



FACT BOOK: Transition to Independent Banking

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I. BACKGROUND on WMI

- ❖ WMI is a U.S. based, non-profit organization that provides micro-credit to women in rural East Africa.
- ❖ Women use the loans to start and expand small businesses.
- ❖ WMI provides borrowers with training in financial literacy, business management, record keeping and financial planning.
- ❖ Lending programs are run by village level organizations, and no collateral is required to obtain an interest-bearing loan.
- ❖ Since January 2008, WMI has issued 1,400 loans in over 75 villages and established a \$200,000 revolving credit facility.
- ❖ WMI's default rate is 0%.
- ❖ After 24 months, WMI borrowers transition to a loan issued by Post Bank Uganda (PBU) which is guaranteed by WMI.

❖ 12 months later successful borrowers graduate to independent banking.

❖ In January 2010, the first twenty women transitioned to PBU loans guaranteed by WMI. By July 2010, eighty women had transitioned to PBU loans.



II. METHODOLOGY

❖ Olive Wolimbwa, WMI's Local Director in Buyobo, Uganda, supervised the data collection and was assisted by the Asst. Local Director, Jackline Namonye. U.S. based staff analyzed the data.

❖ WMI collected the data presented in this fact book in January, April and July 2010 from the 80 WMI borrowers who had transitioned to PBU loans. *

❖ Almost all of the borrowers had been in the WMI loan program for 24 months and had received 4 loans during that time period (one every 6 months). The loan amounts were typically \$150, with the last loan amount increasing to \$250.

*Not all respondents answered all questions on the forms and applications.



