



Women's Microfinance Initiative

Banking Fact Book

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Background and Methodology:

In the autumn of 2010, WMI administered surveys to the 120 borrowers from the Bulambuli Widow's Association (BWA) in Buyobo, Uganda who had obtained \$500 loans that year from PostBank Uganda (PBU). The loans were guaranteed by BWA/WMI as a part of WMI's Transition to Independence Program (TIP). This was the first time borrowers had access to credit in this amount – their previous loans through the WMI program had been limited to \$250. This was also the first time that borrowers' loans were not cross-guaranteed by members of their solidarity lending group. As the next step in the TIP process, borrowers will have access to individual loans of up to \$1,000. The surveys were designed to help understand how borrowers were utilizing the larger loan amounts and how their businesses were impacting their lives and their families.

Montana Stevenson and Ainsley Morris conducted additional in-depth, face-to-face interviews, with half of the respondents. The following information regarding borrowers' financial status and concerns about independent banking was compiled from the surveys and interviews. Conducting interviews about sensitive financial and personal information is always a delicate matter. Montana and Ainsley lived in rural Buyobo, alongside the borrowers, and assisted them with the administration of the loan program. They earned the borrowers trust and respect. The bond that developed helped put the borrowers at ease during the interviews and helped ensure they felt comfortable providing candid responses to the interview questions.

Robyn Nietert and Andrew Lloyd conducted data analysis in the USA. Narrative data from the interviews was compiled in Uganda.



Ainsley and Montana in Buyobo, with borrowers and their families.

RESULTS OF WMI BORROWER SURVEYS

BORROWER PROFILE

1. Income and Savings - All borrowers have significantly improved their household incomes since acquiring BWA loans. Over half of the borrowers are generating very large annual incomes of 10 – 20 million Uganda shillings (UGX) (\$3,333 - \$6,666 USD) and a startling 10% are earning more that 20 million UGX per year. Most revenue is generated from volume businesses, meaning there is substantial room to increase revenue by adding value to the goods and services. Almost all borrowers have also increased their savings rates. Over half of the borrowers have been able to purchase land. This is an important indicator of profit levels and savings.

