twice the amount of savings mobilised to top up the groups' funds. Target group participation was encouraged, for example, through formation of credit committees in the groups who would help ACORD to define credit policy and to disburse and recover loans.

Loans were given to groups, which could in turn lend on to their members. Each group member had to sign the loan agreement, witnessed by the local authorities. The groups were held responsible for the monitoring and supervision of loans and for repayment by their members. Participation of women to take loans was actively encouraged through gender awareness campaigns.

The ACORD financial service programme in the three districts has recorded some achievements for instance in the field of savings mobilisation, strengthening of local organisations and a gradual increase of participation of women in the programme. Both men and women were sensitised on gender issues. Women groups seem to repay better than man only or mixed groups.

The programme registered, however, serious problems with financial sustainability, partly because of repayment problems and partly because of the high costs of operation. Low repayment was caused by several factors, such as:

1. **Low business prospects, market outlets and investment opportunities in all areas of operation.**
2. **Conflicts and bad leadership in the groups. It appeared that the group leaders were defaulting most. They were unable to ask their fellow members to repay, so nobody enforced repayment any more. This became a special problem in cases where the group leaders were also local leaders.**
3. **In some cases clients were allowed to borrow big loans beyond their absorption capacity, partly because funds for loans were plenty. Thus the loan money was diverted from the original purposes. It seemed that after the first two years, spending pressure for loans increased in the programmes, so loans were given out without a proper assessment of the group's capacity and internal structure.**
4. **In some areas, credit and grant schemes were addressing the same groups concurrently, (e.g. in Packwach) and rumours went around that the money was not supposed to be paid back. The groups were very strict with their own, internally pooled funds, but became then very lax with the external loan funds. They sometimes kept the funds on separate accounts, and records of the ACORD loan were not kept well, because the money was perceived to be a grant.**
5. **The internal lack of control on finances has also contributed to low repayment. There was a general lack of monitoring and follow-up of the loans in the programme.**
6. **Some groups were purposely formed to get a loan and brook up after they got the loan. No legal registration was covering the groups, so it will be a big problem for the organisation to recover their money.**

Also, the costs of the programmes were so high, that they could never be earned back by the income of the programme. Sometimes, the total loan outstanding was lower than the costs of the programme. In the remote rural areas, where ACORD is operating with a low adult population and an average income of around 100.000 Ushs, it will be difficult to run an financial service system cost effectively. Costs of supervision and monitoring will be high in comparison to the income, even with a group based lending programme.

allows for experimenting and building up capacity within the groups and the programme. Funding should not be tied to specific loans, nor should there be too much spending pressure to give out large amounts of loans.

Involving men might help to overcome prejudice, provided women are also allowed to speak out

In Uganda, many donors currently appear to be interested in establishing a financial service programme for the poor, with special emphasis on women. Many of them are still exploring suitable ways of accessing financial services to women. Suitable funding conditions could further be explored.

Outline of a Group-Based Lending Programme

A successful group-based financial service programme, based on informal savings and credit groups must provide long term benefits for the group as well as for the financial institution. This will require that the financial institution adapts its procedures to the groups' needs and capacities, and therefore employs a gender-sensitive, participatory approach.

Institutions that provide financial services to the poor successfully, have included target group participation as a key element in their programmes[129]. Participation is usually encouraged in loan decisions and design of procedures at a local level. It can be ensured by setting up local grassroots organisations or by linking with informal financial organisations, already developed by the poor themselves.

Group participation in the programme's design can also help to ensure that the group maintains a high level of autonomy and control over its operations, and feel responsible for the repayment of loans. According to Fong[130], these groups should form the lowest level in the organisational framework for credit delivery and savings mobilisation in order to ensure their real involvement. However, she also realises that 'formalising existing arrangements within the groups must be done with caution to safeguard mutual trust and the spirit of self-help which constitute the most essential element in the operation of many of the informal groupings.' This will only be possible when a truly participatory approach is adopted. Box 2 shows us such a participatory approach from KREP[131].

Chapter 5, box 2
KREP's Participatory Approach

KREP is using a participatory approach through the indigenous savings and credit groups, the so-called 'Chikolas.' Chikolas is a widely known local Kenyan name for ROSCAs. Aleke Dondo writes about these groups: 'The Chikolas provide credit to those who would be ineligible to borrow from other sources. They also mobilise savings, serve a social function, and provide a form of insurance (e.g. from the group 's savings). The Chikolas offer a number of advantages to members: their operations are simple and easily understood be even illiterate or semiliterate people who form the bulk of their membership. Springing from local initiatives, Chikolas generate a sense of ownership and loyalty, and embody truly participatory development.' The KREP programme links with these Chikola groups, who do most of the assessment and administration of loans themselves.

A programme that links up local grassroots organisations with financial service institutions and that allows for participation, can have big advantages for the financial organisations as well. Savings of poor women will become accessible, if the groups are encouraged to save their money with the financial institution. Furthermore, administration of small loans through groups will be less costly then when loans are given on an individual basis. Through participation, the groups will assist in loan assessment, monitoring and supervision of loans.

Training on loan management will become more cost effective when it is given to a group. According to Mirtha[132] 'Technical assistance has a multiplying effect, in which the stronger members of a group assist the others out of solidarity and desire to improve not only their own firms but those of their group members as well. In this way training will have a bigger impact on all the group members.'

Group-based financial service programme will become problematic for the institutions if they are given to the wrong groups or if they do not correspond with the group's needs and capacities, and the groups take no responsibility for repayment.

A group-based financial service programme therefore, needs to be designed carefully. It will largely be composed of the same elements as any lending programme, including selection of clients, preparation of clients and loan applications, loan approval and disbursement, monitoring, supervision and evaluation of the loan programme. The outline and implementation of these elements will, however, be different because of the groups' active participation in the programme and

Chapter 5, box 3
Selection and Assessment in Grameen Bank and KREP

Successful group-based financial service programmes have resolved the problem of selection in different ways. Examples are:

1. **The Grameen Bank is a rural bank in Bangladesh, which operates through a strict system whereby five small scale entrepreneurs form a group. Membership in any group is strictly limited to people who do not own more than half an acre of land, who are not members of the same household, face similar economic conditions and, enjoy mutual trust and confidence, and belong to the same village. Economic homogeneity among the member in the group has proven to be important for equity in decision making, and for equality in bargaining strength. Men and women are organised separately. Six to eight groups of five form a centre, headed by a chief. The centre meets on a weekly basis and several issues such as loan applications, disbursements and repayments are discussed.**

2. **KREP in Kenya has developed two different group-based lending systems. One is based on forming new groups, in line with the Grameen Bank. This is called the Juhudi credit system. Another system is based on working with already existing indigenous informal savings and credit groups. This is called the Chikola system. According to Dondo, these groups usually have been in existence for a number of years and therefore tend not to have the interpersonal conflicts typical of new groups. The KREP Chikola system has chosen the following criteria for selection: the group should be made up of low-income people without access to conventional services and credit, it should operate a revolving fund, should be registered self help groups and have members who operate a small scale businesses.**

Assessment of the group character, both for the Chikola and for the Juhudi system, consists of determining the members' commitment, cohesion, and motivation and the group's leadership; the extent to which Chikola members have mobilised savings and its managerial capacity to handle funds. In the Chikola credit system, first an assessment is made of the group, then of the individual members within a group and then the viability of the businesses they run, and in this order of importance.

because parts of the responsibilities will be transferred to the groups. In the following paragraphs the details of group participation in certain elements of the loan procedures will be explained. A group-based lending system in this context refers to a system whereby the loan is given to a group, who then divides it to its members or, alternatively, whereby the loan is given to the members under group guarantees. Loans for communal group projects are not considered to be group-based lending.

Eligibility and Selection of Groups
Eligibility criteria will have to establish who is the prime target group of the programme. They relate to the institution's mission and the programme objectives. Therefore, determination of the eligibility criteria is the institution's prime responsibility. They should relate to the institution's perception of the target group, based on a poverty and gender analysis. Once the prime target group has been agreed upon, an investigation should be made about the type of informal financial structures they use and the importance of these structures for the target group. An investigation of locally existing organisations can best be undertaken using participatory research methods, so that the significance of these organisations for the target groups becomes clear.

A decision will have to be made whether to link with existing structures or to form new, more appropriate structures[133].

Already existing organisations have proven to stand the test of time and have solved certain conflicts together[134]. Therefore, they should get a preferential treatment when a linking programme is set up, especially when they have the people's confidence and appear to suit their members needs. Only if there are no suitable existing organisations, the institution should consider to stimulate formulation of new local groups[135].
Informal savings and credit organisations will emerge, grow or change and sometimes disappear over time. Thus, periodical evaluation of the eligibility criteria of groups and their relevancy to their members is very important.

A detailed assessment of each group is still indispensable, and has to be done in a selection process by the field staff who is in close interaction with the group.

Selection of groups can only be done after clear eligibility criteria have been set and after locally existing informal structures are properly understood. According to Fong[136], 'the financing institution needs to carefully consider the type of group with which it is interested in establishing a link and extending lines of credit including how the group has come into existence, its history and objectives, its membership, its cohesiveness, political associations, and the success it has achieved in mobilising the women's own savings. The gradual build up of self-reliance among the members obviously plays a crucial role in ensuring sustainability and effective utilisation of the credit provided.'

