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MICROFINANCE COURSE

Concept Papers

INDEX

INCREASING SOCIAL IMPACT THROUGH COOPERATIVE MODEL IN KENYA

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Introduction

As part of the project, strengthening microfinance in Uganda, Sapienza University in Rome, Italy hosted eight students from Africa for a one month microfinance course. The students came from three African countries i.e. Uganda, Kenya and Nigeria. The objective of the training was to equip the students with practical skills which if implemented can help in improving financial inclusion for poor communities in Africa. One of the main areas covered was on microfinance social impact and how it can be enhanced by microfinance institutions in the developing world. This concept paper is therefore a summary of a proposed project that will be designed and implemented in Kenya to increase social impact through the cooperative model.

Overview of cooperative Model

There is an emerging consensus among many actors, including the United Nations (UN), The International Labor Organization (ILO), and the European Union (EU), that the cooperative enterprise is one of the few forms of organization that can meet all dimensions of poverty. The broad argument is that cooperatives have the advantages of identifying economic opportunities for the poor, empowering the disadvantaged to defend their interests and providing security to the poor by allowing them to manage individual risks. Indeed cooperatives in its form as member owned financial institutions is well placed to bring about equitable development and justice desperately needed as well as social continuity and cohesion for the disadvantaged.

In Kenya approximately 63% of Kenyans deriver their livelihoods through cooperatives. An estimated 250,000 people are employed or gain most of their income from cooperatives. The cooperative movement commands 67 and 62 per cent of the total assets and deposits/savings, respectively. The greatest contribution attributed to cooperatives in Kenya‘s social and economic development has been in the financial sector, where Savings and Credit Cooperatives (SACCOs) and national financial cooperative organizations, Cooperative Bank and Cooperative Insurance Company (CIC), hold substantial savings portfolio accounting for more than 31 per cent of Kenya’s gross national savings. It is believed that cooperative model is one of the most preferred vehicles for increased financial inclusion in Kenya. Cooperative businesses stabilize communities because they are community-based business anchors; and distribute, recycle, and multiply local expertise and capital within a community. They pool limited resources to achieve a critical mass. They enable their owners to generate income, and jobs, and accumulate assets; provide affordable, quality goods and services; and develop human and social capital, as well as economic independence. However, cooperative model in Kenya have typically tended to exclude the poor and certainly the poorest. Savings and credit cooperatives for instance, have so far mainly reached the not-so-poor cash-crop farmers and regular income-earners and leaving out communities in arid and semi-arid areas who usually don't have regular incomes.

The proposed project is therefore intended to bridge this gap by promoting the cooperative model in Machakos County.

Background

The proposed project will be implemented in Machakos County in Kenya. The county covers 6, 281 square kilometers, most of which is semi-arid hilly terrain. According to the National Bureau of Statistics, in 2009 Machakos County had 1,098,584 people, and 264, 500 households, with a population density of 177 persons per square kilometers (2011). The local livelihood derives from subsistence agriculture; the main food crops are maize and drought-resistant crops such as sorghum and millet. There are several open-air markets where farm produce, including fruits, vegetables, maize, and beans are traded particularly on designated market days.

According to FSD, 2008 annual report, in Kenya over 1 in 3 of people in rural areas has no access to services. This becomes even worse in semi arid regions where there is minimal cash crops production for regular income. While 40% of people in urban areas are able to access formal financial services in Kenya only less than half of the rural population uses a formal service. Given that nearly 4 out of every 5 Kenyans (78.7%) are located in rural areas it becomes important to come up with sustainable programs that will improve financial access of rural communities.

Project description

The project will seek to enhance social-economic and political well being of poor communities with more emphasis on women. This will be in terms of: of increased access to financial services by women, increased access to food, increased social capital, improved health, gender equality and increased political participation.

Initially the feasibility study will be done to establish the viability of the project. This will include mapping of relevant stakeholders who would be interested in the project. This will be followed by a base line survey to assess the current level of financial access by the community among other needs. The findings of these two activities will further inform in designing the project. Implementation of the project will start as a pilot project in Yatta Sub-county of Machakos, Kenya. If proved successful, it will be expanded to the other parts of the county. The project will use a multidimensional approach towards poverty reduction.

Promotion of cooperatives model as a noble vehicle for fighting poverty, will be done through raising awareness to the public in the target locations. Community will be mobilized and organized into self help groups of 15 to 30 members. Subsequently, groups will be strengthened through training on group development and dynamics. Furthermore, the self-help groups will be trained on community based savings and credit models. This will help the groups to develop a savings and borrowing culture. In addition, self help groups will be facilitated to identify viable agribusiness activities that can be profitably ran. Technical assistance both in production and marketing of agricultural products will be offered to ensure that the farmers effectively and efficiently manage their enterprises.

Forty to fifty self-help groups doing related activities will be clustered to form a cooperative. The number of cooperatives formed will depend on the number of self help groups formed and actively engaged in productive activities. Moreover, cooperatives will be strengthened through trainings based on the cooperative principles and best practices. The self help groups will be encouraged to pool together their financial resources they will have accumulated in their savings and credit programs, by banking it in one common bank account of their choice. Preference will be given to Cooperative bank of Kenya which is the official cooperative apex bank. This will enable the members to continue savings and borrowing through the solidarity group lending model. Savings and lending services alone cannot deprive poverty. The project will provide value chain support which will include linking clients to customers and suppliers, conducting regional economic analyses, and standardizing production to enable bulk sales both locally and export. This will go hand in hand with bulk procurement of farm inputs thus benefiting from the economies of scale.

In addition to agriculture and financial services, the capacity of cooperatives will be build in order to integrate other services geared towards addressing the community pressing needs. These will include: health, insurance, payments, remittances among others. Kenya is leading worldwide in mobile money technology. This strength will be tapped through partnering with mobile network services providers and banks to enable the cooperatives members to use mobile phones in accessing different financial services. This will not only increase the outreach, but will also save on the members' time and resources that could be spent in travelling to access financial services.

Project time Frame

The first phase of the project will take three years.

The tentative start date is September 2016 and end date August 31st 2019

Project Outcomes

The project aims to achieve the following results:

- Increased access to financial services for women
- Enhanced social-economic activities for women
- More job creation and employment opportunities
- Improved investment on human and social capital
- Increased women participation in key decision making at household, community and county level.
- Reduction of gender inequality

Project Financing

Upon approval of this concept note, a full proposal will be developed and shared with potential partners both locally and internationally for funding consideration.

The following are the main inputs will be required to run the project:

- Finances
- Personnel
- Materials and equipments
- Transport and communication facilities

THE SOCIAL IMPACT OF MICROFINANCE ON WOMEN
THE UGANDA CASE

Suzan Mutiibwa Erinah - Uganda Martyrs University

Agnes Namugaaya beams with satisfaction as she looks up at the two men working on the roof of her two-roomed house. Agnes can scarcely hide her pleasure that at last she will have a house of her own, however little. It has been a long, forgettable story as she has had to shift from one location to another, always the object of evictions over rent arrears. "I have shifted four times in a space of only two years!" muses Agnes, a single mother of four. "You cannot guess what humiliation I endured whenever one landlord threw me out of their house after the other. Neither can I quantify the losses I suffered each time my children and I were turned out of doors," adds Agnes, whose countenance has suddenly turned sorrowful.

Agnes's story is just one of the numerous in a poor country where poverty bites hard in the midst of limited opportunities. She says although she was interested in doing business to sustain herself and send her children to school, she lacked start-up capital to propel her dream to fruition. At a memorial service of her late husband however, a new opportunity knocked at the door. That was nearly five years ago. A relative of her husband's told her of Pride Microfinance Limited and encouraged her to enroll. Since then, the rest, as the adage goes, is history.