Figure 1A

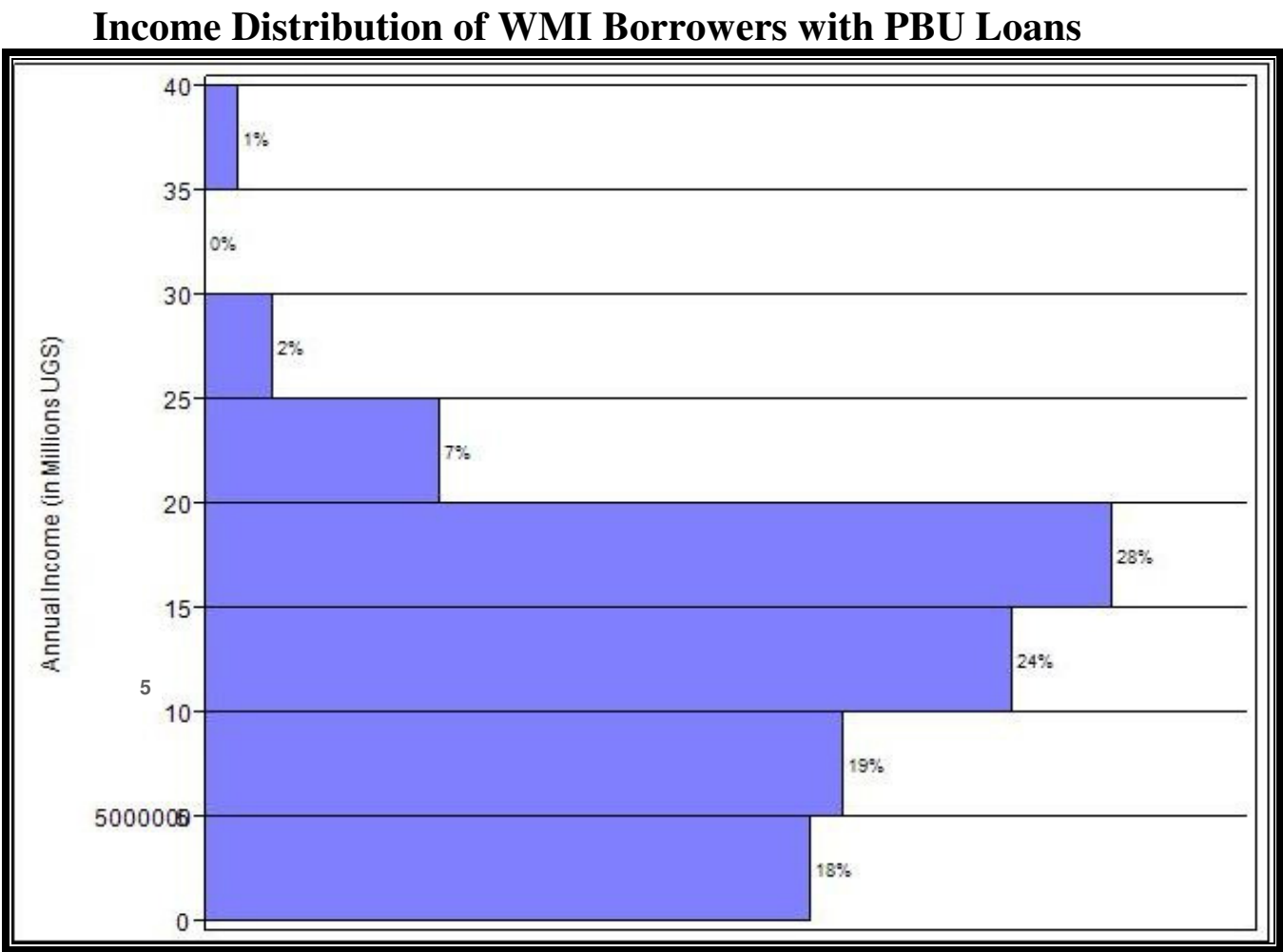


Figure 1B

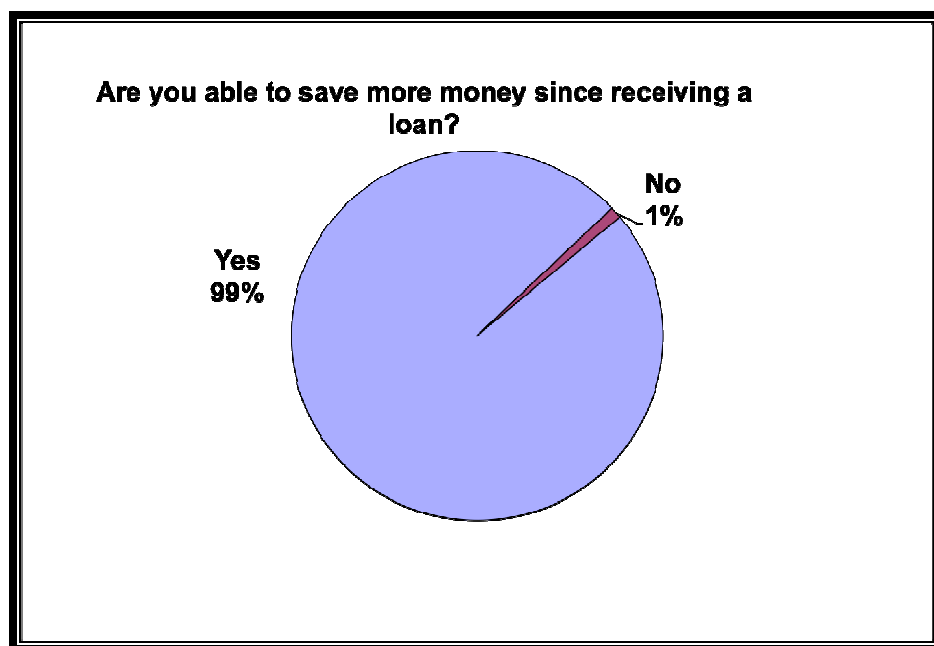