From the observations made in chapter 4, it can be concluded that the following elements contribute to a strong group cohesion, necessary to smoothen financial affairs within the group: a reasonable period of existence[137] and experiences together, overall member initiative, common objectives, socioeconomic homogeneity among members and democratic, participatory procedures in the group. These factors can therefore be considered in the groups' selection process.
Bigger, often externally stimulated groups seem to have less of these elements than the smaller ROSCAs.
Successful financial service programmes can have different ways of selecting groups, as becomes clear in box 3[138] and 4[139]. Each institution has to develop selection criteria and a selection process.

Chapter 5, box 4
Selection of Groups in UWFCT

Based on the research findings and on experiences of especially KREP in Kenya, UWFCT decided to start its group-based lending system with existing indigenous savings and credit organisations among women in Uganda.

Important selection criteria for successful informal savings and credit organisations are that they function autonomously and in a participatory way. Also, the group should be small, preferably not exceeding 15 members, who should have contributed financially to the group. Furthermore, groups should show some level of social and economic homogeneity and not solely consist of family members. Preferably single sex groups should be considered, to ensure equal bargaining strength among the members of a group. Finally, the groups should have some form of registration before entering into a credit contract with any institution. Because of the generally low profitability of group-based projects, such projects will not be financed with loans.

The group's character is assessed in depth, especially in terms of cohesion, democracy, permanency, honesty and participation. A higher level of democracy and participation appears to increase cohesiveness and motivation among members, factors which are largely determining the success of a group. The character of a group should be assessed by the credit officers in the field in close interaction with the group. This implies that the credit officers must have the skills to examine the groups in terms of democracy, participation, group coheisveness and motivation of members.

In order to keep first loans to a manageable level for the groups, UWFCT has set the criteria that the first loan should not exceed 50%-70% of the groups internal savings. After this, the group can indicate the loan level it can manage. UWFCT also decided to train the groups in order to increase their management capacity.

Making financial services accesable to women is a major objective of UWFCT

Preparation and Appraisal
Preparation and appraisal in most group-based lending programmes will be a joint effort of the institution staff and the group members, once the groups have been selected. A crucial question for the institution will be the level of involvement of the groups in the appraisal process, which, in turn will determine the level of preparation needed by the group. The group's involvement in the appraisal process will therefore be discussed before any suggestions for group preparation are given.

The groups involvement in appraisal can be very useful because an informal savings and credit group usually has a lot of information about its members. This information will assists the financial institution in assessing loans and thus helps to reduce the credit risk.

In case a financial institution gives credit, it will always first estimate the risk of losing the money. The two most important factors determining repayment of a client, appear to be the character of the person who gets the loan and the business's economic viability[140].

In Africa the first factor looks to be even more determining for repayment than the second. The examples of poor women getting a loan but failing to increase their income are many. Yet many of these women will struggle and fight to pay back the loan. There are also many stories of business men (and women) who have good returns on their capital investments, but simple refuse to pay back the loan.

Especially for this character assessment, an informal savings and credit group can greatly assist the financial institution. The group members know a lot about their fellow members. They usually have been with her for some time, know her family, her husband, her businesses and so on. They also know whether she has a good character or whether she is a cheat. Furthermore, the group members are often able to judge whether the business of one of their members has some potential for earning a profit. In short, group members know much more about their fellow members than a credit officer will ever know. It is now up to the financial institution to make sure it can extract this valuable information from the group. The group should be willing to disclose information. The best way to reach this is by involving the group members directly in the assessment and approval of the loan so that they feel responsible for the repayment of their members. The group members can also be asked to stand as a guarantor for each other or to pledge their savings as security for each member's loan. Alternatively, refusing any new loans to the group until the old ones are repaid, will pressurise the group to assess any loan application of their members thoroughly.

Most informal savings and credit groups observe a high level of mutual accountability and discipline over their internal funds. If a linking programme encourages the groups to extend this kind of control over external funds it will have succeeded in setting up an effective group-based lending system. The group should then be left with some flexibility to decide over the loan amounts, purpose of the loan[141] and the pace at which loans should be extended.

Experience has shown that groups which have already developed clear rules and regulations for their savings and credit procedures, and which have operated successfully for some time, can be given the prime responsibility of appraising member's businesses and characters.

Chapter 5, box 5
Responsibilities of Groups in Appraisal

KREP has experienced that over time the Chikola groups take over more and more responsibilities in appraising, administering and recovering the loans. The administrative costs of the programme are reduced, while the target group increases its capacity to handle money. Aleke Dondo: 'This arrangement has proven to be a cost-effective method of extending credit in that much of the administrative work, previously done by the loan officer, is now done by the group members.

In Grameen Bank the groups are ultimately responsible for repayment of a loan from an individual member. The centre group, consisting of 6 to 8 smaller groups will guarantee each other's loans. They are responsible for the members' social and financial discipline. Normally, the loan proposals of individual members are discussed in the centre group meetings. Members should therefore attend all meetings. Loan approvals and disbursements are done openly. Thus the borrower is direct and actively involved in the lending process.

Examples such as in box 5[142] show that when groups are involved in appraisal of loans, they will also take up responsibility for monitoring and supervision of loans. If a financial institution succeeds in handing over responsibility for assessment and repayment of loans to the group, it has transferred some of the credit risk to the group.

The preparation of the groups for a group-based lending programme will depend on the groups' responsibilities with regard to the credit delivery, as well as the level of development of the groups themselves.

If groups are highly cohesive, democratic and participatory in their management style, if they have organised their financial transactions in a transparent manner, and if group members have profitable businesses, they can be eligible for loans after minimal preparation[143].

There are many groups, however, which either lack a proper leadership, or use financial and administrative procedures which are only clear to a few or none of the group members. These types of groups clearly need further preparation when they get involved with an external organisation providing financial services. Examples of different training programmes can be found in box 6[144].

In most successful group-based lending programmes some kind of training is undertaken. Mostly, the training is done informally, during meetings by the field staff with the groups. Training and guidance of the groups is seen as a way to increase the group members' capacity to handle money and control resources. Even the gradual increase of the loan amounts itself is often seen as a capacity-building process. The first loans tend to be small, especially for women, but the amount increase with each consecutive loan. In this way the capacity to handle money among the group members is enhanced step-by-step.

An effective linking programme will take the group's own capacities and strengths as a starting point for further training and will try to increase the capacity gradually, so that the group remains in control. Areas for attention when training groups appear to be[145] group leadership and democratic management, financial management and business planning, and legal awareness raising. Furthermore, although small ROSCAs do not need a detailed financial administration, it would be an advantage if the groups would be trainable in simple bookkeeping and administration in order to accommodate the more complex management that goes along with the loan. Financial institutions could use systems developed by the advanced groups[146] as a model in the training of other groups.

Registration If groups want to participate in a financial service programme they should be encouraged to register themselves legally. This protects the groups and the financial institution in case of problems. However, suitable legal registration opportunities for the kind of groups found in the UWFCT research seem to be limited in Uganda. Joint efforts of financial institutions and other organisations who work with these groups will be necessary to lobby for suitable forms of registration[147].

The participation of group members in the appraisal procedures for loans and the preparation of groups through learning by doing all are indicative for the learning process the groups go through, guided by the credit staff. This capacity-building process should continue during the following stages of the loan procedures.

Chapter 5, box 6
Examples of Training in Group-Based Lending Programmes

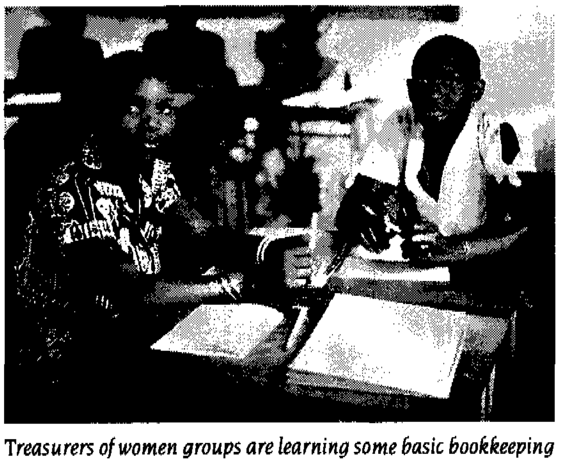
Through experience UWFCT has learned that uniform training such as extensive book keeping courses does not work for individuals or groups. UWFCT is now aiming at more tailor-made training both for individuals and for groups and has a specialised training department for design of materials for tailor-made courses. UWFCT has come up with a training manual which addresses issues such as group management, democratic meetings, financial management and business analysis and also some legal issues. The modules in the manual can be adjusted to the group needs, and methodologies are used which stimulate active participation of all members in a group.

In the Grameen Bank, a large part of the training is done informally during the weekly meetings of the larger groups at the centre, which are attended by the credit officer. Training and guidance is seen as a continuous process even after the loans are disbursed. Only in the initial stage, the groups have to undergo a seven-day formal training programme, which introduces them to the bank procedures and explains its rules and function as well as the bank's responsibilities. After the training the group is given a formal recognition, after which it can engage in transactions with the Bank.

ACCION International has gradually moved from an approach that emphasised training more than credit to an approach that emphasises credit more than training, though the organisation asserts that both services are essential and that a suitable mixture must be found for each programme. From experience ACCION International has learned that a micro-entrepreneur manages efficiently the sums of money that he or she is used to handle, and that diversion of the loan to other purposes occurs mostly when the borrower has excessive cash at his or her disposal. The capacity to handle big sums of money has to be build slowly, so the gradual increase of the loan sum becomes a training element.