Although the concept of "modern" microfinance may have started from parts of South East Asia in the mid 1970s, there have been various forms of micro lending that date back to hundreds of years. One of the earliest micro loaning schemes was initiated by the Irishman, Jonathan Swift, in the early 1700s with the purpose of providing small loans with affordable interest for short periods.

Later years were to see microfinance emerge as an alternative tool of development financing particularly for the rural poor whom commercial banks had ignored. Ideas of Mohammad Yunus and Akhtar Hameed Khan in Bangladesh in the mid seventies, and of Friedrich Wilhelm Raiffeisen in Germany, saw a pragmatic shift in giving hope for the poor for whom commercial loans provided by the formal banks were a farfetched dream.

The recognition that microfinance was an inevitable force on which financing household poverty alleviation could be premised came a decade ago when the Economic and Social Council of the United Nations declared that 2005 was the Year of Microfinance. Today, the World Bank estimates that there are more than sixteen million people served by over 700 microfinance institutions all over the world, with more than five hundred million families benefiting through micro loans.

As Africa Renewal magazine of August 2011 aptly suggests, on its own, microfinance cannot fundamentally transform African economies held back by many structural constraints, but it nevertheless has capacity to contribute to a whole range of financial services to the poor, including credit for small and micro enterprises, savings facilities, insurance, pensions and payment, and transfer facilities, which can contribute to domestic and community welfare.

In Africa, where most of the poor do not have a bank account, saving, investing or planning any future financial actions, are incredibly limited options. Some organizations such as CARE have responded to this vacuum with innovations such as the Village Savings and Loan Association (VSLA) which enables members to save flexibly, access loans to invest in small businesses, and build a social fund to strengthen their capacity to cope with the financial challenges that threaten their existence, according to a CARE International Report of February, 2013. The Report further argues that linking the world's poorest people via savings groups to financial service providers offers huge potential as a means of fostering greater financial inclusion.

Africa is particularly in need of micro financing because microfinance can effectively address issues emanating from material poverty, deprivation of goods, services and income that hinder attainment of these. Secondly, microfinance is an incentive because it addresses issues of public savings vis-à-vis private savings, which, unlike the case with South Asian Countries where private savings are the drive toward development, render development a futile effort.

Relevance of Microfinance to Women

The future of domestic security and welfare is in microfinance. Pooling together people's resources does not only ensure availability of more financial resources at members' disposal; it binds them together as a source of belonging, thereby enabling them to learn from one another. Microfinance further provides for democratic, unique member-driven, self-help, not-for-profit cooperation among members. The group to which members belong is owned and governed by members who have the same common bond. Group membership is not based on any prejudicial bias such as race, religion, creed or social status, and members agree to save their money together and to avail loans to one another at reasonable rates of interest. This ultimately results in empowerment of individual as well as group or community.

African authors who have commented on issues of development, such as Abd Kamanzi, Alfred Lakwo, to mention only some, have drawn a link between microfinance (or savings and credit schemes) and empowerment. Kamanzi in a special way has warned that credit without empowerment is a waste, and he goes on to define empowerment as "… giving a voice, having mobility and establishing public appearance… When people, especially poor people are enabled to take more control over their lives, and secure a better livelihood with ownership and control of productive assets as a key element…

people become more conscious of their own situation and organize collectively to gain greater access to public services or to benefit from economic growth."

Further incentive presented by microfinance emanates from the fact that it relies on building from what people know. This position is shared by Plan International's 2013 Report to the effect that savings groups are particularly relevant because the methodology is simple and easy to understand and apply. Members who belong to a group are inspired to pool resources with a major objective of solving personal problems and to challenge existing morbidity that threatens their existence and wellbeing as a group.

Uganda scores 79th out of 155 countries in the Gender-Related Development Index and 133rd out of 134 countries in the Global Gap Index. These indices paint a seemingly rosy picture of the gender situation in the country. Nonetheless, with a total fertility rate of 6.3 per cent, the maternal health of the Ugandan woman is, needless to say, at risk.

Moreover, while agriculture employs 73 per cent of the total labour force, the contribution of women to this sector stands at 83 percent against 71 percent for men. Many social economic constraints pervade the representation of women in this sector, and these are mainly structural in nature. Women's productivity and profitability are held back by key constraints including limited accessibility to land and credit, lack of supporting infrastructure, and the time-burden experience, particularly within the home.

In his book entitled *Microfinance, Rural Livelihoods and Women's Empowerment in Uganda*, Alfred Lakwo makes the following case: "From the 1990s, microfinance came to be seen as a window of hope by development agencies who largely trail economic development. Such zeal originates from the idea that microfinance can provide for 'killing two birds with one stone'. It can facilitate poverty reduction through improved quality of life on the one hand, and women's empowerment on the other".

The duo-play between microfinance and women is premised on the truism that, notwithstanding the morbidity described above, women in Africa (and in Uganda in particular) are better credit-risk than men and are more responsible managers of meager resources. They are more committed to using their loans for the benefit of the household than self-gratifying consumption. Women need to be targeted as beneficiaries of microfinance because they are disproportionately the poorest and most disadvantaged of society.

Uganda is by far one of the countries in Africa where microfinance is having a considerable impact. As of 1999, the country's Ministry of Finance, Planning and Economic Development had admitted that registered commercial banks had failed to contribute in a significant way to the expansion and deepening of the financial market. The banks were reluctant to open their doors to poor clients because the poor are not able to meet the requirements of banks, including collateral, minimum balance and other demands.

The entry of microfinance institutions into the financial market could not, therefore, have been timelier. Provision of loans by microfinance institutions has no doubt reduced client vulnerability to economic risk, results in strengthening linkages of clients and their households to the agricultural sector, and enables clients to acquire valued skills.

With men as the traditional income providers finding it exceedingly difficult to support their families, a considerable number of women have in recent years entered the labour market to engage in various sectors including petty trade, service provision and even manufacturing in the informal sector.

Participation in microfinance programmes allows Ugandan women to acquire business and non-business related knowledge, learn from each other, strengthen business and personal relationships, and learn leadership and public speaking skills. Microfinance groups also provide women with status and prestige in the community, makes them less dependent on their spouses for money, increases their influence and bargaining power within the household and improves their self-confidence.

The case of Ms Agnes Namugaaya in the opening paragraphs of this article ought to be examined once again. After joining Pride Microfinance Limited, Emily partook of a loan and stated trading in fish. She would travel to Lambu, one of the landing sites in Masaka, purchase fish worth 150,000 shillings (about 25 USD) at dawn and return to mainland Masaka where she would deep fry the fish and sell to clients, usually in pubs and small bars. On a good day, Emily would make a profit of about twenty thousand (about 6 USD). On an unpleasant day the profit would fall to, sometimes, negative margins. But rather than give in to frustration, Emily's resilience propelled her to success. She testified that the beginning was a rough one, especially as she had to ensure that she was obliged to repay the loan at 3 percent, besides fending for the children. Two years later, says Emily, the profit margin began to look healthier with increasing stock. Today she says she is more stress-free and is less burdened with worries of school fees for her children. What better testimony would anyone seek than the little house gives Emily a ray of light?

Agnes however refuses to take all credit for her success. She is full of praise for her group members *Obumu Sisters*. She believes that the group has been the motivator and propeller without which she would have sank into oblivion for eternity.

Conclusion

That microfinance institutions have come under icy attack over high interest rates cannot be denied. There have also been criticisms that many microfinance institutions maintain their clients in a comfort zone, in which they remain trapped, never improving beyond a certain point yet never getting poorer. This position however, needs thorough investigation to prove. What is inevitable, what cannot be denied however, is that microfinance, once well applied provides hope owing to its flexibility. Women however, need not only good organization and focus to overcome their current position as the secondary gender. One of the most important attributes of microfinance loans is the fact that it intercedes between members and financial sources of credit which is inevitable in empowering women and giving them a voice, for society will only recognize them when they are economically non-dependent, are confident and self-sufficient and self-accounting.