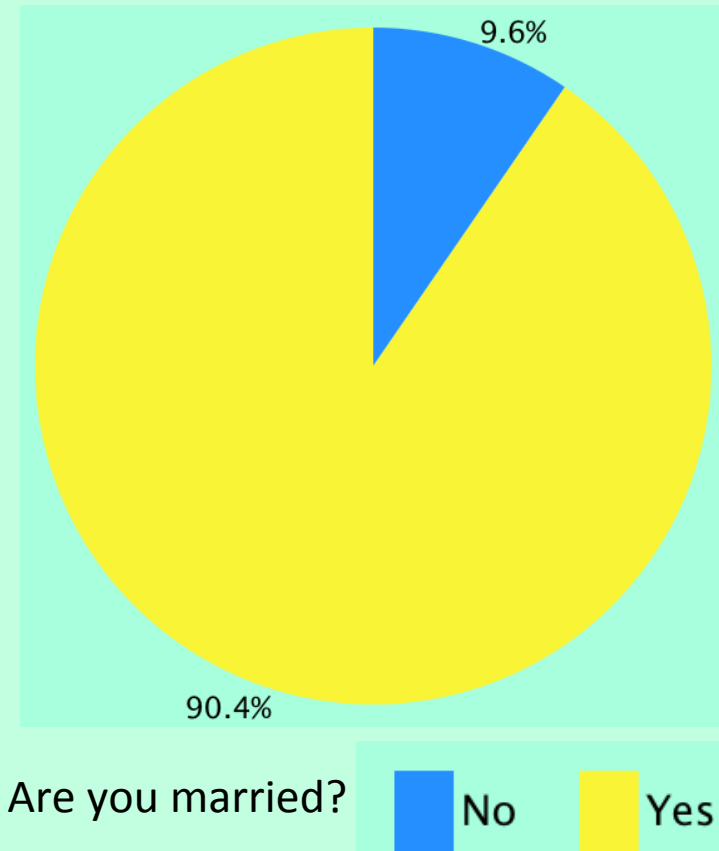
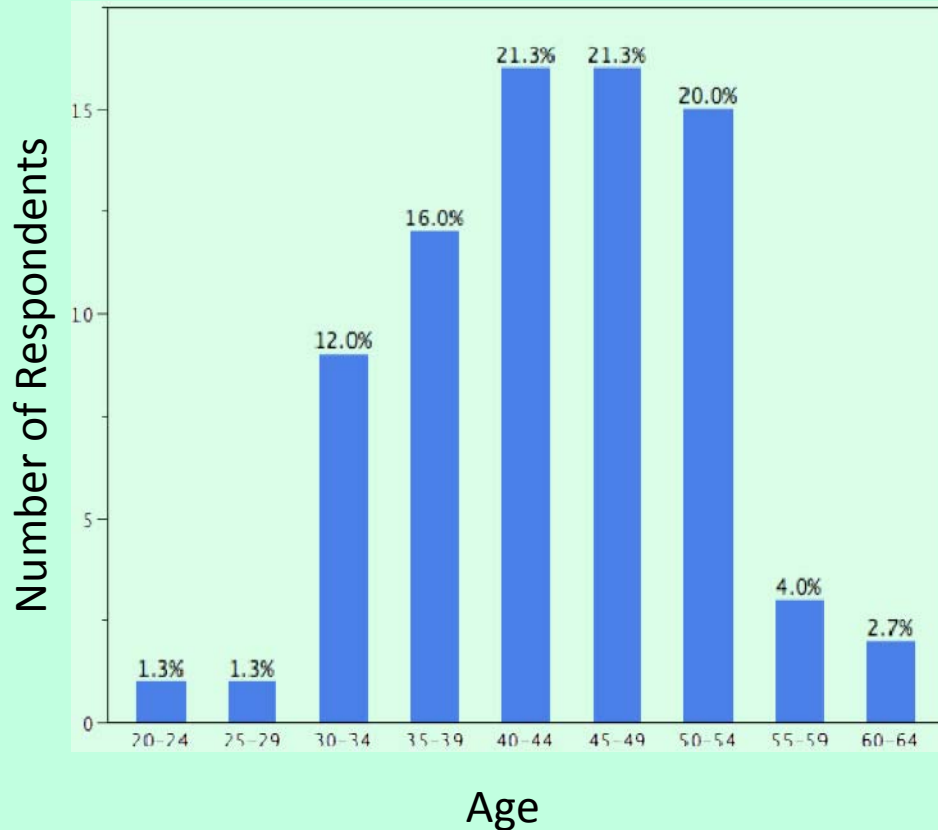
❖ Before “graduating” to \$500 PBU loans guaranteed by WMI, borrowers completed a “graduation” survey to examine the impact multiple loans have had on their business operations and household living standards.

III. FINANCIAL INFORMATION and BUSINESS OPERATIONS

1. Age and Marital Status
2. Monthly Income
3. Monthly Savings
4. Monthly Profit
5. Profit Use
6. Business Seasonality
7. Loan Amount
8. Recordkeeping habits
9. Business growth
10. Help in Business - Paid Employees
11. Family Assistance