KREP has chosen to concentrate on credit delivery in its group based lending programmes rather than on training. Some informal education about the KREP lending procedures is obviously necessary and that is provided by the credit officer. Frequent requests for training from clients urged KREP, however, to consider the design of training programmes whereby the clients themselves will be the first resource persons, and groups will be linked horizontally. This is in line with KREP's philosophy that the micro entrepreneurs know their own problems and potentials best and that they can best be each other's teachers.

Loan Disbursement, Monitoring and Supervision of Repayment
According to the experiences of most successful group-based financial programmes, once the groups are fully involved in the appraisal and assessment of loans, they are also ready to take the prime responsibility of disbursing and monitoring the loans, and in this way ensure timely repayments. Thus, disbursement, monitoring and supervision of repayment will be done in close cooperation with the groups.



Treasurers of women groups are learning some basic bookkeeping so that they can manage bigger amounts of money

Responsibilities for monitoring and follow up on repayment can gradually be handed over to the group, under the institution's guidance, thus reducing these cost elements for the institution in the long run. Grameen bank, ACCION International and KREP have succeeded in gradually handing over such responsibilities to groups, as becomes clear in box 7.

Most successful group-based financial service programmes make the financial programme's sustainability a high priority by charging commercial interest rates, reduce credit risks through group responsibility and through peer pressure. Costs are reduced by gradually handing over loan administration and supervision to the groups. Institutional staff hardly gets involved in disciplinary actions against defaulters, because the groups deal with them internally[148]. Only when a whole group defaults, the staff takes the necessary actions. The financing institution should be very strict with defaulting groups so that the general repayment moral within the programme is not destroyed.
Successful linking programmes will still have to ensure that their services are accessible to women through simple and quick loan procedures, small short term loans and flexible repayment procedures.

Chapter 5, box 7
Supervision of Repayment by Groups

In the Grameen Bank, monitoring and supervision of the loans is done by the group. Mutual accountability and discipline is thereby closely observed. First loans are given to two members who have to fulfill their repayment duties before two other members can get a loan. Weekly meetings are held at the centre and this is the place were repayments are made and defaulters are discussed.

Like with the Grameen Bank, KREP's Chikola groups take over large parts of the monitoring and supervision. The disbursements are done by the group, who ensure that the member is using the loan for the right purposes.

Both Grameen and KREP strongly rely on peer group pressure for repayment. They furnish the group with some internal stakes in repayment by its members such as:
1. Using all centre or group members savings as guarantee to the loan.
2. Denying credit to all group members when one member defaults.

When a client has repaid the first loan well, she gets a repayment certificate from the Grameen Bank, which will help her to get a new loan. This is also a strong incentive for her to repay.

Programme Evaluation
Periodic evaluation of the programme is very important to ensure that it achieves its targets and reaches the target group effectively. Group participation in this evaluation process will be very useful. The prime responsibility to initiate periodic evaluation will be with the financial institution. The evaluation criteria derive from the programme's original plans and objectives and from target group's views and perceptions. Although the importance of impact evaluation has generally been recognised few organisations undertake such a time-consuming exercise. Therefore, there is little information available on evaluation of financial service programmes, especially with regards to the target of empowering women.

Crucial Role of the Field Staff

For a successful implementation of a group-based financial service programme, the field coordinator's role is crucial. She or he is the first person to deal with these groups and is in close contact with them.

First of all, the field staff will be usually responsible for carrying out baseline surveys on economic and other conditions in the areas. He or she will undertake detailed research on informal savings and credit groups before a linking programme can be implemented.
Furthermore, field staff is responsible for sensitising local authorities, the general public and other organisations about the programme aims. Furthermore, it is they who mostly determine the image that their organisation will have in the targeted area. The way field officers present themselves, treat their clients, compose the office outlay, and conduct their social contacts in the area all contribute to the image of their organisation. Field staff usually works so close with a community that they are subject to continuous observations by the community and the groups.

The field staff will select, assess and guide the groups in the group-based financial service programme. Selection and assessment of groups will include assessing the character of the groups, the business viability of the microenterprises their members pursue as well as assessing the training needs and financial capacity of each group, which will be the starting point for any financial injection in the group. In the process of guidance to the group, the field officer has to ensure that the responsibilities discussed above are gradually and effectively handed over to the group. This will require sensitivity on the part of the staff since the groups, for example in rural Uganda, are used to field officers who 'tell them what to do' and do not leave responsibility with the groups.

Furthermore, if the staff officer creates the impression that the institution has a charity motive or has a lot of donor funds, the groups might decide to be relaxed about repaying the loans: see box 8.

Chapter 5, box 8
Image of the Organisation

UWFCT is careful not to create a charity image in an area. It wants to be seen as a professional, client-friendly, gender-sensitive financial organisation. To create such an image in the Ugandan context, however, is not easy, especially for organisations addressing poor women, since many NGOs for women stem from charity motives. Field staff of UWFCT is made aware that the way they present themselves will have an effect on the image of the organisation in the area. Staff should, for example, be dressed decent and not use the office as a place to campaign for their own religion or political preferences. Furthermore, in order to emphasise a gender approach, gender sensitivity will also be required to some extent in the personal lives of field officers. A field staff, for example, who is infamous for beating up his wife will not be able to stimulate an open discussion on women's issues amongst the women's groups, and is thus not suitable to work for UWFCT.

Grameen also works consciously on the image of the organisation in the field. It has, for example, installed a very strict rule among staff that they should not allow any gifts from clients, much as some clients want to express their gratitude with a gift. According to the Grameen Bank, accepting such gifts bears a risk of slow corruption of a credit officer, which can easily damage the image of the organisation.

The field staff is also the institution's first source of information about the groups. The officers should give relevant information about the groups to higher levels in the institution, through a monthly reporting system so that the institution keeps track of its operations. Any problems or irregularities with groups should be reported by the field staff.
Field staff should observe that the institution's loan procedures are implemented effectively and constantly monitor whether they still serve the clients' needs. Loans should be essentially demand-driven and not supply-driven, and this can be monitored best by the field staff. If any spending pressure surfaces, the field officer should alarm the institution seriously.

From the above it becomes clear that the credit staff at field level has a crucial role to play. Field staff should have good human skills such as facilitating and listening skills, and be able to guide the group through a participatory process. He or she also has to have social intelligence, which includes the ability to perceive and interpret social situations, and understand genders issues. Furthermore, he or she should understand basic business analysis and have administrative skills, strict discipline and accountability.

Such a mixture of qualities in field staff will be difficult to find. Field staff will need to be carefully selected and properly trained and prepared for the job. Many organisations train their staff internally in order to prepare them for the complicated job[149]. Field staff will need continued guidance and stimulation from the organisation in order to keep up their motivation for the job. They should be left with some decision-making powers in order to remain responsive and flexible towards the group. Well-functioning field staff are crucial to the implementation of group-based financial service programmes.

Summary and Conclusions

This chapter aimed at giving some insights in the complications involved in starting up a group-based financial service programme, based on a gender-sensitive, participatory approach. Informal savings and credit organisations of poor women can be a useful conduit for sustainable financial service programmes aiming to empower poor women.
The success of a linking programme depends to a large extent on a conducive political and economic environment and on the availability of flexible funding. A Ugandan example made clear that if these preconditions are not met, the programme is likely to fail.

Women also learn technical jobs

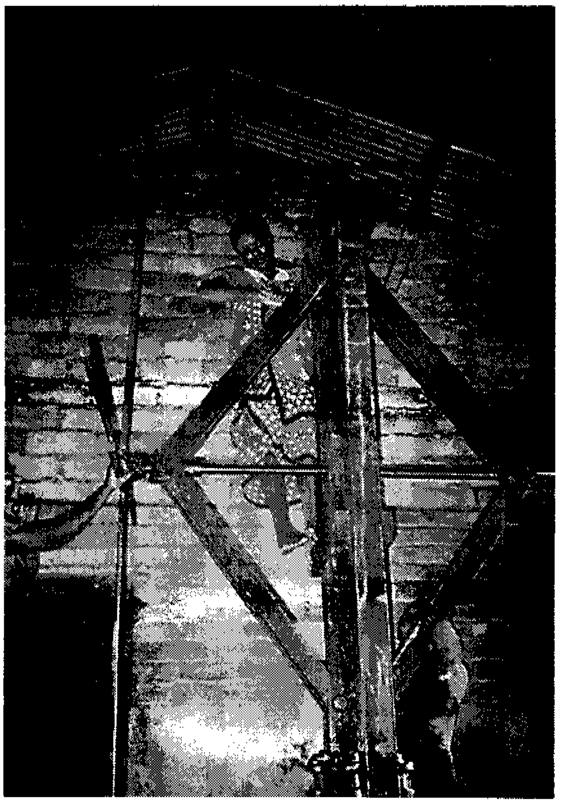
Secondly, it was emphasised that the programme should aim at group participation in the programme's design and implementation, but should thereby maintain an eye on the sustainability of the programme.

After this, it was explained how the credit delivery in such a programme could be shaped, following the normal steps in a lending process such as eligibility and selection, assessment and preparation, disbursement, monitoring and supervision of repayment and programme evaluation. The right level of group participation was ensured for each step in the credit delivery process.

Finally, the crucial role of the field staff in a participatory lending process with groups was stressed.

It would be useful if financial institutions and NGOs start to test possibilities of linking with informal savings and credit organisations. The experiences with these groups should be monitored and evaluated regularly, according to collectively set criteria. Exchange of experience between the different organisations should be stimulated.