CONCEPTUALIZING THE ROLE OF MICROFINANCE AS A TOOL FOR SOCIAL INCLUSION/TRANSFORMATION

Alex Enon - Uganda Martyrs University

About Microfinance

To most readers, microfinance means providing very poor families with very small loans (microcredit) to help them engage in productive activities or to grow their tiny business. Over time, microfinance has evolved and transformed into a more inclusive field that encompasses a broader range of services such as savings, credit, insurance, and social network support mechanism, financial consumer education among others.

Mapping the role of microfinance in building socially inclusive society

The historical contribution

It is common knowledge that the poor and the very poor suffer from restrained and limited access to traditional formal financial services, and yet their financial services needs have been observed to manifest as broader and complex as that of any other cohort of a weather population. This disconnect with the broader formal financial sector is in itself describable 'social exclusion' but it also serves to further severe there exclusion from the other general opportunities in life. Thus, social exclusion in this case is seen as a broader challenge that spins beyond just the limited access to financial services access but also the additional consequences the emerge as the result of inability to participate in the socio-economic aspects of the life.

In response, microfinance came to prominence in the 1980s, although early experiments date back to 30 years before, in the communities of Bangladesh, Brazil and a few other countries. The microfinance/microcredit as a tool in this approach is recognized as having uniquely avoided the pitfalls of an earlier generation of targeting development lending, by insisting on repayments, by charging interest rates that could cover the cost of credit delivery, and by focusing on client groups whose alternative source of credit was the informal sector. The implementation was characterized by the shift of emphasis from rapid disbursement of subsidized loans to prop-up targeted sectors towards the building up of local, sustainable institutions to serve the

62% of the Uganda population has no access at all to financial services. This equals 8.1 million people. People in rural areas, belonging to the poorer share of the population, are less likely to access financial services as compared to their urban based counterparts.

Women are more likely to remain disconnected from financial services than men. Half of the people with access to financial services use non-formal, semi-formal or non-regulated microfinance services such as SACCOs poor/the socially excluded. These socially excluded categories are usually notably dominated by youths and females (women).

Microfinance thus recognizes that the poor (mainly females and the youth), just like anyone else, need a diverse range of financial instruments to be able to build assess, stabilize consumption and protect themselves against risks. Thus, as we see a broadening of the concept of microfinance – our challenge is to find efficient and reliable ways of providing a richer menu of microfinance products that complete the puzzle of social inclusion.

Where do we see the need for social inclusion?

Access to conventional formal financial services for many reasons is inversely related to income: the poorer are less likely access and benefit from these opportunities. On-the-other hand, the chances are that the poorer are the more expensive or onerous informal in the financial arrangements. Moreover, also informal arrangements may not suitably meet certain financial service needs or may further expand the social exclusion. Individuals in this excluded category and the underserved market segment are the typical clients of microfinance.

The current scenario

The typical microfinance clients are low-income persons lacking access to formal financial services – the social exclusion. Microfinance clients are typically self-employed, often house-hold based entrepreneurs. In rural areas, they are usually stallholder farmers and others who are engaged in small income generating activities such as food processing and petty trade. In urban areas, microfinance activities are more diverse an include shopkeepers, services providers, artisans, street vendors, etc. Microfinance clients are poor and vulnerable and non-poor who lack a relatively stable source of income.

Proposed intervention –engaging microfinance as a tool for social transformation

As already understood, microfinance shall be interpreted as a host of financial services – savings, loans insurance, remittances and other similar products and services. It's hard to imagine that that there would be any family in the world today for which some type of financial services couldn't be designed and made useful. The following approaches are by the concept;

Diversification of microfinance products and delivery approaches

This approach seeks to revisit and broaden the notion of the types of services microfinance encompasses and obviously the potential market of microfinance clients – a more transformative and inclusive financial services delivery approach. This is built on the experience that microfinance can help the poor increase income, build viable business and reduce their vulnerability to external shocks. It can also be a powerful instrument for self-empowerment because it works through enabling the poor, especially females and youths to transform into economic agents of change.

Start-up loans

In the current design of microfinance services, especially microcredit, the clients are required to demonstrate ability to manage a sustained, regular and often significant payments arrangement. This concept argues that at some level, the very cause of poverty is the lack of a sustained, regular and significant income. Yet, many of the socially excluded suffer the consequences of lack of income, are often too poor or have very restrained incomes that are too undependable to enter into today's loan products. These extremely poor people at the bottom percentiles of those living below the poverty line need safety nets programmes that helps them with basic needs but especially the starting capital for economic engagement.Thus it is intended to design of new loan product featured with more pro-poor conditionality; grace periods, the allowance for deferment of repayment in case serious ailments or related social shocks or even full repayment by the insurance in case of death.

Green Microfinance; financing environmental conservative renewable energy products

This concept recognizes that it is important to design and offer products that are both supportive and responsive to the livelihood needs of the populations especially the women and the youth. This is also in due consideration that by the socio-economic divide of community based gender roles, women and youth have more interaction with the environment. This includes harnessing economic activities and livelihood projects that are dependent the sustainability of the environment. This concept envisions the financing of forestry related activities, the use renewable energy products such as solar powered gadgets and such practices as conservational farming practices.

Micro-insurance

This shall involve assessing the integration of affordable insurance products as a background intervention that strengthens that performance of the microfinance markets. It may include such measures as insuring the small production facilities, microcredit and even the enterprises of the poor people which qualify for the service. These are often accompanied by business development services support. Insurance is envisage to help spread the risk and improve business opportunities among those communities which have till-date remained socially excluded from these and related financial services

Loan officers must visit the clients' home or place of work, evaluate the credit worthiness on the basis of interviews with the client's family and references and in many cases follow through with visits to reinforce the repayment culture. It can easily cost US $ 25 to make a microloan. While that does not seem unreasonable in absolute terms, it might represent 25% of the value of the loan amount and force the MFI to charge a 'higher' rate of interest to cover costs of loan administration

Diversification the delivery models

a) Social Guarantee Funds

This is an innovative typical substitute to non-secured salary loans to the conventional bank clients. It will involve delivering tailored financial servicesthrough collections of individuals who have a common cause and have identified an economic opportunity. They work together in a stable growing economy and demonstrate the ability of their collective arrangement to both co-guarantee a microcredit facility as well employ the peer inputs in ensuring the optimization of the use and benefits from the microfinance services. These will be assessed according to their entrepreneurial capabilities, and demonstrated commitment to repay debits (instead of feeling that credit represents some form of social re-vindication).

b) Gender responsive financial products targeting women and youth

It is clearly visible that in Uganda, many of the economic activities in which these socially excluded (mainly females, youth and other poor) often engage generally have relatively returns on investments and labour, and the access to liquidity and capital can enable this specific groups of people to obtain higher returns, or take advantage of the economic opportunities within their surroundings. Market led financial services shall be tailored and channeled in unique styles qualified by the demands and suitable needs of this category.

c) Financial Literacy and consumer protection

Financial literacy consumer education is an inevitable supplement to the response to the financial markets. This is a significant remedy to the information asymmetries that most of the socially excluded population tend to bear consequences of and yet grants the opportunity understand appreciate and seek the opportunities for transforming their lives into bankable citizens.

What are the foreseeable Challenges?

Providing financial services to poor people is pretty expensive, especially in relation to the transactions involved. This is one of the most important reasons why banks avoid small loans. A $ 100 dollar loan, for example requires the same personnel and resources as $ 2,000 dollar, thus increasing the unit per transitions costs.