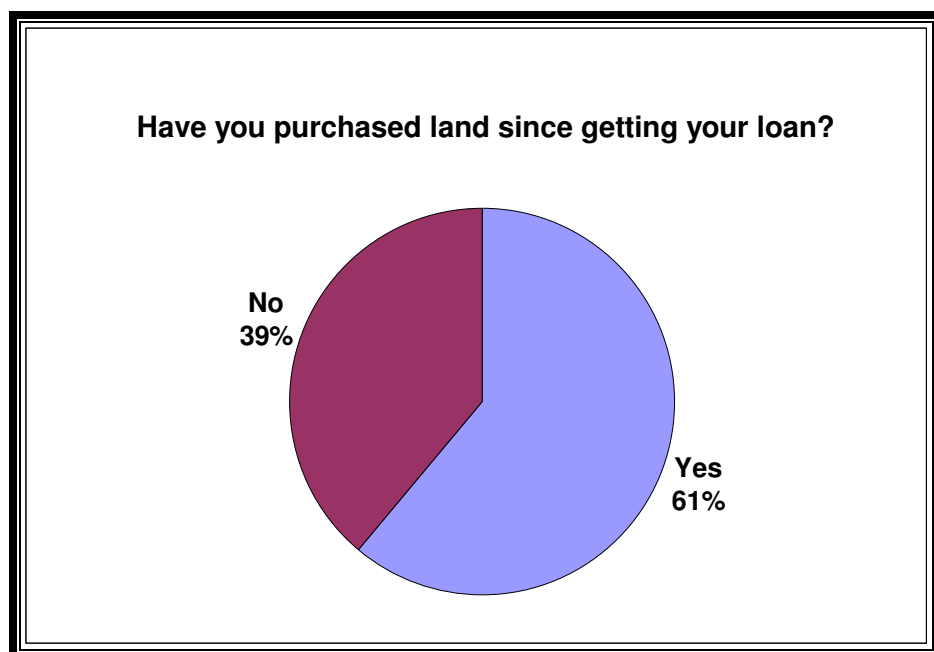
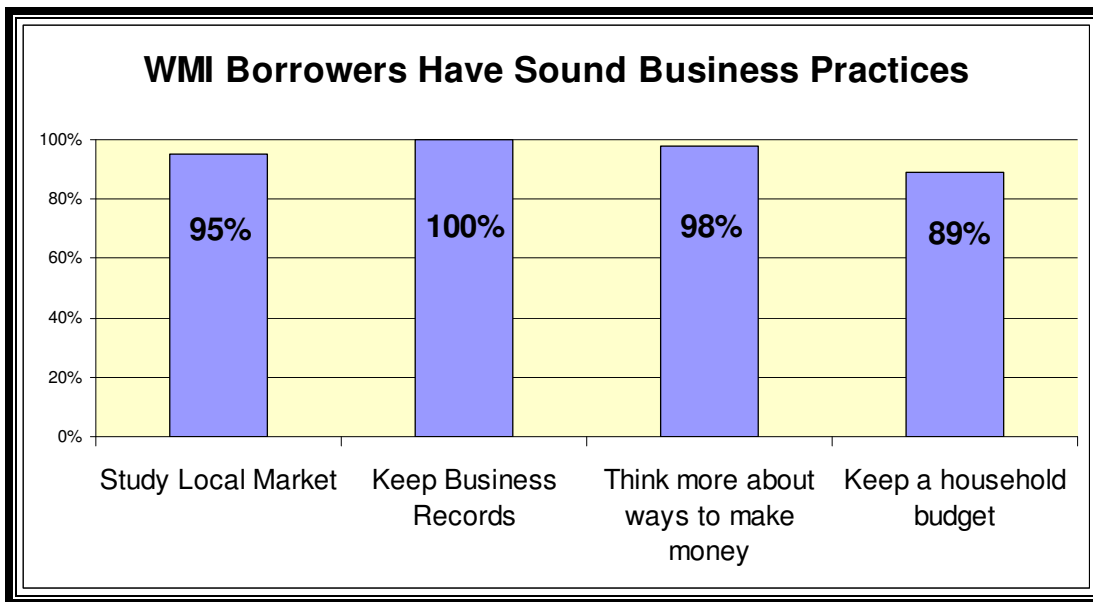