In the next chapter, the challenges of a lending programme that is group-based, participatory and gender-sensitive will be analysed on an institutional level. It will become clear that the management of such programmes is complex and demanding.



Solving a technical problem

Sustainability and Participation, an Institutional Dilemma; What Does a Gender-Sensitive Participatory Approach Mean for the Institution?

Introduction

In the course of this report it has become clear that a group-based lending system can be a cost-effective way of addressing financial services to poor women. The groups can constitute a conduit to credit delivery systems for poor women, while, at the same time, they are a way of addressing aspects of gender imbalances in society. Thus, linking formal financial services with informal savings and credit groups of poor women is a good option to ensure a gender-sensitive, participatory approach within a financial service delivery programme.

Such a participatory, gender-sensitive approach does not imply, however, that concessions should be made towards the financial sustainability of a programme. Financial sustainability is necessary to ensure continued financial services.

These two objectives, which both guide financial service programmes for poor women, sometimes appear to be contradicting: a participatory, gender-sensitive approach calls for flexibility and adjustment of the speed of the process to the target group's capacity, while financial sustainability, as we will see in this chapter, calls for fast rotating, big numbers of loans when the loan sizes are small.

If a participatory approach is employed in such a manner that the group gradually takes over parts of the lending procedures at a local level, the system can actually reduce the cost of lending to this target group. Such a programme, if it is implemented well, could solve the dilemma of financial sustainability and participation.

As the precious chapter showed, such a programme puts significant demands on the groups involved. But it will also provide major challenges for the financial institution; challenges which are related to the institution's views and objectives, the institution's structure and methodology, its financial management system and, last but not least, its views on planning its own institutional development.

In this chapter an attempt will be made to analyze these institutional challenges based on examples from successful group-based financial service programmes mentioned in the previous chapter, Grameen, ACCION International and KREP. It will become clear that the relatively young financial institutions and NGOs who address poor women in Uganda need to undertake a lot of institution and capacity building in order to establish such a programme.

Institutional Vision and Objectives

An institution's vision is expressed in a set of basic principles that guides its work. It is a very important driving force for all institutional plans, activities and developments. The institution's vision will become clear through its objectives, but also through its activities and entire programme setup.

Any financial institution needs a clear vision to guide its selection of the target group and methods of operation. Clarity of vision is a necessary first step towards long-term sustainability of an institution. It provides the institution with its reason for existence and is a measurement for all its activities.

The necessity for an institution to maintain clearly defined views becomes even greater as the institution grows and gets more branches, since uniformity of vision has to be maintained throughout all the layers and areas of the organisation. As its leadership changes and as the environment that influences the organisation's decisions changes and expands, maintaining a clear vision will provide an even greater challenge to the institution[150]. (See box 1.)

Loss of clarity in vision will make the institution lose its credibility in the eyes of the government and other institutions, external founders, and above all, for its target group. Clarity of vision must therefore be carefully protected by the board and senior management of any expanding financial service organisation. The organisation's legal status and the core activities as well as the organisational structure will have to correspond with the organisation's vision.

Chapter 6, box 1
Donor Funding and Clarity of Vision

In Uganda, there has been a major change in the political and economic fields moving towards more stability in both areas. This positive development has resulted in a shift of donor attention from relief aid towards structural development programmes, including financial service programmes.

The overall economic environment in Uganda is now conducive to enterprise development, however, it appears that structural adjustment programmes so far have not benefitted the poor. Therefore, several donor organisations aim at the poorer sections of the population to improve their position, and try to achieve this with financial services. Financial service programmes are started with a variety of intentions, such as poverty alleviation, empowerment of women, microenterprise development, but also creating political goodwill or following the current fashion of providing financial services in the developing world.

NGO's and other financial organisations are often approached by government and donors to implement these programmes. The NGO or financial institution then requires a high level of organisational strength and autonomy to maintain clarity of vision within the organisation, especially when the organisation is partly depending on foreign funding for the implementation of its programmes.

According to Otero[151], in the case of institutions whose programmes assist microenterprises, the institutional vision must reflect a balanced relationship between the organisations' social and financial concerns and provide guidance to staff in order to maintain clarity in its work.

She also argues that the institution's vision will remain isolated from its work unless it is transferred to senior and mid-level management, to its field workers and through its staff to the programme's beneficiaries. This can be achieved by involving staff in defining its institutional vision, and reach consensus among its staff members regarding its vision. Staff will be more likely to uphold a vision which they have helped to develop. This is of special importance in the case of field staff who have a public relations function within their area of operations.

Furthermore, the institution can maintain clarity of vision by[152] making the institution accountable to its vision, which will imply that the institution's vision will become the yardstick for monitoring and evaluating its programmes.

In case of a financial service programme for poor women based on a gender-sensitive, participatory approach, the programme will be guided by the vision that the limited access to financial resources are a major constraint to development for poor women, but can only be effectively provided if other aspects of gender imbalances are addressed and if women are actively involved in the programme design. In the next paragraphs, the effects of such a vision on the programme design and internal organisation will be analysed.

Integrating a Gender Approach to the Programme

Programmes that make financial services available to women with the aim of empowering women should be aware of the gender roles within a certain society and on the effects of their financial services on these gender roles. Financial services to women might not have the desired effect if other issues affecting the position of women, such legal issues, women's limited access to resources, time and information as well as her control on the household budget and her reproductive roles are not considered.

Financial service programmes should take these gender aspects into consideration when intervention techniques are designed. For example, business sectors should be selected where women play a significant role, and accessible services should be created, taking into consideration the women's other duties. In order to increase the access to financial services for women, the programme could include other services such as legal awareness raising, technical and business training and management advice or cooperate with other organisations that offer such services.

The programme's impact on women should be monitored and evaluated regularly in order to ensure the programme does not divert from the original objective[153]. The continuous monitoring and evaluation of the programme's effects will be a time-consuming and expensive exercise. Management must be willing to avail resources for such exercises, and train staff sufficiently to carry out gender analyses and gender impact studies in their respective areas of operation.

An effective gender approach within financial service programmes will only occur, when gender sensitivity is a guiding principle within the whole organisation and staff is selected and trained effectively to be gender sensitive. Field staff should have enough clarity about the institutions vision to carry out the work. Especially with regards to gender, there are several approaches[154], applied by a variety of organisations operating at field level, and field staff can easily get confused. In box 2 an example is given of how UWFCT has dealt with this issue.

Chapter 6, box 2
Women as Serious Business Partners

UWFCT has made a serious attempt to incorporate a gender approach both towards the target group and its internal operations. UWFCT wants to address women as serious, capable business partners, and at the same time meet the gender-specific needs of these women by using simple client-friendly procedures, flexible opening hours which can be combined with other duties, group-based lending systems and offering nonfinancial services and general awareness raising on gender.

In its attempts to treat women as serious business partners, it often comes across the problem that organisations working with women project a charity image to the target group. According to UWFCT, it is necessary to overcome this prejudice, because it can result in bad repayment, which can call for the impression that women are not creditworthy. Only an active promotion of a counterimage, that of a serious businesslike and financially viable organisation for women could overcome such a preconception. The field staff was made aware of this strategy.

Internally, UWFCT has actively promoted gender sensitivity within its staff through workshops, discussions and seminars, as well as by promoting employment of female managers in leading positions.

To implement a gender approach within an institution does not simply mean appointing a gender officer[155], or appointing more women into the organisation. The organisation should first and foremost develop a clear vision with regards to gender issues and install this firmly in its staff, also among female staff. Furthermore, the organisation should employ a gender-sensitive approach towards its own staff. Even with the successful financial service programmes, such as Grameen, gender imbalances within the institution can not easily be overcome, as the example in box 3 shows[156].

According to Weideman[157], the advantage of working with female staff in a credit programme is that they provide a role model, 'Although men can work effectively with women, it is desirable for women entrepreneurs to have female role models. Observing women as loan officers can motivate and inspire female entrepreneurs.'

Unequal payment structure and promotion changes and a negative attitude towards women working in the organisation, especially towards female managers are among the factors that can demotivate female employees in financial institutions and cause them to leave the organisation. Another factor could be the reproductive duties of female employees, which is difficult to combine with the usually very demanding jobs in financial institutions.

Gender imbalances in staff composition of financial institutions and financial service programmes have not been studied and understood to their full extent. The financial sector is one of the most difficult sectors for female employees to enter, especially in the higher levels of organisation. Thorough understanding of hidden prejudices against women prevailing in this sector could help to pave the way for enhanced participation of women both at grassroots and higher levels. It will require serious commitment of higher-level management, however, to really integrate women in this sector. Women's World Banking and its affiliates is one of the few organisations who addresses genders imbalances within the staff of financial institutions.

Chapter 6, box 3
Female Staff in Grameen

The Grameen Bank experience suggests that it is not necessary to have female Bank workers to reach women, because less than one-third of the bank workers are women whereas 87 percent of the borrowers are female. The key is in the staff's attitude and training. The staff is trained to understand the special dynamics and constraints of women's businesses and to develop qualities that inspire trust and confidence among rural women.

Among the staff at the Grameen Bank, however, it appears that the dropout rate of female staff is much higher than men and that only two percent of the branch managers are women. Female managers are also paid less than men. According to Khandker c.s., 'On average, even after controlling for age, education and experience, women managers receive 14% percent less salary than the wage of their male counterparts.' The authors suggest to improve the working conditions for female staff, as well as their payment, so that the high female dropout rate is reduced.