The institutional framework for implementation

Alutkot savings & credit cooperative society is member founded, used, govern and owned .It was started by the farmers of Alutkot parish, Loro sub-county in Apac District before the district was splited into three which is now Apac, Oyam and Kole Districts. It was started as a savings and credit scheme of Alutkot growers cooperative society Ltd in 1999, the scheme adopted the Uganda cooperative alliance Village Bank Model and was incorporated in as Alutkot financial services, a company limited by shares in 2001.In order to fit in the regulatory frame work according to Micro finance Deposit Taking Institution Act, it transformed into Alutkot Sacco in 2003.

Alutkot was founded by members who were entirely members with the sole aim and goal of improving their livelihood as small scale farmers. This was done with UCA who played a key role in organizing the transformation. It was a primary cooperative which was formed and later on it diversified it activities to include training for its members on agri business development and others. We strongly believe in improving the livelihood of the active poor who own the majority of the shares through supporting small scale business and agricultural activities by providing reasonable loanable fund to its members so as to enhance increase output and household income.

Our vision: To be the leading self reliant microfinance institution serving the active poor in Oyam Kole and Apac Districts.

Mission**:** To economically empower the active poor in Oyam, Kole and Apac District by providing accessible and affordable financial services in sustainable manner.

Affiliation**:** Alutkot Sacco is affiliated to the following institutions, mid north private sector development company Limited, MSCL (microfinance support centre Ltd), AMFIU(Association of microfinance institutions of Uganda), UCA(Uganda Cooperative Alliance), UCSCU(Uganda Cooperative savings & credit union), GIZ/SWISSCONTACT(German Technical cooperation) and Bank Of Uganda and they have greatly contributed in the institutional development of Alutkot Sacco, ILO, IFAD, The cooperative league of the united states of America(CLUSA) and Others.

Microfinance landscape in Uganda 2016

Besides the regulated FIs with more than 800 branches, over 3,000 MFIS including SACCOs are registered in Uganda. Over 60% of these are operational and provide considerably inclusive financial services.

The number of people accessing microfinance services has steadily increased with SACCOs contributing estimated 70%. However, the most (M)FIs offer a limited number of tailored and inclusive financial services for the poor

Current situation:

Membership 5588	Female 1124
Male 3903	Groups 440

Institution 121	Savings portfolio 488,639,585
Share Capital 175,270,000	Loan portfolio 526,016,508

The Institution is being managed by 9 Board members, 3 supervisory committee and 10 management staff.

MICROINSURANCE IN NIGERIA

Esezobor Jennifer – Uganda Martyrs University

The term "microinsurance" typically refers to insurance services offered primarily to clients with low income and limited access to mainstream insurance services and other means of effectively coping with risk.

More precisely, microinsurance is a means of protecting low income people against specific risks in exchange for a regular payment of premiums whose amount is proportional to the likelihood and cost of the relevant risk. The principal distinction from traditional insurance is in the targeting of low income people, which leads to distinct characteristics and objectives, including addressing the particular risks of low income people, affordability and inclusiveness, simplicity and clarity in documentation, accessible processes, and building trust among target clients.

Microinsurance is recognized as a useful tool in economic development. As many low-income people do not have access to adequate risk-management tools, they are vulnerable to fall back into poverty in times of hardship, for example when the breadwinner of the family dies, or when high hospital bills force families to take out loans with high interest rates. Furthermore, microinsurance makes it possible for people to take more risks. When farmers are insured against a bad harvest (resulting from drought), they are in a better position to grow crops which give high yields in good years, and bad yields in year of drought. Without the insurance, however, they will be inclined to do the opposite; since they have to safeguard a minimal level of income for themselves and their families, crops will be grown which are more drought resistant, but which have a much lower yield in good weather conditions.

Microinsurance is a highly diversified sector, in terms of:

- Stakeholders: Microinsurance is developed and offered by commercial insurers, mutual funds, microfinance institutions, NGOs, governments or semi-public bodies. Microinsurance ventures are often joint efforts among several of these stakeholders, who can play roles ranging from market research and product design to selling, delivering, and servicing claims.
- Products: Microinsurance products can cover any insurable risk, including death, illness, accident, property damage, unemployment, crop failure, or loss of livestock.
- Portfolio size: Microinsurance can operate at any scale; a microinsurer may cover dozens of policyholders, or millions. One of the greatest challenges for microinsurance is the actual delivery to clients. Methods and models for doing so vary depending on the organization, institution, and provider involved. As Dubby Mahalanobis states, one must be thorough and careful when making policies, otherwise microinsurance could do more harm than good. Tricky challenges in general, there are four main methods for offering microinsurance the partner-agent

model, the provider-driven model, the full-service model, and the community-based model. Each of these models has their own advantages and disadvantages.

- Partner agent model: A partnership is formed between the micro insurance (partner as MFI) scheme and an agent (insurance companies), and in some cases a third-party healthcare provider. The microinsurance scheme is responsible for the delivery and marketing of products to the clients, while the agent retains all responsibility for design and development. In this model, microinsurance schemes benefit from limited risk, but are also disadvantaged in their limited control. Micro Insurance Centre is an example of an organization using this model.
- Full service model: The microinsurance scheme is in charge of everything; both the design and delivery of products to the clients, working with external healthcare providers to provide the services. This model has the advantage of offering microinsurance schemes full control, yet the disadvantage of higher risks.
- Provider-driven model: The healthcare provider is the microinsurance scheme, and similar to the full-service model, is responsible for all operations, delivery, design, and service. There is an advantage once more in the amount of control retained, yet disadvantage in the limitations on products and services.
- Community-based/mutual model: The policyholders or clients are in charge, managing and owning the operations, and working with external healthcare providers to offer services. This model is advantageous for its ability to design and market products more easily and effectively, yet is disadvantaged by its small size and scope of operations.

The potential for microinsurance in Nigeria is enormous. Over two thirds of its over 150 million citizens live below the poverty line. More than 80% of the working population is considered to be either unemployed or self-employed. The National Insurance Commission (NAICOM) estimates the number of potential clients to be 110 million people. But what does it take to reach that market?

Making insurance work for the low-income market in Nigeria

In the opening session, experts discussed the findings of two important studies and developed ideas for future activities. According to a "diagnostic study" analysing microinsurance in Nigeria, financial exclusion is high, and the gap between the urban and rural populations is wide. Concerning assets, the banking sector is the second largest in Africa. But according to World Bank data, over half of the adult population is still completely financially excluded. Less than one per cent of Nigeria's population has insurance. The country even ranks behind the Republic of the Congo and is far from the level of other N11 countries such as the Philippines (7%).

"Not all Nigerians participate in the economy and we need to recognise the role of insurance in enabling participation" said Ms. Arunma Oteh, Director General of the Securities and Exchange Commission which is supervising the financial sector. "Access to microinsurance is crucial in the country's transformation process", the Director General added in her welcoming address.

Trust is key

"According to results from the "diagnostic study" analysing microinsurance in Nigeria, the market is lacking good products and trust" said Denis Garand, one of the world's most experienced actuaries in the field of microinsurance. "Without good microinsurance, we will not see sustainable development" added Michael McCord, President of the Microinsurance Center, and author of the African "Landscape Study". McCord summarized key findings from another study, "The Landscape of Microinsurance in Africa as follows: "An insurance industry not recognizing the potential of the microinsurance market, products that do not meet the needs of the poor and a lack of trust are the main reasons spoiling market development".