Figure 1C



2. Business Acumen – Through training and operating experience, borrowers have developed excellent business skills. They track product availability, competition, and prices very carefully in order to maximize their profits. Most keep some form of weekly written records. Businesses are constantly evolving as borrowers develop new ideas, start selling new products, and find new markets for their goods.

Figure 2



3. Family Businesses – The businesses women establish with a BWA loan involve the whole family. Extensive family support helps the businesses thrive. A remarkable 98% of borrowers said that their relationships with their husbands have improved since they got their first loans through the WMI program. Husbands have also demonstrated a change of attitude towards household chores, and 97% of respondents reported that since getting a loan their husbands have become more willing to assist with household chores. Husbands have seen their wives making money and have realized the value of having two income earners. The majority of children are interested in working in the business as adults. Children of borrowers go to school more often. As they become better educated than their parents, they can help build capacity in the business.

Figure 3A

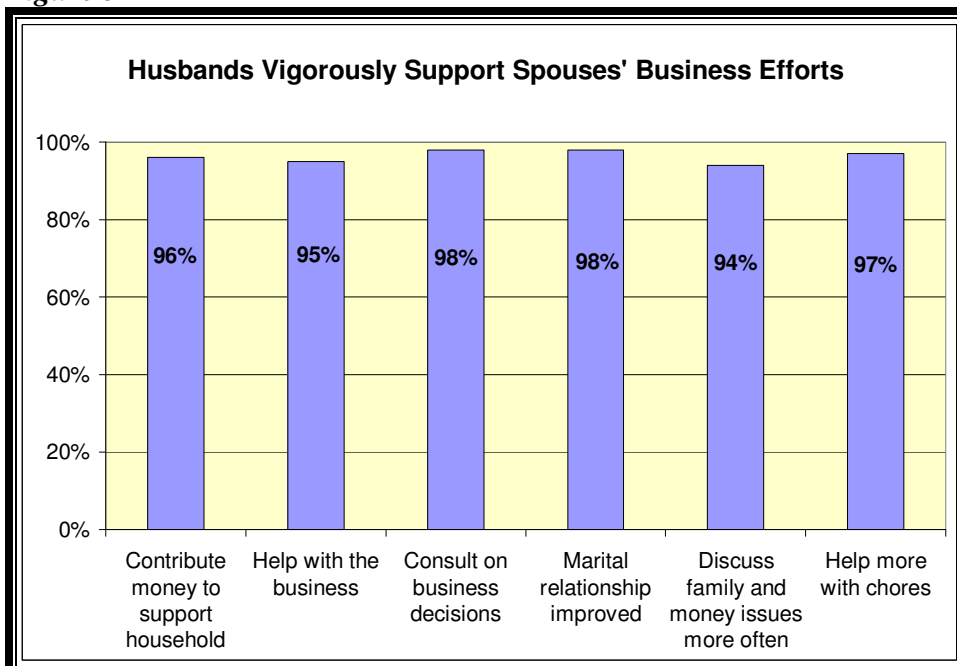


Figure 3B

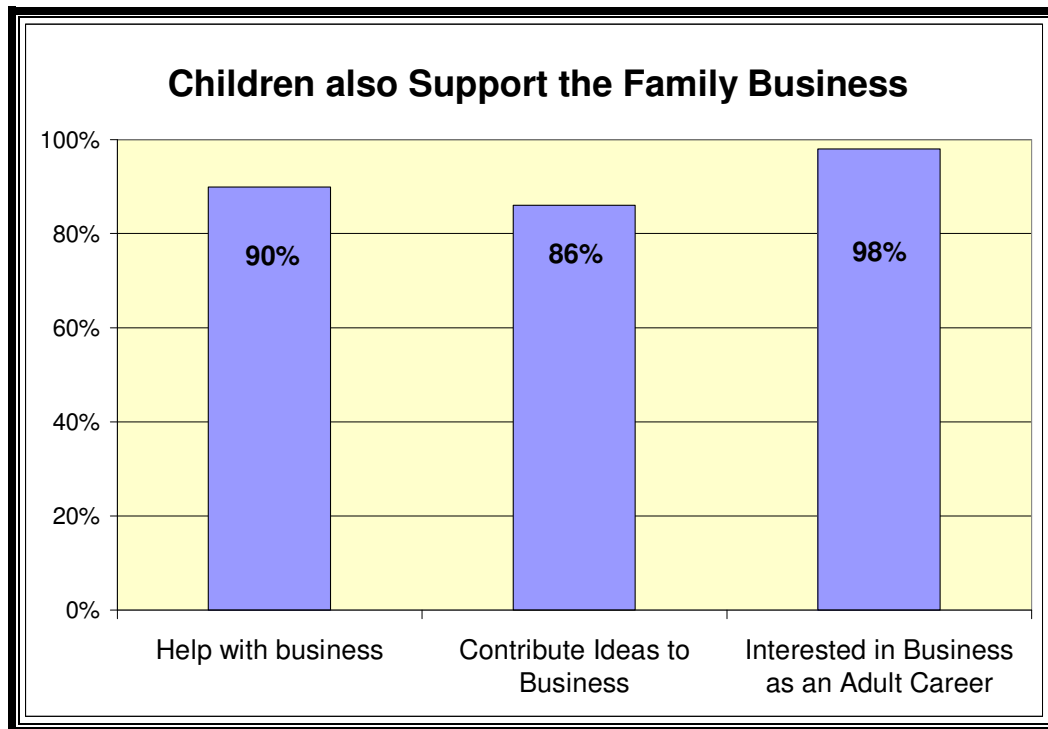
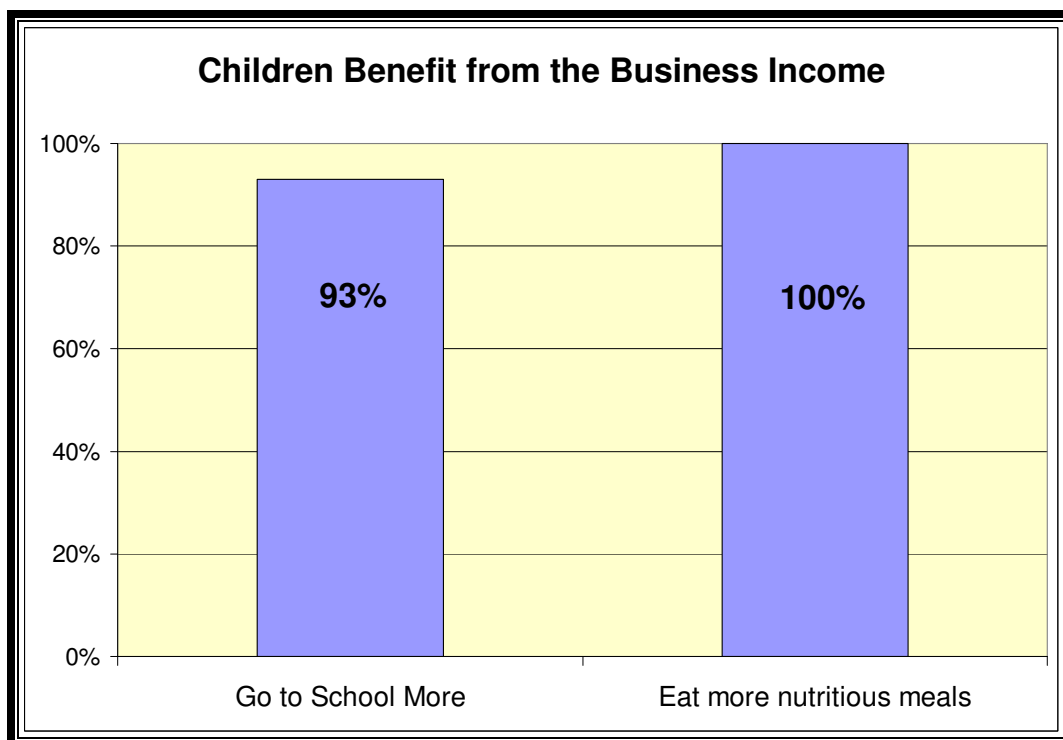