A Participatory Approach, within the Institution

A participatory approach as a principle guiding an organisation is essentially an expression of the institution's philosophy about people and about development. Therefore, it is related to the institution's vision as well as its methodology. A participatory approach to development derives from the conviction that poor people are capable and adult, responsible people who know their own environment well and will select the most suitable strategies for survival and development, given the resources and information available to them. They are active partners in development and their contribution is vital for the success of any development programme which addresses the improvement of the poor's position. An institution can assist poor people's resource base and their access to information, and by doing so, increase the target group's scope for development, only through full involvement of people in the programme.

If an organisation wants to effectively implement a participatory approach towards its target group, it has to adopt the same philosophy regarding its own staff. This implies that staff should be encouraged to plan, implement, monitor and evaluate their own work in a creative and open manner and should be gradually given greater responsibilities towards their work. A participatory approach will have major implications for the whole institutional setup, the management style and the delegation of authority. The institutional setup should be open and flexible, the management style non-directive and consensus-oriented, and authority should be delegated as much as possible to lower levels[158]. In this way a system of feedback is created from within the organisation. Grameen Bank and KREP give good examples of participatory approaches in the institution (box 4); UWFCT is also making an effort as is shown in box 5[159].

Participation and Decentralisation

Decentralisation can be an effective tool to achieve staff participation. In order to participate effectively, however staff should know in which decisions they participate. It should be clear who should participate in what. Especially in an expanding organisation, participation of staff should be structured and meaningful for institution as a whole. Control mechanisms should be put in place, in order to ensure that decision obtained in a participatory process are really implemented. Participation should create enough involvement and creativity in staff towards their own work, while at the same time the institute's organisation should remain manageable and workable.

A participatory approach within the organisation can best be effected through a decentralised organisational structure and clear staff duties and responsibilities. Staff should be encouraged to participate actively in issues concerning his or her daily work, such as planning branch programmes, budgeting area activities and monitoring and evaluating of his or her work. In an expanding financial service programme for the poor, the creation of relatively autonomous regional offices

Chapter 6, box 4
Participation at Institutional Level

The Grameen Bank is a good example of an organisation that can largely contribute its success to its effectiveness in installing the principles of a participatory approach in its internal structure. When visiting Grameen Bank offices, one is struck by the environment of modesty and equity. From the head office to the branch offices, the Managing Director's desk is of the same simple, sturdy design as that of the branch managers. Obviously, some staff have more authority than others, but only by virtue of experience and merit. The differences in status and salary are just enough to enhance the pleasure of promotion and make it a motivating reward. Management and staff members work creatively together, comporting themselves with openness, perception and self-confidence. There is a strong belief in discipline and supervision, while there is also encouragement and support to the staff.

All managers of Grameen Bank have considerable experience in the field, which makes them more perceptive of the target group's problems and those of the field staff. Information is not kept secret, all staff are involved and informed. Errors are absorbed as experience and converted into moments of learning. There appears to be a strong believe that the more equal people are, the better they communicate and that accountability and participation emerges from social discipline.

What the Grameen Bank has turned in to was not preconceived by a plan, it was rather an idea that evolved and continuous to evolve as a response to a situation articulated among the poorest in rural Bangladesh. KREP in Kenya also enforces an open and democratic atmosphere in the organisation. It put in place events such as joint outings every year and even joint office cleaning sessions in order to create a situation whereby people can see each other in an informal and equal way. Furthermore, the staff is encouraged to be creative about their work through, for example, biannual competitions among staff to write case studies which can serve as learning materials for others. The best case studies are rewarded a price.

will become inevitable, according to Otero[160]. The institution will need to hire a cadre of middle-level managers to operate the regional offices. Decentralisation of responsibility and authority will become necessary under this structure, so that the institution can still serve the target group efficiently.

However, in any financial service programme there are certain decisions which are not apt for discussions by staff. For example, interest rates are technical financial management tools to recover expenses on loans and can not be set jointly in a participatory process[161]. Furthermore, in order to achieve long-term financial sustainability, management might take certain decision against the wishes of some staff[162].
Decentralisations of authority over programme activities to branch offices will call for an efficient information flow within the organisation. Accurate monthly reporting will have to flow from the branches to head office in order to enable higher-level management to keep track of the organisation's performance. According to Otero[163] 'Decentralisation can turn into fragmentation if the communication channels among its member parts are not functioning properly.' Communication systems must be structured, must rely on the written word and must include specific periodic activities that facilitate the flow of information.

In each financial institution a balance has to be found between on the one hand decentralisation and participation by staff and on the other hand control by management.

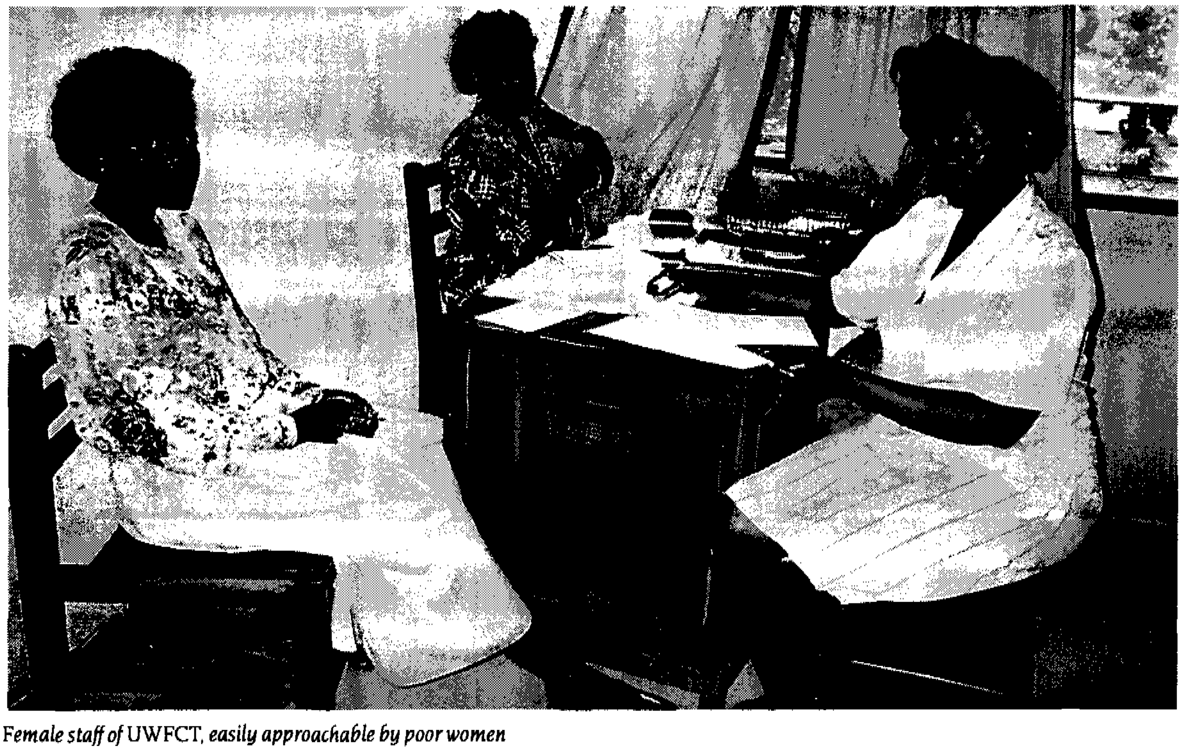
Financial institutions in Uganda, on one side, appear to be very centralised, and employ procedures which allow for little participation of staff. On the other side, some NGOs seem to be over-decentralised and have an almost blurred organisational structure. Staff is encouraged to participate in all kinds of decisions, even if they are not at all qualified or knowledgeable on the issues, resulting in sometimes complete inefficiency in programme implementation[164]. The balance of power within the organisation appears to be inefficient in both these cases. UWFCT consciously tries to develop an effective decentralised system (see box 5).

Chapter 6, box 5
Decentralisation in UWFCT

UWFCT has continued to ensure greater involvement of lower level staff in designing plans and development of procedures within the organisation, and has always emphasised joint evaluation of programme performance with involvement of staff at all levels.

UWFCT has now started delegating responsibilities of handling loans to credit officers. Furthermore, branches are fully involved in planning and accounting for their own work. Consultation and feedback of staff is asked for higher-level decisions e.g. policy making.

UWFCT has gone a long way in experimenting with a more decentralised management structure while still striving to maintain the necessary uniformity within its areas of operations. UWFCT's experience is that a decentralised structure within an organisation has to grow steadily: both management and lower level staff have to get acquainted to it.



Female staff of UWFCT, *easily approachable by poor women*

Financial Sustainability in a Participatory, Gender-Sensitive Programme

Much as financial programmes want to employ a participatory, gender-sensitive approach, for any financial service programme achieving long-term financial sustainability is a must. It is the only guarantee that the programme will continue to provide its services to the target group over time. The need for proper financial management in order to asses financial sustainability is obvious. Also the programme will aim at reducing expenses while increasing the income base. Implications of these requirements will be analysed in the next paragraphs.

Need for Proper Financial Management
Analysis of financial sustainability of a programme implies knowing and understanding the costs related to the programme.