"Only some 5% of the insurance companies in Nigeria are currently providing microinsurance. But this is not the way to go! The market is just starting", said Thomas O.S., Director-General of the NIA. The industry has acknowledged that establishing trust is one of the key challenges to increasing market penetration. "If the client manages to pay premiums, we have to be able to pay claims" he added. "We are aiming to work on this and to bypass Ghana's insurance penetration within the next two years", concluded the Director-General of the NIA.

Regulation must create an enabling environment

To make microinsurance more affordable, the NIA requires NAICOM to lower market-entry barriers through lower capital requirements or tax benefits. The example of the Philippines has shown that this can have a substantial positive impact on market development. Furthermore, lack of knowledge remains a problem. Jointly with donors and the industry, NAICOM aims at working on education for providers as well as clients to raise awareness. A better understanding of the market is key. The conference is just a start and we will need follow-up events.

"We also have to use technology, develop innovative products and – even more importantly – develop a long term strategy" said Jide Oniwinde, Deputy Director Corporate Strategy of NAICOM. The Commission has developed a work plan to address these issues, to adjust regulation and to tailor policies to the needs of providers and clients. Jide Oniwinde especially welcomed companies wanting to use mobile phones as a distribution channel. This has been proven to have high potential to boost market development in countries like Kenya and Ghana.

The discussions clearly showed that single actors alone will not succeed in making insurance available for the poor. Success will only be achieved through close cooperation's, e.g. between the regulators and the insurance industry. Good distribution channels supported by donor organizations and microinsurance experts will enable the development of good products, which provide value for the client and profitable business for the industry. "Nigeria is a hidden microinsurance giant" concluded Dirk Reinhard, Vice Chairman of the Munich Re Foundation and facilitator of the opening session. "This event is an important continuation of a process that started with the Nigerian country diagnostic study in 2012. It is great to see that NAICOM and the NIA with the support of donors such as GIZ are ready to tap the market and overcome the challenges".

MICROINSURANCE, MICROFINANCE AND COOPERATIVES AS SUSTAINABLE SOLUTIONS FOR POOR PEOPLE IN UGANDA

Aniku Toko Patrick – Uganda Martyrs University

Microfinance is being increasingly recognized as a sustainable solution for developmental intervention. Uganda like many other countries in the world has not been spared from increasing unemployment. The unemployment rate in Uganda stands at 23% most affected group being the youth from the age bracket from 18years to 35 years. These groups have either completed tertiary education or university but cannot be employed in the formal sector.

In fact, the success of some innovative experiments to alleviate poverty in Uganda has proved that small credit given to poor or unemployed can effectively increase their income level through entrepreneurship and skill support development. In addition to this, it has also been noted catalyst agencies such as donor development partners also benefit from this new practice of sustainable development. Donor development partners are not seen merely as passing on donor agenda to the community in a micro insurance project, they are in fact looked upon as professional change makers by building the capacity of the poor people by saving more to benefit from lifelong benefit of sustaining their entrepreneurship, business and consumption smoothing.

Microfinance can evolve further into new business direction if it develops the product of micro insurance to add on to its already existing products to create a lifelong relationship with clients. Microfinance as a business has inherent possibility of risk that an event will occur and has the potential to have adverse implication on microfinance institution and the client. It is almost inevitable to accomplish worthy and meaningful goals, microfinance institutions have to take risks and in risk management we are concerned with measure either to minimize or eliminate the risks. One sure way of minimizing or eliminating the risk is development and marketing of the micro insurance product for microfinance institutions. When clients save money additionally to normal saving product with the microfinance, risks of unforeseen adverse effects that affect both the microfinance institution and clients are cushioned against shocks for losses of financial resources. In worst circumstances, clients are redeemed from incurring more costs after an adverse situation has affected the microfinance institution. The insurance service provider will be able compensate the microfinance client or the institution for particular loss suffered and insured against. Therefore technical donor support is needed to develop micro insurance product to make microfinance business sustainable and going concern.

Low – income persons particularly in developing countries like Uganda live in risky environments, vulnerable to numerous perils including illness, accidental death and disability, loss of property due to theft or fire, agricultural losses and disasters of both the natural and man-made. The poor are more vulnerable to many of these risks than the rest of the population and they are the least to cope when crises does occur. Poverty and vulnerability reinforce each other in an escalating downward spiral. Not only does exposure to this risk result in substantial financial losses, but vulnerable households also suffer from ongoing uncertainty about whether and when a loss might occur. Because of this perpetual apprehension, the poor are less likely to take advantage of income – generating opportunities that might reduce poverty.

Although poor households often have informal means to manage risks, informal copying strategies generally provide insufficient protection. Many risk management strategies such as spreading financial and human resources across income generating activities result in low returns. Even then, informal risk protection does not stand up well against a series of perils which unfortunately is a situation often experienced by the poor. Before the household has the chance to fully recover from one crisis, they are struck by another.

Micro insurance is the protection of low – income people against specific risks in exchange for regular premium payments proportionate to the likelihood and cost of risk involved. Micro insurance is for persons ignored by main stream commercial and social insurance schemes, persons who have not had access to appropriate products. Of particular interest is the provision of cover to persons working in the informal sector who do not have access to commercial insurance nor social protection benefits provided by employers directly, or by the Government through employers. Often people use the term insurance loosely to refer to general risk- prevention and management techniques. For example savings set aside for emergency purpose might be referred to as an insurance fund. Micro insurance involves a risk pooling element. Those in the risk pool who do not suffer a loss during a particular period essentially pay for the losses experienced by the others. Micro insurance reduces vulnerability as households replace the uncertain prospects of losses with certainty of making small regular premium payments.

Micro insurance schemes have to be affordable for the poor; otherwise they will not enroll in the scheme nor benefit from the coverage. Various strategies could make micro insurance affordable including having small benefit packages, spreading premium payments overtime to correspond with the households cash flow and supplementary premiums with subsidies from government and development oriented donor partners.

Institutional framework for implementation

West Nile private sector development the organization I work for has been carrying on the activity of giving technical support in terms of building members capacity to save additional money voluntary in savings credit and cooperative organizations (SACCOs) and Village savings and loan associations (VSLAs). These organizations which are un regulated are already involved in insurance product linked to savings. The members of the SACCO and VSLAs entrust their savings to their own organization that is to say, SACCOs and VSLAs in return for a future obligation usually paying money in event of funeral contribution to death of a member or funeral contribution to death of close relative of a member, chronic sickness which make a client not being able to repay the loan but the insurance service provider pays, accidents and hospital bill of a contributing member. This micro insurance saving product benefit both the organization and client as it prevent further risk to client and the institution for the third party (Insurance service provider) to pay from members previous savings in case of adverse circumstances that makes affected member not pay his or her contractual obligation to institution. Information from within the SACCO and VSLAs is that, members get together and essentially develop their own insurance schemes in which they pool their own funds and develop their own rules. Members are given weekly, others Monthly feedback of their savings status. Members are encouraged to increase their savings because the higher the savings the higher the benefit in case of insured eventuality. With this voluntary model of insurance working, it is possible to develop insurance product for poor people. Donor development partners can give technical support in to build capacity of trainers to train rural poor to save for insurance as well as build the capacity of the insurance service providers to understand the poor people savings for insurance and process timely claims for insurance.

Challenges of Microfinance

Profitability: The low premiums paid for a micro insurance policy mean that there is need to manage micro insurance business carefully in order to generate adequate financial returns. It means that micro insurance can only be profitable if large quantities of standardized products are sold through uniform process.

Financial literacy: Financial illiteracy and a broad lack of understanding of how insurance works are common in Uganda with micro insurance potential. There is need to invest in financial education to help overcome the challenges of financial illiteracy.