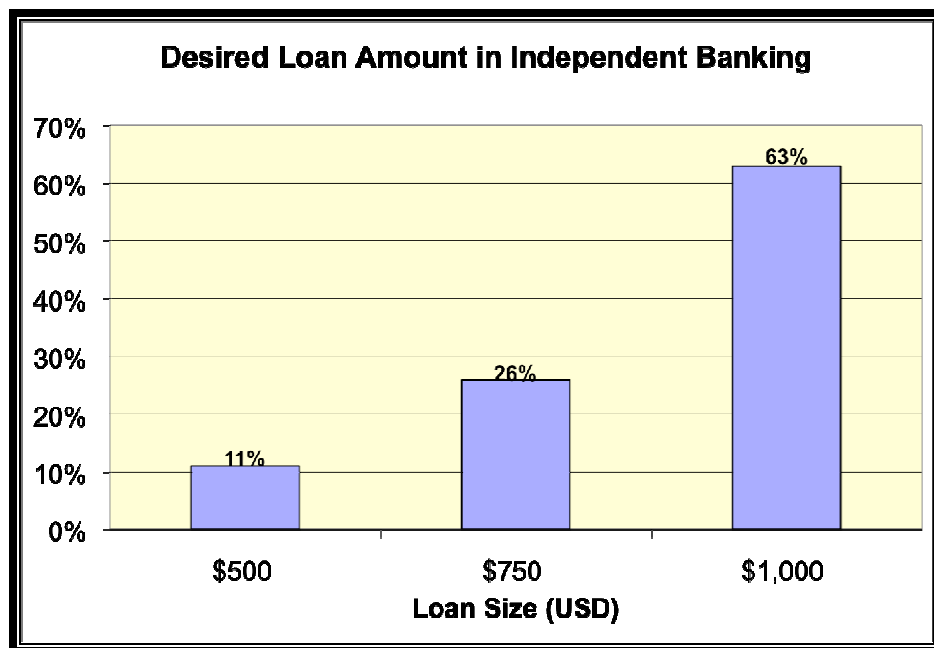
Figure 3C



INSTITUTIONAL BANKING EXPERIENCE

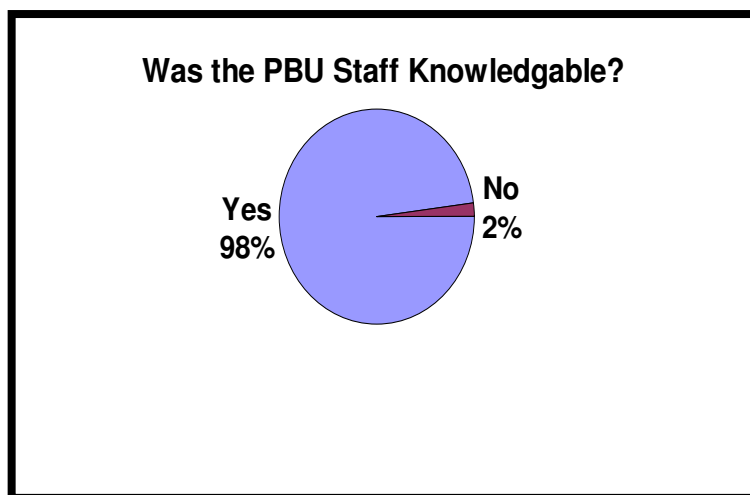
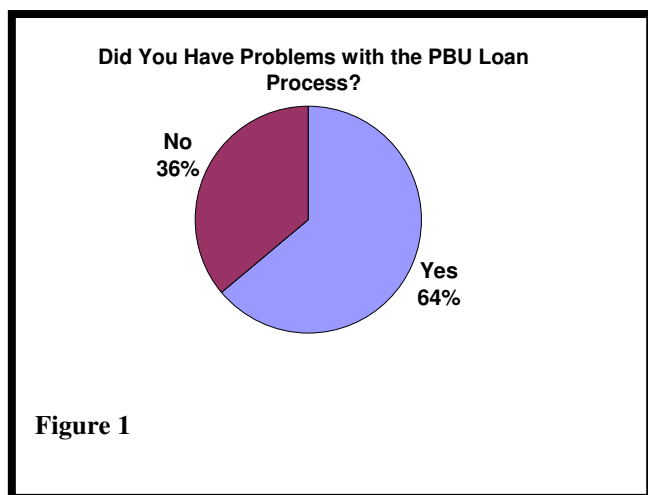
4. Loan Amount – Prior to graduating to independent borrowing, WMI borrowers had access to a maximum loan amount of 1,000,000 UGX (approx. \$500) for a one-year term. During that time period, most saw their businesses expand. When borrowers graduate to entirely independent banking, the majority desires the largest loan amount available, which is 2, 000, 0000 UGX or about \$1,000, for a one-year term.

Figure 4



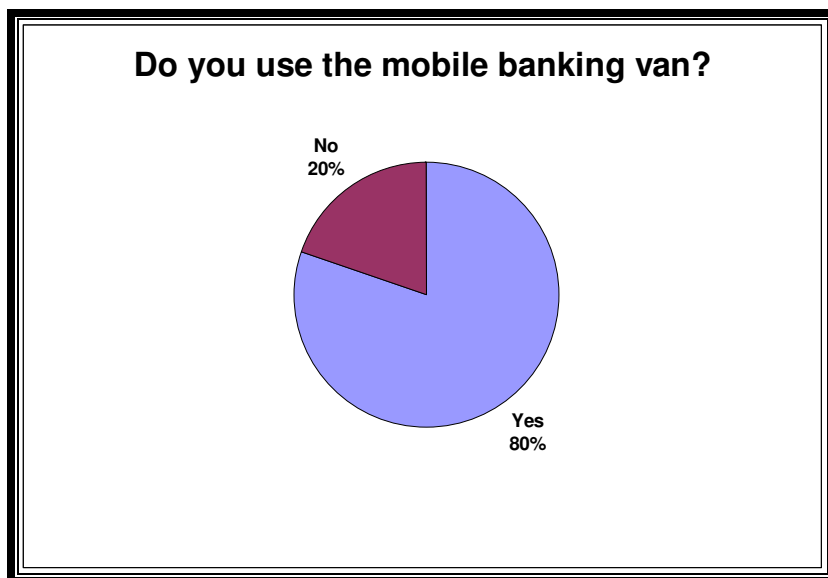
5. Issues With Postbank and Suggested Solutions – Sixty four percent of borrowers cited issues with the PBU loan process. They were frustrated with inefficient service, high fees and poor communication. Many borrowers had similar suggestions to solve these problems. Though frustrated with the level of service, almost all borrowers found PBU staff to be knowledgeable.