The institution needs to employ fund accounting that can properly track income and expenses. Systems need to be developed that enables management keep track of the organisation's financial performance. This will impose a certain degree of uniformity and controllability on the organisation. A financial programme with several branches and concurrent activities will have to have a logical chart of accounts which enables the organisation to track and monitor costs in a simple, understandable and quick way, and produce a handful of clear and timely reports, adequate for decision making. Periodic reports on loans and savings status, loan portfolio analysis, and financial reports which give enough data to analyze the organisation's sustainability are needed.

The accounting system should, furthermore be linked to the budgets and financial projections which reflect the institutional targets and goals. A comparison between planned and realised transactions will then be more easily made. This will help management to asses whether the organisation is moving towards its self-set targets.

As the organisation grows, financial management will become more complex and its quality will depend on the information system established to collect, process and analyze information. Fund raising efforts will have to change from looking for funds to cover expenditure towards funding which can give a leeway for long-term sustainability.

Furthermore, savings and credit policies will have to be defined which correspond to the borrowers' needs as well as to those of the institution. Maintaining a high repayment rate is a key factor for financial sustainability of any financial service programme. It relates to the effectiveness of the credit procedures[165] and efficient monitoring by the institution. It is essential for the organisation to regularly review and analyze possible courses for delinquency and take corrective measurements within the reach of its own mandate of policies or procedures. Inadequate monitoring and supervision of loans, for example, is often mentioned as one of the courses for low repayment[166].

Reduce Expenses and Increase Income
In order to achieve sustainability, financial services programmes will strive to reduce expenses while increasing the income base. The cost per loan or the costs per unit of money given out usually serve as parameters for expenses in financial service programmes. Reducing the costs per loan can be achieved by transferring costs of loan administration to the groups and by simple, efficient lending procedures and clustering of groups. Loan sizes to micro-entrepreneurs will always remain small, however, in comparison to loans to the medium- and large-scale enterprises. Even if they are channeled through groups, the relative costs of administration in relation to the loan size will always be high.

Reducing costs of financial service programmes to the poor will remain a point of serious concern for the management. It will only be achieved in the long run through effective handing over of loan administration to groups and increased institutional efficiency in all its areas of operation.

A financial service programme addressing the poor can also attempt to increase its income base in order to cover expenses better and become more sustainable. Avenues of increasing income in a group-based lending programme will be charging commercial interest rates, expanding the number of clients and mobilising savings for investment. Opportunities for expanding the client base for financial service programmes for poor women in Uganda, however, seem to be severely limited: see box 6.

Financial institutions in Uganda running such programmes will have to get additional income from other sources in order to break even. This can be obtained for example by investing savings, charging additional fees or by diversifying the loan portfolio to include bigger loans to individuals.

The need for financial sustainability will force any financial service programme to expand its loan portfolio at a reasonable speed. On the other hand, in order to effectively employ a participatory approach towards the target group, the programme should have the flexibility to adapt itself to the target group's speed and capacity. A participatory process with the target group needs to start small and grow gradually, so that groups can get slowly used to increasing amounts of money and have the freedom to indicate for themselves what speed of increase they will be able to handle. Any spending pressure from the institution or credit which is supply- rather than demand-driven will disturb this process immediately. Thus gender-sensitive, participatory approach is necessary to maintain the quality of the loan portfolio. But it will be costly, especially in the beginning. In the long run, however, higher quality of loans will result in better repayment.

Chapter 6, box 6
Financial Sustainability in Uganda

If a financial service programme for the poor in Uganda wants to increase its income base directly through its credit operations, it needs to give out big numbers of fast rotating loans. Loans in a the microenterprise sector are bound to be small, so only a large loan portfolio will be able to recover the programme costs. For example, with an average loan size of US$50 per individual (which seems to be a reasonable estimate, considering the results of the UWFCT study) and an income of net 10% through interest on loans (which seems to be a reasonable estimate considering costs of capital and present interest rate), an outstanding loan portfolio of $ 500,000 (10,000 loans) will give a net income of $50,000 (or less) for running expenses of the programme.

In rural, remote areas of Uganda, were the target group needs a lot of training and guidance and costs of monitoring and supervision will be high, this will definitely not be enough to run a programme. This example shows us that financial institutions running such programmes will have to get additional income from other sources in order to break even.

The apparent contradiction between the need for financial sustainability and the conviction to employ a participatory, gender-sensitised approach is a *major dilemma* for any group-based financial service programme for the poor. This dilemma needs to be solved by seeking the right balance between quality and quantity of loans and adapt its procedures likewise. It will take time, and trial and error to find this balance. The organisations involved should be allowed to experiment and learn from its mistakes, to decentralise powers slowly and build up proper financial management systems. This certainly is the case for organisations implementing financial programmes in Uganda.

Institutional Development and Growth

It is clear that balancing internal capacity building and the expansion of operations is a key issue for a financial service programme for poor women. Finding such a balance might be achieved by a well-planned human resource management and research and development of the procedures. In the following paragraphs an attempt will be made to asses how proper planning in these areas could contribute to come to a solution for the dilemma of having financial sustainability and a participatory approach at the same time.

Human Resource Development

In order to establish all required changes in an expanding financial service programme both in social and in financial areas, a well laid down human resource development plan is necessary.

On the one hand it is crucial for a group-based financial service programme to select staff who can communicate with poor women, who have good communication skills, and who understand group dynamics as well as gender issues. Staff should be creative, take initiative, and be motivated and interested in the work. Microenterprise assistance programs require a great deal of self supervision, especially by the field staff[167], so it is imperative to identify individuals who have the capacity to develop a creative, analytical streak in their work. This can be stimulated through training and a participatory atmosphere within the organisation. Therefore, higher- and middle-level management should be able to create a team spirit and employ a consultative management style. Highly qualified communicative and management skills are necessary to achieve efficient participation and decentralisation.

On the other hand, financial services programme will also need to recruit the necessary technical expertise to implement financial management. Often this expertise will be recruited from the traditional banking sector, where knowledge and experience with poor women is scarce. According to Otero[168], integrating these staff into situations where they must understand the dynamics and complexities of microenterprise assistance represents one of the harder tasks for senior management of a financial service programme.

Management will have to solve the dilemma of balancing staff with client-oriented skills and staff with financial and technical skills, and getting them to work together in a good team spirit.
Careful selection and recruitment of staff is a key element in a successful financial service programme for the poor. How some of the successful programmes select their staff, is explained in box 7.

Chapter 6, box 7
Selection of Staff

Bigger financial service programmes for the poor, such as KREP, take their time to select and recruit the right staff. KREP, for instance, applies a method whereby candidates are selected first by written interview, then by oral interview for a three-month training programme, which serves at the same time as an observation period. If the institution and the trainee/employee agree to continue after this training period, a contract is signed. The training period serves as a period to introduce the new employee into the organisation's vision, methodology, policies and procedures, while at the same time the trainees' human and technical qualities can be observed.

Furthermore, development of clear job descriptions, salary policies and evaluation procedures will assist to install an effective human resource management system in an organisation, and it helps to increase staff motivation and the general working atmosphere in the organisation. Incentive policies, a staff development and training plan should also be developed in other to keep staff interested in the job. In this respect, training in creativity, in analytical thinking and in participatory ways of working might be as important for a financial service programme for the poor as traditional technical training in financial management.

Research, Evaluation and Development
The institutional sustainability of a financial service programme will, apart from its financial base, depend to a large extent on its ability to maintain an effective and appropriate service delivery system for its target group, thereby expanding its operations gradually. Therefore, a financial institution for the poor needs to monitor and evaluate its impact on the beneficiaries and on society at large carefully. It should move towards expansion in a steady and controlled way.

The position of poor women in Uganda, for example, is continuously changing. Hence any financial institution that wants to service them, needs to be aware of these changes. It will have to adapt its delivery procedures constantly and has to remain flexible. Continuous action and reflection is necessary in order to ensure that credit efforts really empower women and give them bigger access to resources.

The programme's impact on the target group's position can be assessed by looking at the repayment ratio and savings behaviour of clients. Such data will be obtained through the regular monitoring and evaluation systems. Other indicators are increases in wage levels and job opportunities[169] which can establish the programme's impact on the lives of the poor. When a financial service programme is particularly addressing poor women, it should also consider increased access to resources, increased control and decision making over funds and increased capacity to handle and control financial resources. Periodical impact analysis of the programme will give valuable information to management and staff to change and develop procedures.
In group-based lending systems such impact studies can be carried out in close cooperation with the groups. It will be a costly and tedious affair. Research and development capacity within the organisation needs to be built up to undertake such studies.

Potential for Group-Based Lending Programmes for Poor Women in Uganda

This report advocates a group-based lending programme for poor women as an option for a gender-sensitive, participatory approach to financial services for poor women.

The potential for a group-based lending programme for poor women in Uganda appears to be hopeful for several reasons. First of all, there are plenty of poor women in Uganda who operate all kinds of small enterprises in and around the towns where business activities are booming, and also in rural areas. Secondly, it appears that all over Uganda, poor women have already organised themselves in informal savings and credit groups. These groups are especially active in the markets around the towns and rural trading centres. Linking up these groups with financial service institutions can be a good start for a group-based financial service programme. Thirdly, within government, the NGO sector and with foreign funders there appears to be a great interest in providing financial services to poor women, so the general willingness to support such programmes exist in Uganda.

A group-based lending system will require major institutional investments by the financial institutions and NGOs. The skills needed to implement such a programme are complex and require high-level management in the field of human resources and finance. It also requires institutional adaptation in order to employ a participatory, gender-sensitive approach.