Awareness: Most micro insurance products offered by microfinance institutions are sold as a mandatory add- on to the microcredits. The clients are kept unaware of micro finance institution distribution partners. The credit is naturally the main focus of the customer and therefore the bundled insurance is often not fully understood and appreciated by clients. Significantly, fewer clients are aware of their insurance provider. There is need to create awareness about micro insurance claim procedure and the service provider of the micro insurance.

Risk assessment: Risk assessment for insurers in the low- income market remains difficult, as reliable historical data is limited. This needs to be improved through increased market research that will deliver a better understanding of local requirements. However micro insurance covering health, crop, and property and catastrophe risks requires significant local knowledge to ensure products are tailored to local needs, efficient to monitor and administer and costs for insurers are kept low.

Access to claim by clients: The process for accessing benefits from insurance companies tends to be difficult and complicated that it discourages all but the most persistent claimants. Such obstacles are inappropriate for low- income households that cannot afford to spend days away from work, paying "unofficial fees" to access official documents. While controls have to be in place to avoid fraudulent claims for micro insurance to be effective, it has to be easy for low-income households to be submit legitimate claims.

In conclusion, indeed, micro insurance can be described as an insurance "back to basics" campaign, to focus on the risk management needs of vulnerable people and help them manage those risks through the solidarity of risk pooling. The success of micro insurance adoption is not simply a function of making certain that products are appropriate and affordable, but is also dependent on a level of financial literacy that enables consumers to access what they are getting when they pay a premium.

MICROFINANCE AND COOPERATIVES AS A SUSTAINABLE TOOL FOR THE POOR PEOPLE IN UGANDA

Musiime Molly - Uganda Martyrs University

Microfinance

Microfinance is defined as a variety of financial services that target low-income people to encourage them take part in productive activities. Since the clients of microfinance institutions have lower incomes and often have limited access to other financial services, microfinance products tend to be for smaller monetary amounts than traditional financial services. These services include loans, savings, credit, insurance, financial consumer education, and remittances.

The Historical Contribution of Microfinance in creating Social Inclusive Society

The today use of the expression micro financing has its roots in the 1970s when organizations such as Grameen Bank of Bangladesh with the microfinance pioneer Muhammed Yunus, were starting and shaping the modern industry of micro financing. Many pioneering enterprises began experimenting with loaning to underserved people. The main reason why microfinance is dated to the 1970s is that the programs could show that people can be relied on to repay their loans and that it is possible to provide financial services to the poor through market based enterprises without subsidy.

The microcredit in this approach is recognized as having uniquely avoided the disadvantages of an earlier generation of targeting development lending, by insisting on repayments, through charging interest rates that could cover the cost of credit delivery, and focusing on client groups whose alternative source of credit was the informal sector. The implementation was characterized by the shift of emphasis from rapid disbursement of subsidized loans to cover up targeted sectors towards the building up of local, sustainable institutions to serve the socially excluded for example, youths and women.

Therefore, microfinance recognizes that the poor mainly the women and youth need a diverse range of financial instruments to enable them assess, stabilize consumption and avoid risks. Thus, as we see a broadening of the concept of microfinance, the challenge is to find efficient and reliable trends of providing an improved menu of microfinance products that solve the problems of social inclusion.

The need for social inclusion

Over 62% of the Uganda population has no access to financial services. People in rural areas, belonging to the poorer share of the population are less likely to access financial services as compared to their urban based counterparts. Women are more likely to remain disconnected from financial services compared to men. Half of the people with access to financial services use non-formal, semi-formal or non-regulated microfinance services.

Suggested Interventions as a trend of involving microfinance as a tool for social inclusion

There are different poor people around the world that need to be uplifted financially for example, providing them with loans insurance, savings, financial consumer education, remittances and many other related services. Therefore, the following financial services have been designed in the concept to improve the livelihood of the poor especially women and the youth in order to create sustainable environment.

Micro insurance

Micro insurance is the protection of low-income people (those living on between approximately $1 and $4 per day) against specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved. Therefore, micro insurance shall entail assessing the integration of affordable insurance products as a background intervention that strengthens the performance of the microfinance markets. It also involves measures like microcredit, the enterprises of the poor people, microcredit and insuring the small production facilities that are suitable for the product. These are often accompanied by business development services support. Insurance mitigates the spread of risks and improve business opportunities among those communities which have remained socially excluded.

Start-up loans

This refers to the money that is required to start a new business, whether for office space, permits, licenses, inventory, product development and manufacturing, marketing or any other expenses. According to the current design of microfinance services mostly microcredit, the clients are required to demonstrate ability to manage a sustained, regular and often significant payments arrangement. This concept argues that at some level, the very cause of poverty is the lack of a sustained, regular and significant income yet many of the socially excluded suffer the consequences of lack of income, being very poor.

The extreme poor people at the bottom percentiles of those living below the poverty line need safety nets programs that helps them with basic especially the starting capital for economic engagement. Therefore, it is intended to design of new loan product featured with more pro-poor conditionality; grace periods, the allowance for deferment of repayment in case serious ailments.

Gender responsive financial products

In Uganda, many of the economic activities in which the socially excluded (females, youth and other poor people) generally have relatively returns on investments and the access to liquidity and capital can enable these groups of people take advantage of the economic opportunities within their surroundings. Market led financial services shall be tailored in styles qualified by the demands and suitable needs of this group.

Financial Literacy

Financial literacy consumer education is an inevitable supplement to the response to the financial markets. This is a significant remedy to the information asymmetries that most of the socially excluded population tend to bear consequences of and yet grants the opportunity understand appreciate and seek the opportunities for transforming their lives into bankable citizens.

Green Microfinance

Green microfinance is a financial service which tries to improve the environmental conditions by creating incentives for the poor. It provides the poor with microfinance that encourages them to use more sustainable environmental-friendly practices. The concept recognizes the importance to design and offer products that are both supportive and responsive to the livelihood needs of the populations especially the women and the youth. This is also in due consideration that by the socio-economic divide of community based gender roles, women and youth have more interaction with the environment for example, harnessing economic activities and livelihood projects that are dependent the sustainability of the environment. This concept envisions the financing of forestry related activities, the use renewable energy products such as solar powered gadgets and such practices as conservational farming practices.

Social Guarantee Funds

This is a typical substitute to non-secured salary loans to the conventional bank clients. It will involve delivering tailored financial services through collections of individuals who have a common cause and have identified an economic opportunity. They work together in a stable growing economy and demonstrate the ability of their collective arrangement to both co-guarantee a microcredit facility as well employ the peer inputs in ensuring the optimization of the use and benefits from the microfinance services. These will be assessed according to their entrepreneurial capabilities, and demonstrated commitment to repay debits (instead of feeling that credit represents some form of social re-vindication).

Challenges of Microfinance

Financial illiteracy and lack of understanding is still a problem of how microfinance works in Uganda. There is need to invest in financial education to help overcome the challenges of financial illiteracy. Providing financial services to poor people is pretty expensive, especially in relation to the transactions involved. This is one of the most important reasons why banks avoid small loans. A $ 100 dollar loan, for example requires the same personnel and resources as $ 2,000 dollar, thus increasing the unit per transitions costs.

The Institutional Framework for implementation

Rwenzori coffee farmers' cooperative society limited was established in 2009 as Rwenzori coffee Traders Association. In 2010, the organization evolved as a farmers' cooperative society with 22 farmer groups giving out a total of 1206 farmers and it was registered by the Registrar of cooperatives in Uganda in 2012. The aim of the change was because who trade the coffee under the traders association felt the need to size the opportunity of putting their coffee product together to bulk it with a view of increasing production and having a higher control over the value chain, quality and competitiveness.

Our vision: A community economically transformed from poverty through the production of high quality coffee.