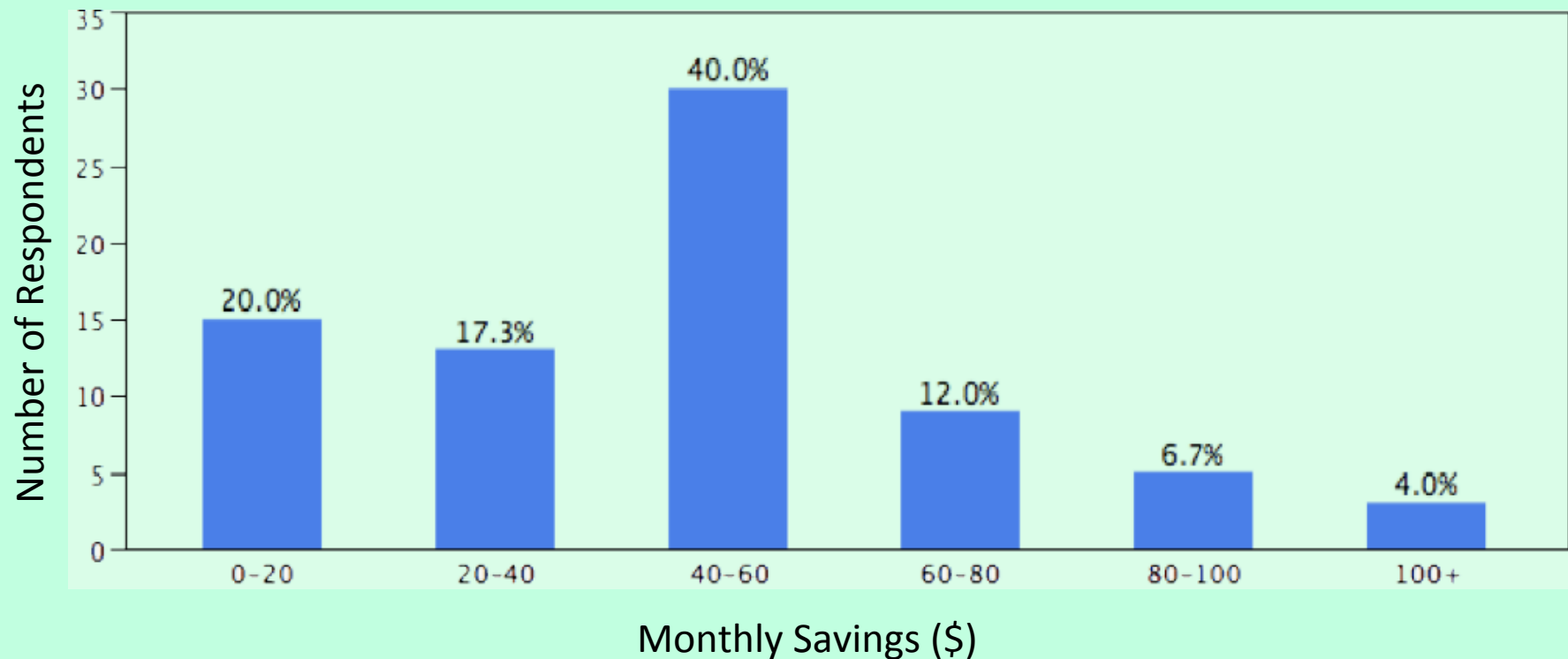
Almost 80% of PBU borrowers are between 35 and 55 years of age; 90% percent of borrowers are married.



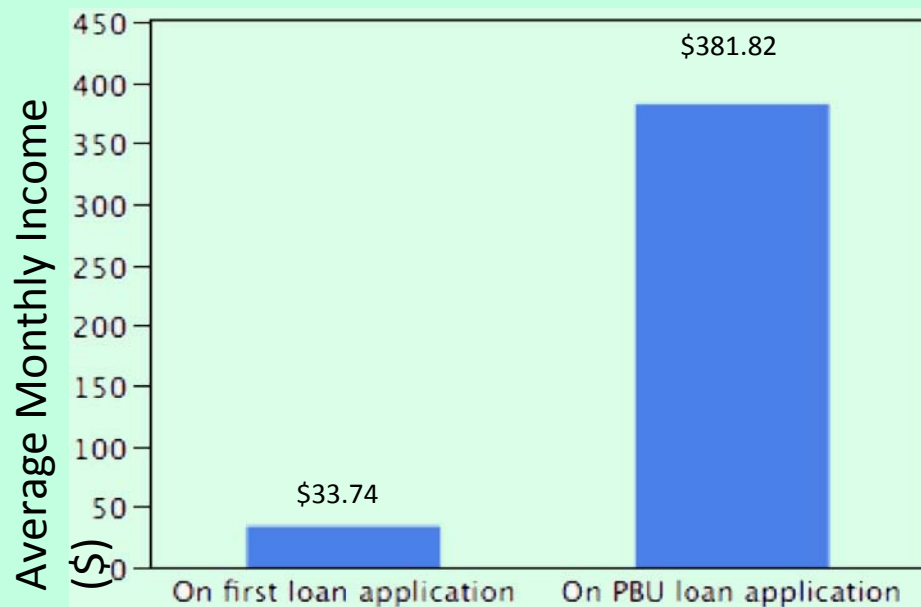
75% of PBU borrowers generated at least \$300 a month in income at the time they obtained their PBU loans.