Figures 5A and 5B



6. Convenient banking is extremely important – There are now hundreds of WMI borrowers in the Buyobo area. They rely on the PostBank van and on visits by the bank staff. They travel from dozens of villages to bank with the van during its scheduled stops at the BWA building. Many people rely on this service; if the van is late or does not show up at all, hundreds of people lose time and money.

Figure 6



7. WMI Loan Program's role in the borrowers' success - The training and support BWA provides contributes significantly to borrowers' business success and 100% loan repayment rate. The loan program has improved self-esteem and developed borrowers' capacity. Borrowers frequently indicated that, coupled with their improved reputation in the community, they have become role models for other women. The vast majority consults with their WMI support group on business and household issues. Borrowers recognize the value of this training and one hundred percent want to continue meeting, while many suggested topics for on-going training.

Figure 7A

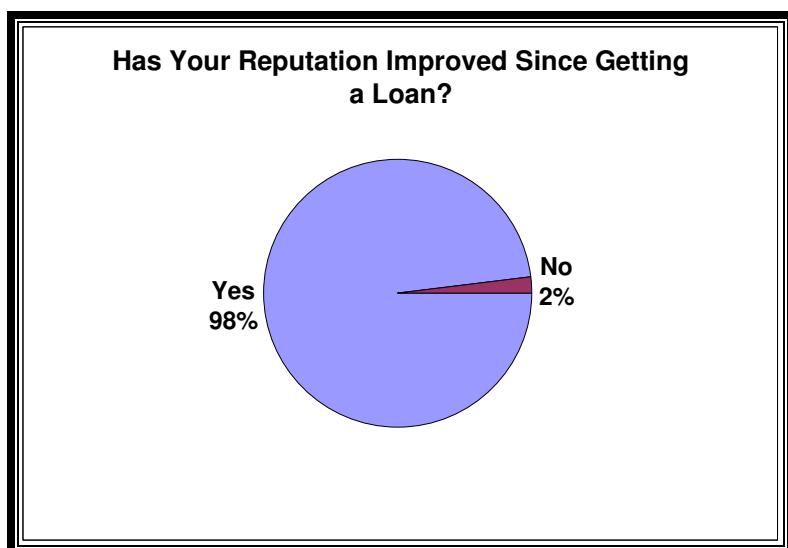


Figure 7B

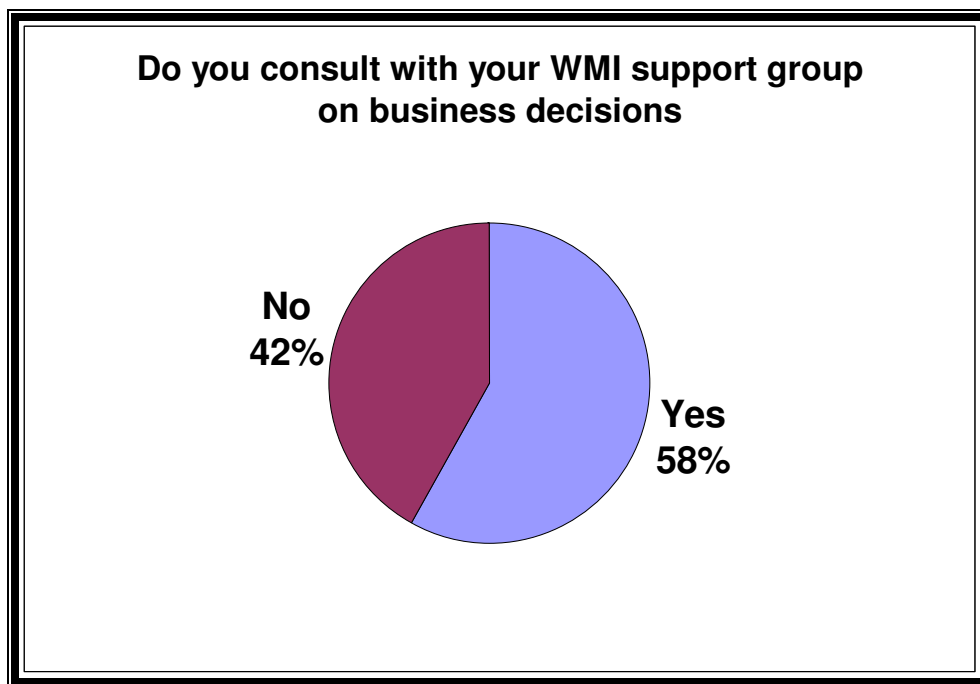
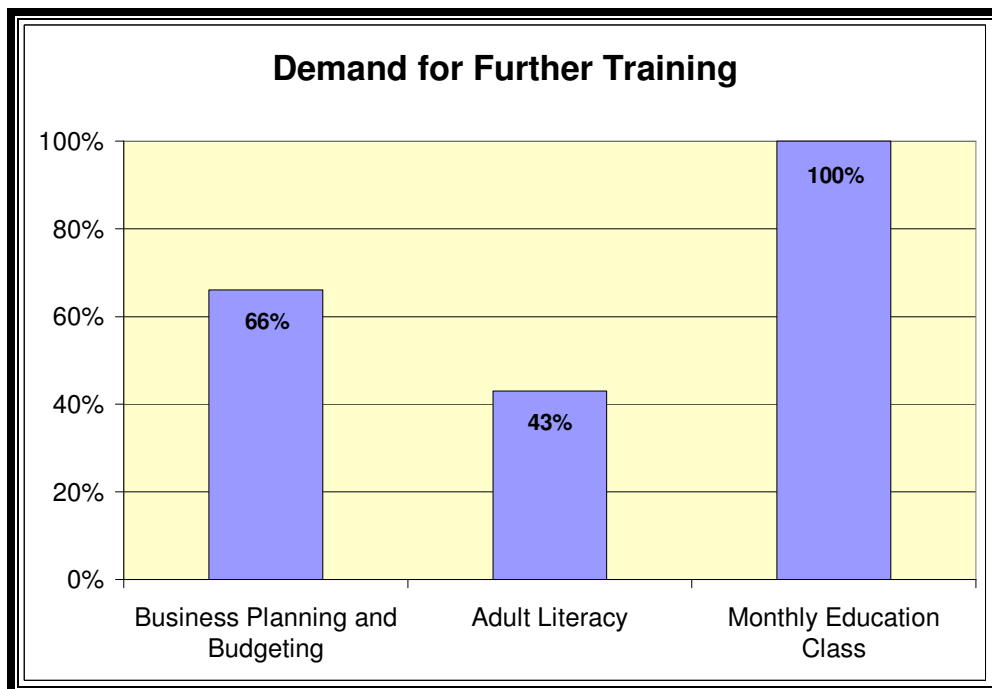