Mission: To sustain the income of the farmers and the community in the Rwenzori region through mobilization and training of members in the best practices of agriculture and marketing for better quality products and high incomes.

Conclusion

Besides the regulated financial institutions with more than 800 branches, over 3,000 microfinance institutions including SACCOs are registered in Uganda. Over 60% of these are operational and provide considerably inclusive financial services. The number of people accessing microfinance services has steadily increased with SACCOs contributing estimated 70%. Therefore, the most microfinance institutions offer a limited number of tailored and inclusive financial services to the poor people in Uganda.

THE SOCIAL IMPACT OF MICROFINANCE

Nalugga Flavia – Uganda Martyrs University

Social means a way a society is organized and set, in terms of social issues, problems or reforms, and can be connected with activities in which people meet each other for pleasure like team sports, weddings, or sad moments such as death, sickness, funeral rites and so on, and can also be connected to animals which live in groups, rather than alone.

Social values is respecting and considering of practical social issues or reforms that can help the society to change positively in terms of standards of living. A social change can be in terms of health, economic, environmental, social democracy and cultural status.

Social values connected with society for example, respecting of funeral rites, ceremonies like weddings, burial, social meetings on sports, finance, and governance at local council, health, trainings on farming, sanitation of households, environmental preservation, a bit of social democracy training knowledge, and human rights awareness. This to a microfinance institution can have a great impact due to the fact that, if such values mentioned above are respected, there can be a social advancement at the institutional level as well as financial sustainability because it builds a strong relationship between a community and the institution hence growth.

A microfinance institution respecting social values such as providing social skills like team sports, sanitation trainings at a community level can create friendship and social loyalty toward a microfinance hence social and financial advancement since every member of a society can refer others to the same microfinance institution as well as having a sense of ownership of the institution, which can work as a security purpose in one way or other.

Furthermore, a microfinance institution respecting social values can promote women empowerment in terms of social and financial aspect. For example, social life advancement develops the ability to talk easily to people and other things in a group. This paves the inferiority complex among women and get empowered socially and economically hence sustainability of a microfinance institution.

More still, microfinance institutions can promote social development through social funds. A social fund is a sum of money that can be used to help people who have financial, family or other social problems such as housing, death, funeral rites and others. By providing social fund to the community / society at a favorable price, microfinance institutions can cover up financial gaps as well as building a reputation as a social impact.

In addition, if a microfinance institution enforces social development, customer loyalty and consumer protection can be promoted in such a way that, the society members get mutual understanding of the products designed or refined that fit their tastes and preferences, depending on the functions, benefits and uses of the products as they always get involved during product development process. In so doing, microfinance institutions develop and sustain as each of the geographical segment, are satisfied.

Social value respect by a microfinance institution promotes and protects environmental changes as the institution sensitizes the community or society in up-lifting of soil fertility, new methods of farming as well as providing inputs of improved seeds, seedlings and new machines to be used for farming, can bring a great change to the microfinance institution as well as increasing household incomes, which protects them (households) from further impoverishment during economic stress.

Social democracy means a political system that combines the principles of socialism with the greater personal freedom of democracy. Once a society is composed of a social democrat system, this promotes the value of consumer protection and human rights knowledge for both social and economic concepts, hence enabling people to make best choices of their needs in life socially and economically as well as making right decisions and this promotes the growth of microfinance industry. Therefore, the central government should also intervene in promoting social democracy to strengthen financial institutions.

However, there are some of the negative social changes in the community / society setting that can greatly have the side – effects on the Microfinance development. For example, low level of social education can make people lack social skills such as on team sports activities, intellectual social events to make new friends, cannot develop new ideas of social development, or learn new experiences of life and so on. With such a problem, people in a society lose confidence and ability to talk easily to other people and do things in a group hence impoverishing Microfinance economic growth.

Lack of social attitude and behavior toward social values, can hinder the development of Microfinance institution. Since Microfinance industry is based on social and financial concept, (a pendulum between social and financial values) lack of social attitude and behavior in terms of team work, new intellectual social events on environmental protection such as agro forestry, silvopasture skills, pollution and waste reduction and so on, can make the society unable to use social funds which can be provided by financial institutions hence low level of economic and social development.

In addition, lack of social democracy which combines the principles of socialism and personal freedom of democracy can impoverish the level of development of Microfinance institutions. That is to say, when people in a society are free to take part in making decisions and choices irrespective of race, level of education, tribe, religion and political status, this can promote peoples' social involvement in a microfinance product development that suits the tastes and preferences of different market segments in the society hence growth of industry unlike when not socially democratic.

More still, lack of social advancement, that is to say, improving positions in a society for example, in case of women empowerment in terms social, economic, cultural activities, can lead to gender inequality in the way that women cannot participate in any activity mentioned above because of inferiority complex yet having much responsibility in the household up – lift of standards of living, hence low level of microfinance development because women who take the biggest population size in case of Uganda, cannot intellectually share ideas and take part in social group activities.

In addition, social conscience (a state of being aware of the problems that affect most of people in a society, such as being poor or having no home, and wanting to do something to help these people.) Lack of social conscience of people's problems in the society can lead to moral hazards such as burglary, witchcraft, and killing of each other because of inequality in terms of standards of living, which in end leads to low level of development of Microfinance industry, since people hate each other and cannot be well wishers of social development.

More so, the gaps in the social values can be addressed by having a social conscience of peoples' problems such as the poor and un bankable in a favorable manner, initially who cannot be considered by other traditional banks, to improve on the standards of living well as promoting equality in terms of social and economic values.

In addition, the central government should strictly promote and encourage cross – border funding of microfinance institutions to cater for micro credit at a very cheapest price so as to enable the poor and un bankable to develop socially and economically (financial inclusion). This should be embarked on by the government because since cross – border funds are cheap, huge and very soft, Microfinance institutions in case of Uganda, can be able to balance a pendulum between social and financial value hence sustainability.

Low level of social education can be improved through implementation of social training to allow people in a society acquire social skills on agriculture, health, sanitation, finance and so on, to promote social welfare as well economical.

Lack of social democracy can be addressed through social respect of human rights for people to freely make decisions and choices provided they are promoting social and economic development. For example, choices and decisions on developing social infrastructures like schools, financial institutions, hospitals, roads and others and this can promote the value chain tradeoffs.

In a conclusion therefore, in Microfinance institutions, a pendulum has swung back to financial inclusion, (social and financial values) in order to balance social and financial development hence making ends meet.

MICROINSURANCE ANALYSIS - UGANDA

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Microinsurance is the protection of low-income people (those living on between approximately $1 and $4 per day) against specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved. This definition is exactly the same as one might use for regular insurance except for the clearly prescribed target market: low-income people. The target population typically consists of persons ignored by mainstream commercial and social insurance schemes, as well as persons who have not previously had access to appropriate insurance products.

The author of this definition adds that micro-insurance does not refer to: (i) the size of the risk-carrier (some are small and even informal, others very large companies); (ii) the scope of the risk (the risks themselves are by no means "micro" to the households that experience them); (iii) the delivery channel: it can be delivered through a variety of different channels, including small community-based schemes, credit unions or other types of microfinance institutions, but also by enormous multinational insurance companies, etc.

It is synonymous to community-based financing arrangements, including community health funds, mutual health organizations, rural health insurance, revolving drugs funds, and community involvement in user-fee management. Most community financing schemes have evolved in the context of severe economic constraints, political instability, and lack of good governance. The common feature within all, is the active involvement of the community in revenue collection, pooling, resource allocation and, frequently, service provision.

The last definition therefore, includes the critical features of the previous definitions:

1. transactions are low-cost (and reflect members' willingness to pay);
2. clients are essentially low-net-worth (but not necessarily uniformly poor);
3. the essential role of the network of microinsurance units is to enhance risk management of the members of the entire pool of microinsurance units over and above what each can do when operating as a stand-alone entity.