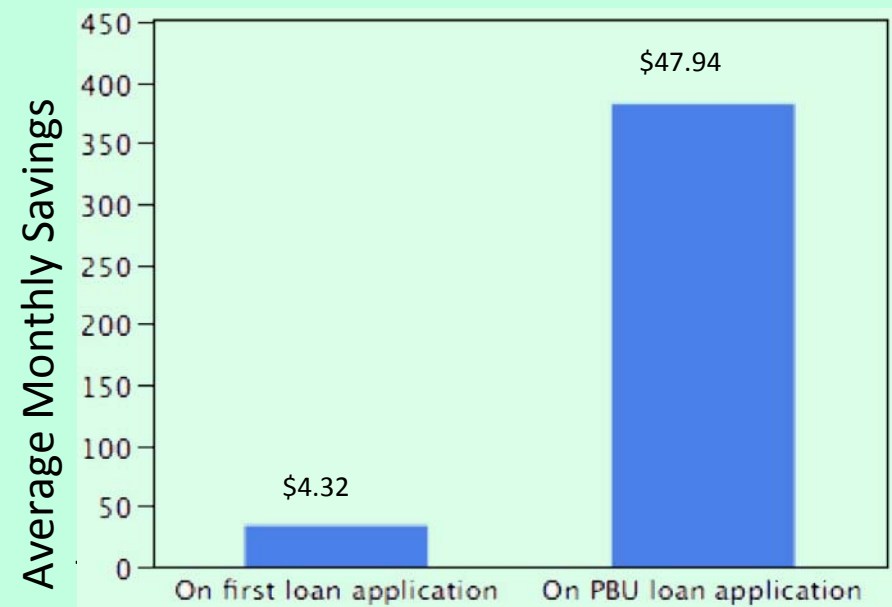
Nearly two-thirds of PBU borrowers reported they save at least \$40 a month.



Average household monthly income and average household monthly savings increased more than tenfold in the two years between PBU borrowers' first WMI loan application and their transition to PBU loans.