Figure 7C



NARRATIVE DATA SUMMARY

The results of the surveys were supplemented by 60 face-to-face interviews where follow up questions could be explored. These interviews ranged from 1 – 2 hours and revealed a wealth of additional information about borrowers' businesses and their concerns with independent banking. The extensive narrative data gathered provides many insights into the criteria necessary to make graduation to independent banking a success. The Bulambuli Widow's Association (BWA) administers the WMI loan program in Buyobo and the Association's management of day-to-day program operations is an important reason the loan program is so successful.

1. LOAN USE

After visiting borrowers' businesses and talking to them about their incomes and profits, it is clear that many of them are generating extremely large monthly incomes, mostly from businesses that depend on increasing volume to increase profits. With solidarity in their households and family members helping, many businesses are extremely successful within the village economy. The areas where the businesses operate are densely populated so there are many customers available. After 2 years of borrowing from BWA and 1 year from PBU, borrowers understand the value of repaying loans and keeping savings. Almost all of them indicated that their businesses would benefit from larger loans of up to \$1,000. Almost 100% of women indicated that they always use their loans for their businesses and never use loan funds to buy consumer goods or pay household expenses.

2. LOAN REPAYMENT SUPERVISION

BWA supervises borrowers on loan repayment days – borrowers said it is one of the most important features of the WMI loan program and helps them maintain a 100% repayment rate. BWA assembles the borrowers, organizes them, takes attendance, hands out and collects completed bank deposit slips, arranges them for the PBU van staff, distributes the stamped receipts to borrowers, and maintains a separate loan repayment register to help PBU double check its paperwork.

Borrowers frequently commented that they enjoy assembling on loan repayment day – they discuss business and household issues that they have in common. Borrowers described having a strong sense of social responsibility to pay their loans on time. The significant peer pressure in the group collection dynamic encourages sound credit behavior.

3. RECORD KEEPING and TRAINING

Though rudimentary in some cases, most women's recordkeeping tracks basic income and expenses. As demonstrated in *Figure 7C*, there is a large demand for further training. Many expressed interest in more business training and would attend regular meetings to learn more advanced recordkeeping, budgeting, and other business skills. Many of their businesses are based on volume. The ladies believe that with more training they could also expand their businesses by adding value instead of only focusing on increasing volume. They are extremely busy and do not have the time or resources

to seek out further training on their own. They see WMI as their only feasible source for facilitating continued business skills development.

Women in the BWA loan program believe the training they have received has helped them to develop successful businesses. One hundred percent of respondents say that they would attend a monthly education class. Possible on-going training topics discussed by borrowers included: family planning, health, adult literacy, further business training, and talks by successful entrepreneurs about how they developed their businesses.

Borrowers could also benefit from further trainings about bookkeeping and cash flows. As borrowers graduate to larger loans, they also move on from six-month to twelve-month repayment schedules. Longer repayment periods require borrowers to plan carefully so they can make their loan payments for an entire year, even during seasons when business may be slow.

4. SOLIDARITY GROUPS

The 20-member color groups, which are established upon the receipt of the first WMI loan, are an important feature of the loan program. These solidarity groups meet every fortnight to discuss business issues, ideas, and family matters. These groups also act as a type of social collateral in that the members cross-guarantee one another's loans. Moving forward, many feel that a loan of \$1,000 is too much to cross-guarantee, and they are not willing to expose themselves to that level of financial liability; nevertheless, they were dismayed at the idea of breaking up their color group "family" when moving to independent borrowing.

Fifty-eight percent of borrowers surveyed consult with their group about business decisions. This is a strong tool for encouraging good credit behavior, and the groups can provide an important function, even after borrowers move to independent loans. Borrowers suggested transitioning their solidarity groups into a civic group called Pioneers that could organize activities for borrowers as they move on to individual loans and conventional banking. Suggestions included: village improvement projects, organizing a nursery school, adult literacy classes, and on-going business training. Of the 60 women interviewed, all wanted to stay involved with BWA, become a "Pioneer", and were amenable to paying some form of annual Pioneer membership dues.