NGOs in Uganda generally need to strengthen their financial management capacities. While financial institutions generally need to be more target-group oriented, gender-sensitised, participatory and decentralised in their operations. Savings and loan procedures should become more flexible and quick, without stringent collateral requirements[170].

In Uganda, the most promising institutions for implementing a group-based financial service programme appear to be NGOs specialised in financial services[171], or target group-oriented financial institutions[172]. These organisation have developed accessible service

to poor women and can allow for the target group's participation in the lending programme. Their flexible structure and relatively simple informal procedures make these organisations more suitable to link with informal savings and credit groups than the formal financial institutions. These organisations should be given encouragement and support to implement group-based programmes.
Another avenue that could be further explored in Uganda is to combine expertise of NGOs and financial institutions by implementing joint programmes for poor women. The NGO could become an intermediary, linking the target group with the financial institution. Examples from other countries, however, show that the usually smaller NGO experiences problems when bargaining with a big financial institution about changes in procedures and the sharing of risks[173]. Alternatively, cooperation between NGOs and financial institutions can be envisaged in such a way that NGO clients slowly graduate into the formal banking sector. This strategy has had varied success elsewhere[174].

This report is meant to encourage more experiments in the field of financial services to poor women in Uganda. For Uganda, different institutional arrangements can be tried and experience can be analysed to assess various options. This research should incorporate studies on the successes, achievements and constraints of financial services programmes to poor women. Coordination of research and experiences of organisations providing financial services to the poor is thereby also implied.

Although this chapter used examples from Grameen Bank, ACCION International and KREP, wholesale replication of these programmes in Uganda is not encouraged. Uganda has its own economic, cultural and political environment which has to be considered in the programme design.

Summary and Conclusions

This chapter elaborated on the major dilemma for a financial service programme to combine a target group-oriented, gender-sensitive, participatory approach with financial and institutional sustainability.
Such an approach in financial service programmes for poor women is necessary to effectively address the needs and capacities of poor women. It will ensure delivery of high-quality services and therefore maintenance of a good loan portfolio.

Financial and institutional sustainability are necessary to maintain the organisation's capital value and ensure continued availability of financial services to the target group.

Any financial service programme for poor women has to solve this apparent dilemma. An appropriate human resource policy and continued evaluation and research can assist in balancing the two objectives. Highly-qualified and balanced human and technical skills within the organisation can affect the coordinated implementation of a target-group oriented, but financially sustainable approach. Continuous action and reflection on the organisation's activities and performance will assist in assessing whether a balanced relationship between participation and the strive towards financial self-reliance is achieved.

A participatory style within financial institutions is best effected through decentralisation, flexibility, creativity and staff initiative, while financial sustainability calls for strict discipline, control on reporting and tight financial management.

Furthermore, networking with other programmes that address the same target group will help the organisations to learn from each other. Creativity in management has initiated successful programmes in the past and will continue to do so in the future.

Organising tradefairs is one example of how UWFCT *stimulates exchange of innovative business-ideas*

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Definitions

Financial services: Savings and credit facilities provided to clients by any formal or informal organisation. In advanced systems, insurance services and buying and selling of shares can be included.

Gender: Refers to the socially constructed roles, tasks and responsibilities of men and women in a certain society.

Household: A residential unit whose members share production and consumption.

Empowerment: The process of awareness which women undergo in relation to the many aspects of their oppression and the subsequent activities which improve their position in society and their living conditions.

Participation: The active involvement of people in their own development and in programmes targeted to their development.

Formal Finance: All financial services provided under an official financial law, either the banking law or the cooperative law, which guide the financial transactions.

Semiformal Finance: All financial services provided by institutions with an official registration, but which are not governed by an official financial law.

Informal Finance: All financial services provided under no formal registration or law.

Income Generating Projects: Group or communal owned projects, started with the purpose of generating income for the group or for its members.

Character loans: Loans which are provided to somebody, based on their character or personality and capacity to run a business rather than their ability to provide additional collateral requirements.

Group-based lending system: a lending system whereby loans are provided to individuals, through a group liability.

Notes

1 See Fong and Perret, page 2 and Hilhorst and Oppenoorth, page 33.

2 Fong and Perret, page 72.

3 See SNV manual, 'Creating Scope for Women' page 13.

4 In chapter 2 gender imbalances in the Ugandan context will be analysed in relation to financial services for women.

5 Definition of household from Hilhorst and Oppenoorth, page 23: 'Household is defined as a residential unit whose members share production and consumption.

6 See Hilhorst and Openoorth, page 23.

7 See Annex 1, SNV manual 'Creating Scope for Women.'

8 See United Nations, Conference paper Dakar on the 'Economic Empowerment of Women', page 10: 'In spite of the evidence clearly pointing out women's active involvement in production, the tendency still dominates of seeing women's issues as needs or problems and to look for welfare (charity) rather than productivity solutions. Thus, programming approaches to date emphasise the things that women lack as opposed to the capacities they have. The effect of such an attitude is to undermine seriously attempts to effective incorporation of gender issues into macroeconomic planning and programming' (Anderson, 1990).

9 See chapter 3, section 3.3.2. on government banks.

10 Both UWFCT and SNV support this approach.

11 See SNV manual, 'Creating Scope for Women', page 15.

12 Several frameworks and tests have been designed in order to design gender profiles or measure the impact of programmes on women. Examples of these can be found in the SNV manual, 'Creating scope for Women', page 41, such as the Harvard Analytical Framework or the DGIS test for Women in Development. These tests try to establish the importance of gender roles within a given society, women's productive and reproductive roles, her access to resources and information, her participation in decision making, her health situation and other living conditions and the scope for organisation and political influence.

13 See United Nations paper, Conference Paper for Dakar on 'Economic Empowerment of Women', page 11.

14 See Fuglesang and Chandler 'Participation as a Process', page14.

15 This is also promoted in an internal publication of SNV from Ruijven and Uit het Broek, 'Laat Duizend Organisaties Bloeien.'

16 See Fuglesang and Chandler, page14.

17 In some cooperatives in Tanzania, for example, strict discipline of the members was observed. Members who would not fulfill their communal duties, would lose their right to participate in decisions and would eventually be expelled. In the informal savings and credit societies among women in Uganda, strict rules and regulations are also observed, see chapter 4.

18 See Ruijven and Uit het Broek, 'Laat duizend organisaties bloeien' page 5.

19 See chapter 4.

20 See Friedman in Ruijven and Uit het Broek, page 5.

21 See SNV manual, 'On the Right Track', page 10.

22 Even donor funds will eventually stop.

23 See Otero (ACCION International), 'Breaking through, the expansion of micro enterprise programs as a challenge for nonprofit institutions', page 58.

24 This fact is stated in several documents, for example in Fong and Perret, Hilhorst and Oppenoorth, publications from the Grameen Bank and so on.

25 See report Ministry of Women in Development, Culture and Youth, Country paper Beijing, page 48.

26 See 'UWFCT' Third Phase, Five Year Plan', page 2.

27 See World Bank, 'Uganda financial Sector Adjustment Credit.'

28 Indicated in several reports, among others the report of the Ministry of Women in Development, Culture and Youth, Country paper Beijing.

29 See report Ssemogerere, Sengondo and Kigundu, page 9.

30 This statement is mentioned in several papers for the Dakar 1994 conference, See United Nations Conference paper on 'Economic Empowerment of Women.'

31 In UWFCT categories these clients usually have assets worth below $500, and loans will also be below this.

32 For more details see chapter 4.

33 In UWFCT categories these women have capital assets of US$500-$4000.

34 In UWFCT categories these women usually have assets worth US$5,000-US$100,000. They mostly opt for individual loans against collateral.

35 See report Ministry of Women in Development, Culture, Youth and Sports, position paper Beijing, and the report of the Canadian Cooperative Association, page 16.

36 See report Canadian Cooperative Association, page 16.

37 See UNICEF report on Children and Women in Uganda, page 73.

38 See Weideman, page 5.

39 See Weideman, page 6.

40 See also UNICEF report, page 82.

41 See report Ministry of Women in Development, Culture and Youth, preparation paper for Beijing, page 34.

42 See report Muzaale, UCA, which was a study to estimate the potential for women in Cooperatives in Uganda.

43 See paper IFAD, page 7.

44 See Weideman page 5, and Fong and Perret, introduction.

45 See MDF manual, article Gosses.

46 See chapter 4 and also Fong and Perret, page 17.

47 See Fong and Perret, Hilhorst and Oppenoorth.

48 See Fong and Perret, page 74.

49 Information is obtained from Weideman, page 16 and through personal experience.

50 See Hilhorst and Oppenoorth, page 42.

51 UWFCT and other women's organisations in Uganda have been active in this.

52 See Fong and Perret, page 54.

53 See Weideman, page 5.

54 UWFCT has now drafted an impact assessment to be tested soon.

55 See Fong and Perret, Hilhorst and Oppenoorth and others.

56 See Fong and Perret, page 83.

57 See World bank report on the financial sector adjustment programme.

58 The commercial banks in Uganda are Sembule Investment Bank, Bank of Baroda, Barclays Bank, Standard Chartered Bank, Rapid Finance and Credit Bank, International Credit Bank, Nile Bank, Housing Finance Company of Uganda LTD, Gold Trust Bank, Greenland Bank, Stanbic Bank, Tropical Africa Bank, Orient Bank, and the Development Finance Company of Uganda.