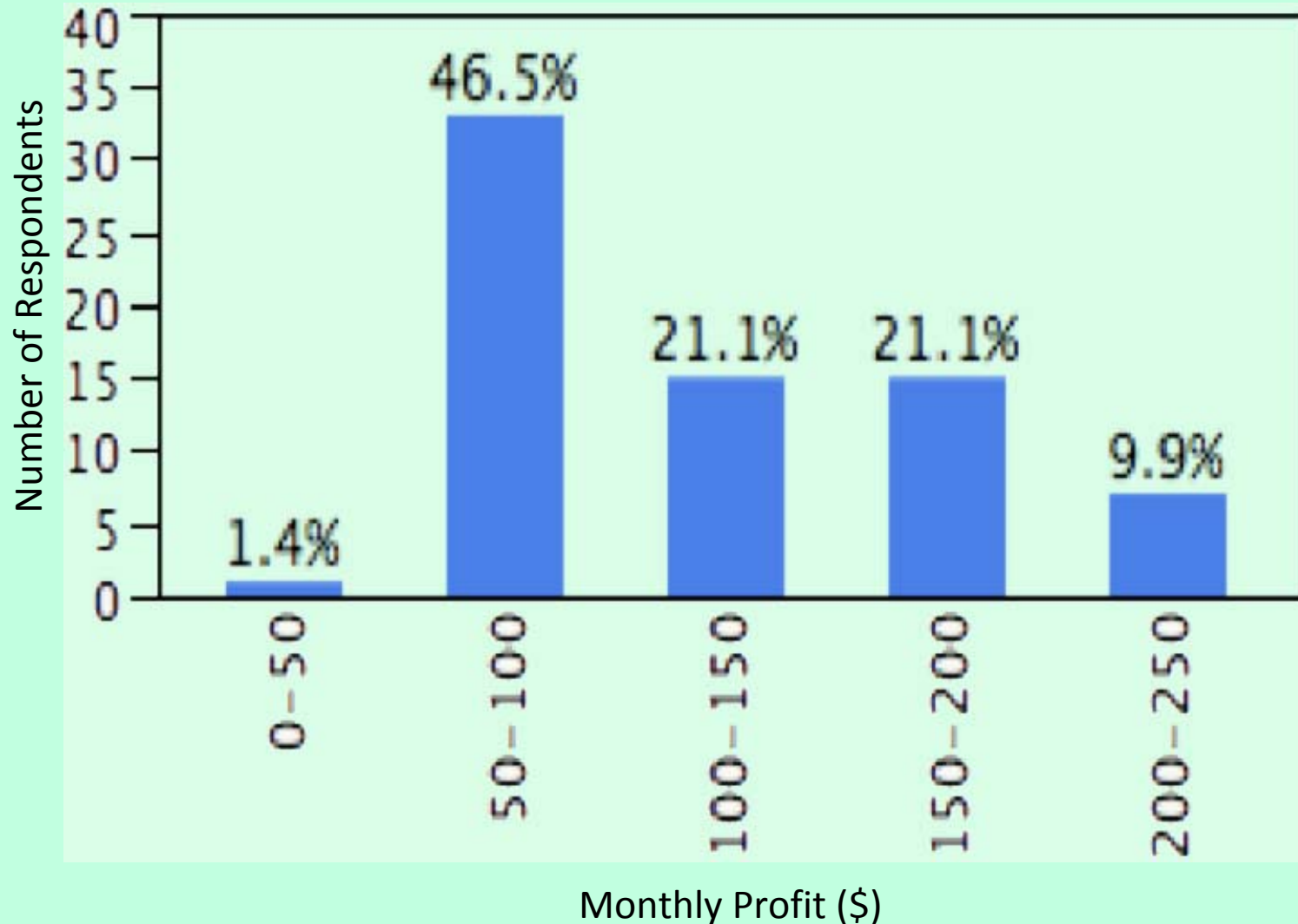


Change in Average Monthly Income

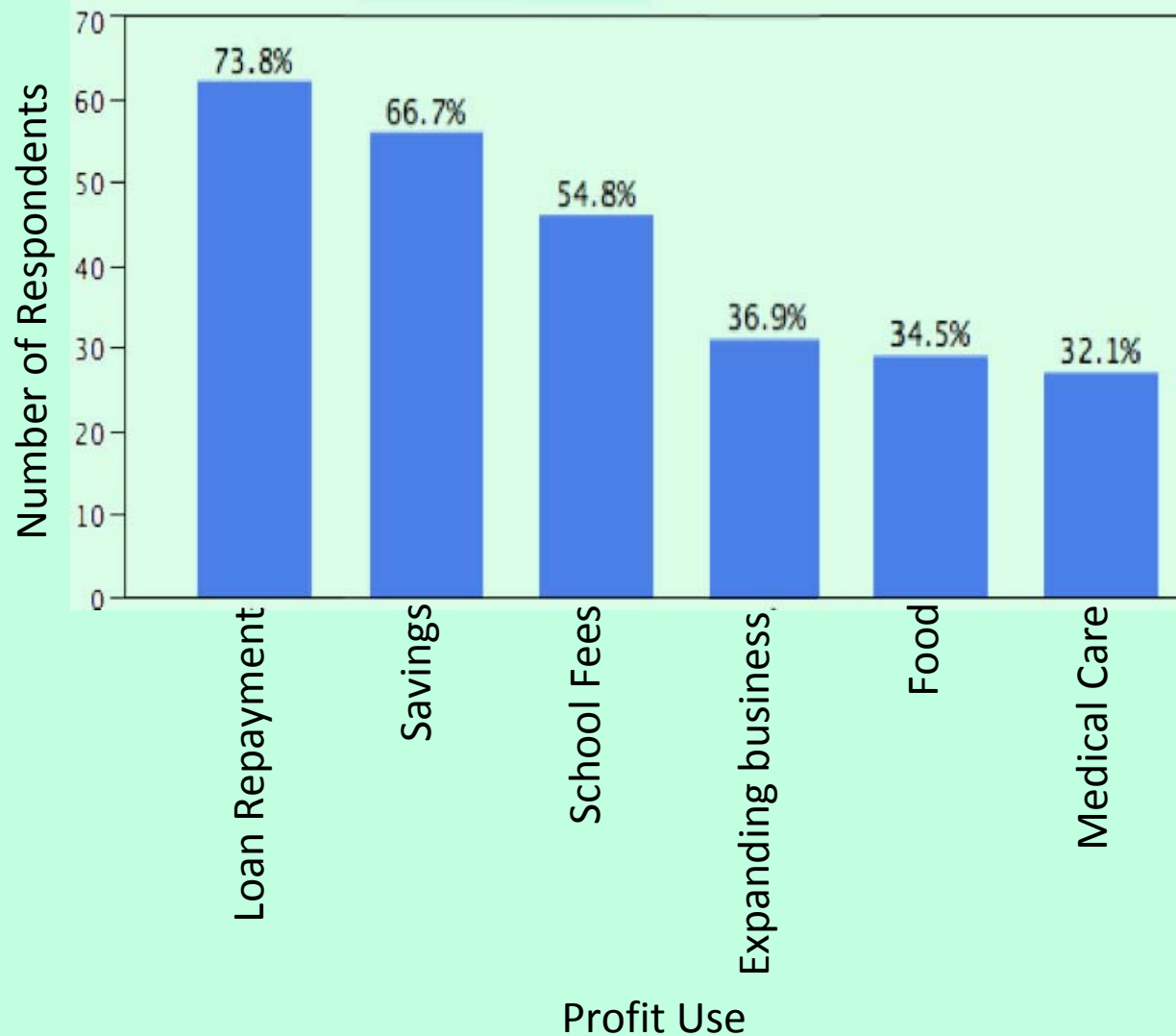


Change in Average Monthly Savings

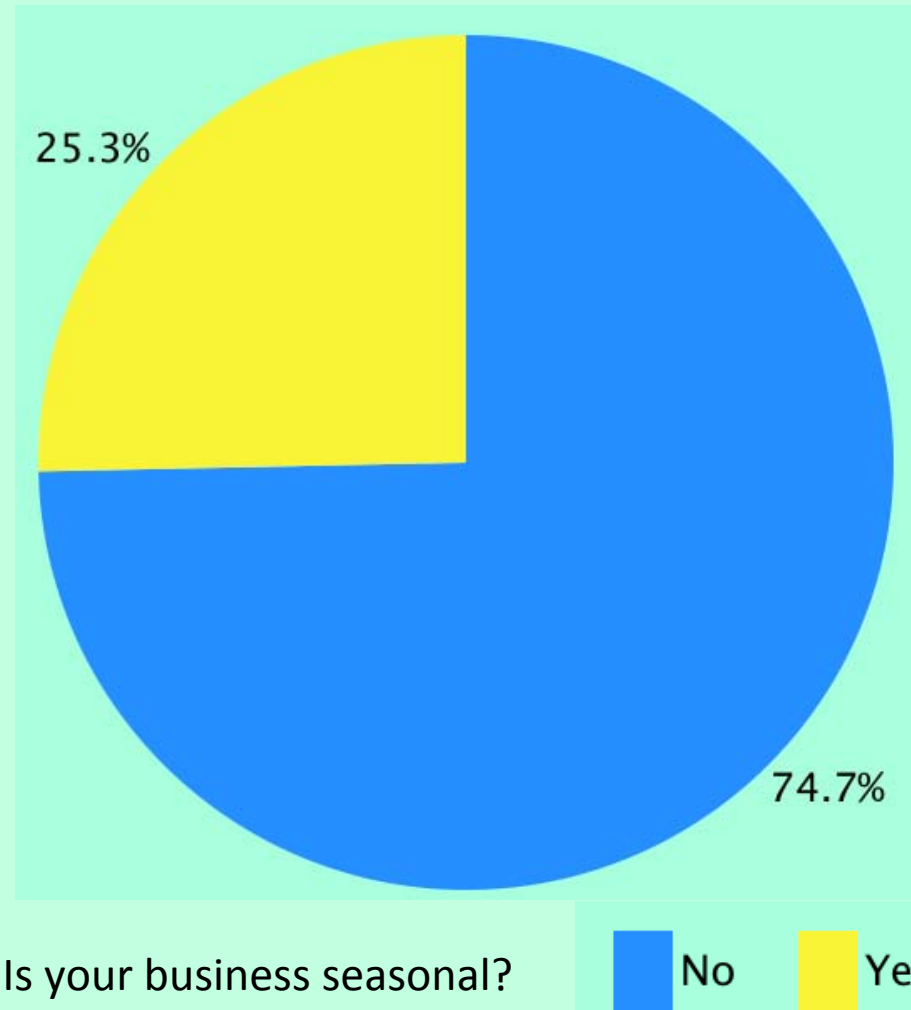
More than half of PBU borrowers reported business profits of at least \$100 a month at the time they obtained their PBU loans.



PBU borrowers report loan repayment, savings, and payment of school fees as their top three uses of profit.



One-quarter of PBU borrowers operate a seasonal business and change businesses during the off-season.