5. GENDER RELATIONS

A much discussed issue within the microfinance community is the potential negative impact that women-focused loan programs can have on gender/marital relations. Of the 60 women interviewed, only 5 said that there were any problems caused by WMI distributing loans solely to women. The main issue they cited was that some men complain about being excluded. Overall, marital relations have improved significantly as a result of the loan program. Many women pointed out that a loan given to a woman helps the whole family because all members work together to run the business. Many husbands are quite happy that their wives are in business and husband and wife often run the business together. (See *figure 3A*).

Family relations have improved as families cooperate to run their businesses, working together for the betterment of the entire family. Most women said that their relationships with their husbands have improved since they got their first loan. They receive more respect from their husbands and do not have to constantly ask for money to buy food for dinner, or as one woman described it, she is no longer "just sitting and waiting for the black kavera." In other words, instead of waiting for her

husband to come home with food in the ubiquitous black plastic bag that everyone uses to carry their goods, she can now use her own income to purchase food for her family.

6. BUSINESS OPERATIONS

Eighty-seven percent of the women surveyed stated that that since getting a loan they “think more often about ways to make money”. Their efforts are rewarded by increased income and savings, as well as improvements in family welfare. Some women have taken being an entrepreneur quite seriously and have been creative with their business ventures.

Mary Busonya, a borrower in Green Group, “rents” plots of land where vegetables have already been planted. She then tends to the already planted garden and reaps the benefits of the harvest. She is able to buy the right to harvest the plot from a farmer because farmers often want lump sums of money quickly and cannot wait for the harvest, which will take place over the course of a month or more. Having access to capital has given Mary an advantage in the produce business. With larger amounts of capital she plans to increase sales by purchasing more pre-planted plots.

Driven by the success of borrowers like Mary, WMI spent over a year negotiating with institutional banks to find a source of conventional credit that would offer borrowers access to larger loans and more banking products. The result was the partnership developed with PostBank Uganda (PBU) to transition WMI borrowers to formal banking. Borrowers expressed that having regular, reliable, and fair access to credit was essential to growing a business.

7. BUSINESS CHALLENGES

Every business has challenges that it has to overcome. Many borrowers cited transport as one of their major challenges. Buyobo is situated about 20 kilometers from the closest large town, Mbale, and the only road to the village is unpaved, pocked with potholes, and turns to a river of mud in the rainy season. When the road becomes impassable to vehicles, transport is by foot or not at all. Few people own vehicles. Transport by the ubiquitous public taxis (mini-buses) that travel the main road is expensive, especially when moving goods in any volume. Borrowers have discussed ways to cut down on the transport costs, including pooling funds to purchase a common delivery vehicle. Other borrowers have used savings and loans to buy motorbikes, which not only provide transport for their goods, but also guarantee a steady daily income stream when used as a taxi service.

Many borrowers mentioned “untrusted customers” as another business challenge. New businesswomen sometimes allow neighbors to buy items on credit. They soon learn that even neighbors you know well do not always pay their debts in a timely manner. Some women said that they would “rather take [their] goods home than sell on credit,” demonstrating their improving business savvy. Recently, price fluctuations have been another problem, but many women have compensated by withholding non-perishables from the market until the price rises.

Competition can also be a problem. In markets there are sometimes 40 people selling the “same” type of produce or greens. You have to be creative in order to beat the competition. As one woman, Jane Woboya, explained, to beat the competition she has, “made friends with people who grow the beans so that when they have the beans ready they don’t sell to any other.” They sell to her.

8. IMPROVEMENTS TO FAMILY LIVING STANDARDS

Improving children's schooling and food options are two of the first steps many borrowers take with their business income. Many borrowers reported that since getting a loan their children attend school more regularly (often better schools) and that eating habits have improved. As Florence Muduku put it: "I have increased in size – I am fat!" Of course "fat" is a relative term.

Aside from improving education and nutrition, borrowers have also used their profits to improve their homes and in some cases even to move into new ones. A cemented floor is safer and requires less upkeep than a mud floor – consequently, it is one of the first upgrades many borrowers make to their homes. Borrowers have started saving some of their profits for emergencies and many report that paying basic medical bills, which previously entailed a frenetic scramble for cash, has now become more manageable.

9. BANK RELATIONSHIP

All borrowers indicated that they believe the WMI loan program is solely responsible for opening up access to credit from an institutional bank for the rural women in their communities. They acknowledged that working together in the loan program and presenting their excellent performance to the bank as a group paved the way for them to transition to independent borrowing. BWA's leadership in representing the women's needs and accomplishments to PBU was also acknowledged as instrumental in convincing PBU to transition borrowers in the WMI program to individual loans.

Over the past year, BWA's relationship with PBU's Mbale branch has improved significantly. BWA members are now respected by the bankers and treated professionally when they visit the branch. The branch management has formed a very solid working relationship with BWA's representatives, as have the credit officers. Issues are being dealt with quickly and both sides have acquired a better understanding of how the other operates.

Through the interviews, it became clear that communication issues arise frequently between the PBU staff and the BWA borrowers. While the issues are typically discussed and resolved satisfactorily, they continue to arise because the parties have mixed interpretations of operating procedures.

WMI is currently developing a Banking Manual that will clearly define the loan terms for PBU products specially designed for BWA borrowers, fees associated with those products and the processes for acquiring PBU loans. The Banking Manual will be a reference guide for PBU staff, BWA leadership and borrowers in the WMI loan program, so that all parties can move forward utilizing common information. The Banking Manual will help eliminate misunderstandings that have arisen in the past and assist the parties in improving the operating efficiency of WMI's transition to independence loan program.