59 See Fong and Perret, page 51.

60 See research on informal savings and credit groups carried out by UWFCT.

61 However there are only two women on this desk, in an organisation of more than 1000 employees.

62 They have formed their own organisation, the Uganda Women Entrepreneurs Association.

63 See Adams article, in 'Financial Landscapes Reconstructed, page 179.

64 See Fong and Perret, page 37.

65 The UCB in Uganda is an example of this. They had to close down many branches in remote areas.

66 See Hilhorst and Oppenoorth, page 38.

67 The information in box 2 is obtained from the report of Musoke M. and Amajo M.

68 The information in box 3 is obtained from a visit to the project.

69 See also Hilhorst and Oppenoorth, page 59.

70 Information in box 4 is obtained from the report of the Canadian Cooperative Association and a visit to Uganda Cooperative Savings and Credit Union ltd. (UCSCU).

71 Organisations such as Grameen in Bangladesh and Sewa in India started as an NGO.

72 Information was obtained on a visit to CERUDET.

73 See Hilhorst and Oppenoorth page 61.

74 See Fong and Perret, page 110.

75 See introduction, 'Banking the Unbankable', Idris Jazairy is president of IFAD.

76 Some of these 'example' NGO's will be further elaborated on in chapter 5 and 6.

77 See Hilhorst and Oppenoorth, page 54.

78 It should be noted that local NGO's running financial services are often critically assessed on financial sustainability, while their international counterparts are less prone to such an analysis, because they are assumed to operate in an area for only a limited period.

79 Among these NGO's are Action Aid Uganda, Feed the Children Uganda, VEDCO, BUSO foundation, ACORD Uganda, URDT, and World Vision International.

80 See also annual report 1993, ACORD Packwach.

81 Information is obtained from the ACORD report on the East Africa regional credit workshop, and from visits to BUSO.

82 See also Hilhorst and Oppenoorth, page 56 and Fong and Perret, page 102.

83 See also Hoeben report.

84 See Mukhopadyay and March, page 1.

85 See Weideman, page 15.

86 The details of these examples will be further elaborated in chapter 5 and 6.

87 Finca is an international NGO, operating around Jinja town. Finca works through women's groups and gives small loans to women through the group.

88 Most have started less than five years ago with their financial operations.

89 It should be noted that this report did not attempt to make an in-depth study of the financial sector in Uganda, therefore only secondary sources of information were used.

90 By for example Bouwman, Piske, Adams and others, see Adams and Fichett, and Bouwman and Hospes.

91 Very few studies on informal finance in Uganda have been carried out, examples are the study of Makerere Institute of social research (MSIR) and the study of the Ministry of Women in Development, Culture and Youth.

92 See Adams, Fong and Perret and Hilhorst and Oppenoorth.

93 Refering to the research of MSIR, WID, UWFCT studies.

94 Refering to the research carried out by UWFCT directly, and the research carried out by UWFCT-TBC for Community Action Programme West Nile.

95 This was mentioned in the MSIR report.

96 See Hilhorst and Oppenoort, page 51.

97 Bouwman has undertaken a lot of research on different types of ROSCA's and ACRA's, see also Bouwman and Hospes, page 375.

98 See researches by ACORD, VEDCO and MSIR.

99 See MSIR report, article Birungi, page 9.

100 These are different names for a similar enterprise set up, whereby the enterprise (income generating activity) is owned by the group (community) which often implies that there is no legally registered owner.

101 In the UWFCT study about 40 of such groups were investigated.

102 These characteristics of formal finance can be found in several sources, for instance in Fong, in Adams and Fitchet and in Hilhorst and Oppenoorth.

103 See Adams in Bouwman and Hospes, page 179.

104 See Adams and Fichett page 19.

105 In the informal savings and credit groups studied by UWFCT loans ranging from 2000 to 10,000 Ushs (US$2-$10) were normal.

106 See Bouwman and Hospes, page 375.

107 See Adams in Bouwman and Hospes, page 179.

108 See article Christen, ACCION International, page 10.

109 See article Adams in Bouwman and Hospes, page 179.

110 See Fong and Perret, page 25.

111 For the details of the study see the draft report (UWFCT and report Hoeben).

112 This was done because it was assumed that only groups which provided clear economic benefits for their members would benefit from financial services and would be able to pay back loans.

113 These factors, influencing group cohesion are also found in Fong and Perret, pp. and Ruijven and Uit het Broek, page 58.

114 For more details see the draft report on Informal savings and credit groups by UWFCT.

115 1000 Ushs are about US$1.

116 This was found in the UWFCT and in the study by the Ministry of Women in Development, Culture and Youth on 'Women's Informal Credit Groups.'

117 Such as shares, membership fees and others.

118 The most common form of administration was an exercise book listing the name of the member on the left side of a page and the dates for savings and repayment at the top. Sometimes a separate notebook was kept for income and expenditure.

119 This was also observed in the UWFCT study in West Nile and the study of the Ministry of Women in Development, Culture and Youth on Women's Informal Credit Groups.

120 Through fines and even through physical threats she can be forced to fulfill her obligations to the group.

121 A suiti is a traditional dress in Uganda.

122 Opportunities for the legal registration of groups in Uganda are registration as a Cooperative Society and registration as a Company or Partnership. The requirements for a Cooperative Society are a minimum membership of 30 and a minimum capital of 800,000 Ushs. A registration for Partnership can be undertaken by groups smaller than 20 and with less capital. However it usually has to be done in Kampala and will force the group to come under business law. Some financial institutions now also except registrations with NAWOU.

123 A linking programme in this respect refers to the connection of the financial and nonfinancial services of a formal or semiformal financial institution with those of the informal financial structures, in most cases informal savings and credit groups.

124 See also chapter 3, paragraph 3.4.1.

125 See Bouwman and Hospes, article Abugre, C, 'When Credit is Not Due', page 157.

126 ACCION International operates in and around cities and towns in Latin America and Grameen Bank operates in rural areas of a country with the highest population density in the world.

127 See UWFCT report on informal savings and credit groups, Tibenkana and Mensink.

128 The information in box 1 is gathered from the annual reports of ACORD and from the article of Abugre, in Bouwman and Hospes, page 157.

129 Referring to programmes such as Grameen, ACCION International and KREP.

130 See Fong and Perret, page 107.

131 Information in box 3 is obtained from article Dondo and from report Mensink on the backstopping mission.

132 See Mirtha, ACCION International, page 21.

133 The discussion about whether to work through new or through already existing local organisations, seems to come up time and again also in Ruyven and Uit het broek, page 14. Arguments against existing organisations are that they are traditional, hierarchical, with an elite leadership and that they exclude marginalised groups. Arguments against new organisations are that they can become dependent upon external facilitators, that there will be a competition over leadership in the beginning and that membership participation and commitment can be a problem. However, the study carried out by UWFCT gives quite a different perspective. In this study it became clear that some organisations, both old and new, operate according to existing traditional power lines and have problems with participation. At the same time there are also old and new organisations that function in a very democratic and participatory way.

134 See also research UWFCT, history of groups, chapter 4.

135 The UWFCT research clearly suggested that member initiated groups are usually stronger, more active and live longer than externally stimulated groups.

136 See Fong and Perret, page 115.

137 UWFCT suggested at least 6 months.

138 Information in box 3 is obtained from Fuglesang and Chandler, and from the article by Dondo.

139 See Mensink report on the group-based lending workshop.

140 Based on several literature sources and on personal experiences.

141 This can also include loans for reproductive and emergency purposes.

142 Information is obtained from the article by Dondo, page 5 and from Fuglesang and Chandler, page 16.

143 Some such groups were found in the UWFCT research, mostly around the towns.

144 Information is obtained from Fuglesang and Chandler, and from the article by Mirtha, ACCION International.

145 See also UWFCT research outcome.

146 They can even use these systems as examples to develop their own loan procedures for groups.

147 An idea from Kenya could be borrowed, whereby groups register themselves through the ministry of community development (see also note 122).

148 See reports KREP and Grameen bank and UWFCT research.

149 KREP, for example has prepared a three-month training course for its field staff, see KREP credit officers training manual.

150 See Otero, page 38.

151 See Otero, page 39.

152 See Otero, page 41.

153 Several frameworks and tests have been designed for this, also see chapter 1.

154 For approaches see chapter 1.

155 This appears to be a common strategy in the formal financial institutions, see chapter 3.

156 The information in box 3 is obtained from Khandke Khalily and Khan, page 43, and from Weideman page 3:

157 See Weideman, page 33.

158 See also chapter 5, role of the field staff, 5.4.

159 Information for these boxes is obtained from Fugl sang and Chandler, page 50 and the Mensink, 'Repo on Backstopping KREP.'

160 See Otero, page 44.

161 See also the article by Abels.

162 This will be noticeable in the area of labour conc tions.

163 See Otero, page 47.

164 Referring to, for instance, the credit schemes in integrated NGO's.

165 Slow delivery of credit, for example, can seriously effect the repayment behaviour of clients, as has become clear in chapter 3.

166 See chapter 3.

167 See Otero, page 60.

168 See Otero, page 62.

169 See also report Khandher, Khalily and Khan.

170 The financial management capacity in financial institutions, is not always of high quality either. See Financial Sector Report, World Bank.

171 Such as UWFCT or FINKA.

172 For example CERUDET.

173 See Fong and Perret, example SEWA and experience with some affiliates of WWB in case of guarantee schemes.

174 See also papers of WWB and ACCION International.

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