Insurance functions on the concept of risk pooling, and likewise, regardless of its small unit size and its activities at the level of single communities, so does microinsurance. Microinsurance links multiple small units into larger structures, creating networks that enhance both insurance functions (through broader risk pools) and support structures for improved governance (i.e. training, data banks, research facilities, access to reinsurance etc.). This mechanism is conceived as an autonomous enterprise, independent of permanent external financial lifelines, and its main objective is to pool both risks and resources of whole groups for the purpose of providing financial protection to all members against the financial consequences of mutually determined risks.

Microinsurance products

Microinsurance, like regular insurance, may be offered for a wide variety of risks. These include both health risks (illness, injury, or death) and property risks (damage or loss). A wide variety of microinsurance products exist to address these risks, including crop insurance, livestock/cattle insurance, insurance for theft or fire, health insurance, term life insurance, death insurance, disability insurance, insurance for natural disasters, etc.

Microinsurance delivery models

One of the greatest challenge for microinsurance is the actual delivery to clients. Methods and models for doing so vary depending on the organization, institution, and provider involved. As DubbyMahalanobis states, one must be thorough and careful when making policies, otherwise microinsurance could do more harm than good. In general, there are four main methods for offering microinsurancethe partner-agent model, the provider-driven model, the full-service model, and the community-based model. Each of these models has their own advantages and disadvantages.

- **Partner agent model**: A partnership is formed between the micro insurance (partner as MFI) scheme and an agent (insurance companies), and in some cases a third-party healthcare provider. The microinsurance scheme is responsible for the delivery and marketing of products to the clients, while the agent retains all responsibility for design and development. In this model, microinsurance schemes benefit from limited risk, but are also disadvantaged in their limited control. Micro Insurance Centre is an example of an organization using this model.
- **Full service model**: The microinsurance scheme is in charge of everything; both the design and delivery of products to the clients, working with external healthcare providers to provide the services. This model has the advantage of offering microinsurance schemes full control, yet the disadvantage of higher risks.
- **Provider-driven model**: The healthcare provider is the microinsurance scheme, and similar to the full-service model, is responsible for all operations, delivery, design, and service. There is an advantage once more in the amount of control retained, yet disadvantage in the limitations on products and services.
- **Community-based/mutual model**: The policyholders or clients are in charge, managing and owning the operations, and working with external healthcare providers to offer services. This model is advantageous for its ability to design and market products more easily and effectively, yet is disadvantaged by its small size and scope of operations.

Microinsurance scheme

A microinsurance scheme is a scheme that uses, among others, an insurance mechanism whose beneficiaries are (at least in part) people excluded from formal social protection schemes, particularly, informal economy workers and their families. The scheme differs from others created to provide legal social protection to formal economy workers. Membership is not compulsory (but can be automatic), and members pay, at least in part, the necessary contributions in order to cover benefits.

The expression "microinsurance scheme" designates either the institution that provides insurance (e.g., a health mutual benefit association) or the set of institutions (in the case of linkages) that provide insurance or the insurance service itself provided by an institution that also handles other activities (e.g., a micro-finance institution).

The use of the mechanism of insurance implies:

- Prepayment and resource-pooling: the regular prepayment of contributions (before the insured risks occur) that are pooled together.
- Risk-sharing: the pooled contributions are used to pay a financial compensation to those who are affected by predetermined risks, and those who are not exposed to these risks do not get their contributions back.
- Guarantee of coverage: a financial compensation for a number of risks, in line with a pre-defined benefits package.

Microinsurance schemes may cover various risks (health, life, etc.); the most frequent microinsurance products are:

- Life microinsurance (and retirement savings plans)
- Health microinsurance (hospitalisation, primary health care, maternity, etc.)
- Disability microinsurance
- Property microinsurance – assets, livestock, housing
- Crop microinsurance

In Uganda the insurance sector is regulated by The Insurance Regulatory Authority of Uganda (IRA-U). The authority is charged with the mandate of Ensuring effective administration, supervision, regulation and control of the business of insurance in Uganda. Promoting a sound and efficient insurance market in the country is one of its prime functions.

Uganda has a relatively underdeveloped insurance market and there is a clear potential for expansion through microinsurance. However, insurers face significant challenges in developing microinsurance beyond credit life. The principle reason for this are a limited understanding of insurance and its benefits and a very low level of trust amongst the public. A significant reason for the lack of trust is the very low claims. Although service levels have improved over the last few years they are generally considered to be low.

Consumer education and market awareness campaigns are widely considered to have strong potential. However, they are likely to fail or be ineffective unless trust can be restored. This in turn requires higher claims ratios, faster claim payment times and improved service standards. This should be the first priority.

One other significant constraint is lack of suitable delivery channels, especially outside of Kampala.The reliance on the traditional broker/ agent model is much too expensive for microinsurance .New distribution channels are required. Banks and financial institutions may perhaps provide the most promising distribution channels, but amendments to legislations are required in order to enable their full potential to be achieved.

Health microinsurance is still a nascent market in Uganda. The development of health insurance faces many challenges, including significant supply-side constraints. The development of health insurance is further complicated by the proposals to create a National Health System. Although the form of the proposals has not yet been formalized, the new national system is likely to crowd out the health microinsurance to some extent.

Health insurance and the health microinsurance sustainability requires maintaining a balance in terms of access to health care (sufficient provider supply and geographically close to customers), cost of health care (affordability and efficient delivery of services) and quality of health care (effectiveness of medical treatments).

When evaluating the potential for the health microinsurance products, it is important to understand the health needs of low income households, and the extent to which health risks can be mitigated by proactively controlling these risks through preventive health care.

Understanding Uganda's health risks is an important component of health microinsurance development because it identifies those risks that increase vulnerability of the poor to an adverse health event.When the health risks are understood, policies to encourage adequate services to prevent and manage them and appropriate health microinsurance products can be developed.

For example malaria is an important risk in Uganda, so it is important to ensure that there is adequate access not only to financing, but also to providers and medication if a quality outcome is to be obtained. While the authority should have the remit of regulating the insurance component, regulations to manage the quality of providers and medications must be in place and an appropriate body charged with the task of enforcing them. This would not be authority.

Health risks change over time. For example as the life expectancy of the population increases different health care risks can be expected to emerge. Uganda has made progress in improving the health of its population. HIV prevalence has been reduced from 30% in the 1980s to 6-7% in 2008 and polio and guinea worm were eradicated, although there is re-emergence of polio due to cross-border migration. Partly as a result of this life expectancy increased from 45years in 2003 to 52 years in 2008.

As microfinance institutions expand beyond credit to a broader array of financial products, they are becoming more interested in offering clients microinsurance products in partnership with insurance companies. While the commercial insurers provide the majority of the world's products, mutual, cooperative, and other community-led insurance organizations are emerging as microinsurance providers. The greatest challenge for microinsurance schemes is finding the right balance between adequate protection and affordability to deliver real value to the insured.

Microinsurance and development

Microinsurance is recognized as a useful tool in economic development. As many low-income people do not have access to adequate risk-management tools, they are vulnerable to fall back into poverty in times of hardship, for example when the breadwinner of the family dies, or when high hospital bills force families to take out loans with high interest rates. Furthermore, microinsurance makes it possible for people to take more risks. When farmers are insured against a bad harvest (resulting from drought), they are in a better position to grow crops which give high yields in good years, and bad yields in year of drought. Without the insurance, however, they will be inclined to do the opposite; since they have to safeguard a minimal level of income for themselves and their families, crops will be grown which are more drought resistant, but which have a much lower yield in good weather conditions.