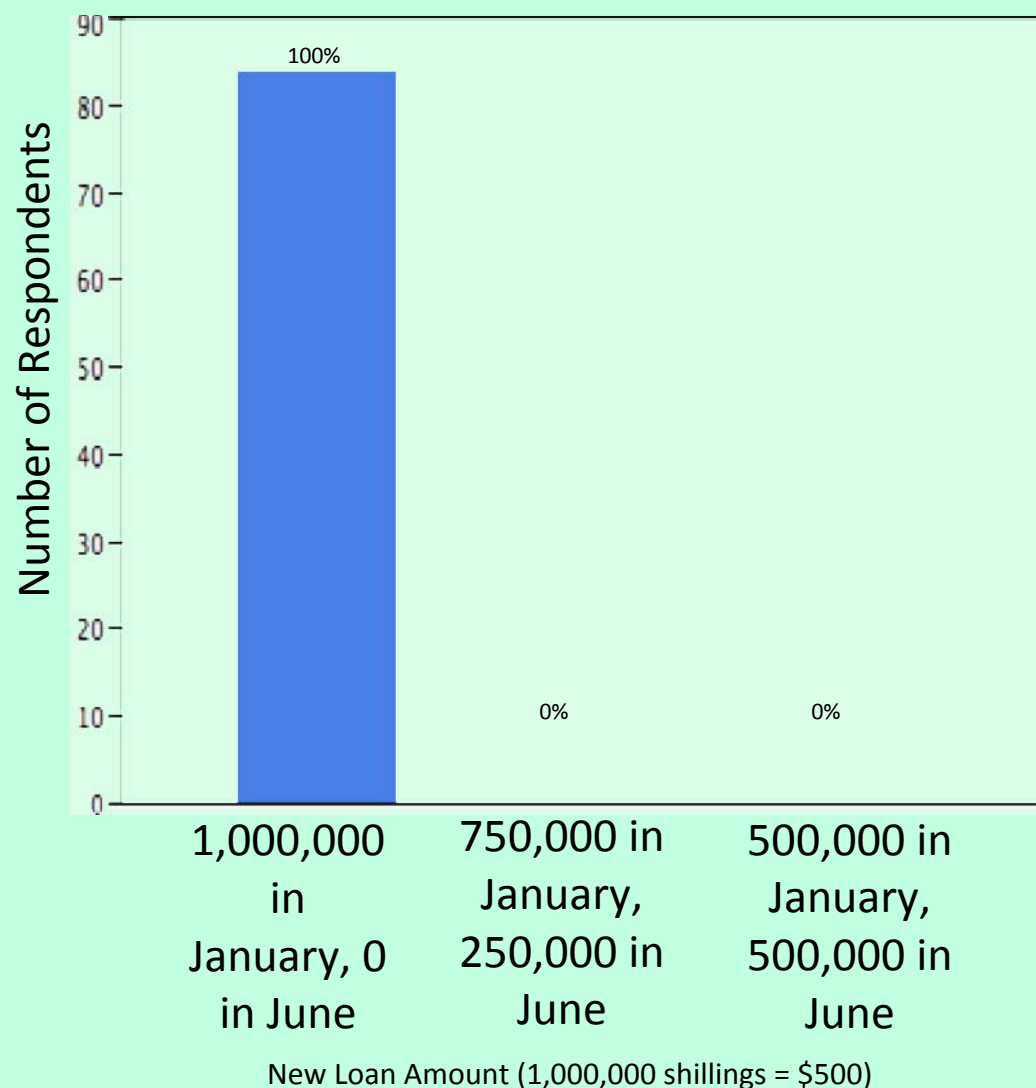


Is your business seasonal?

No

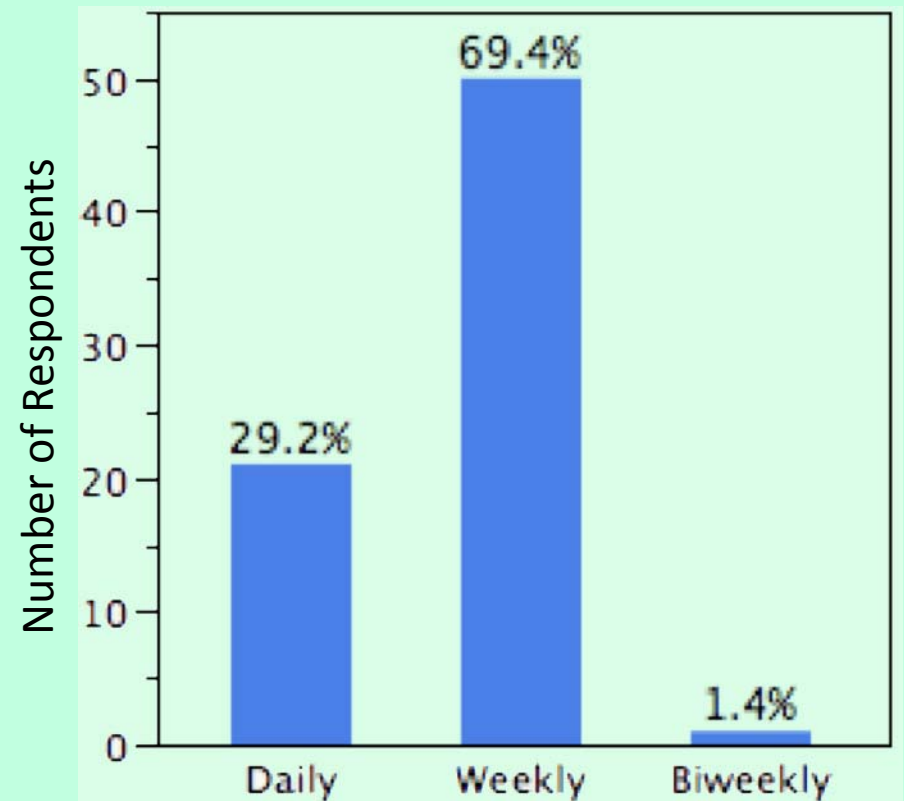
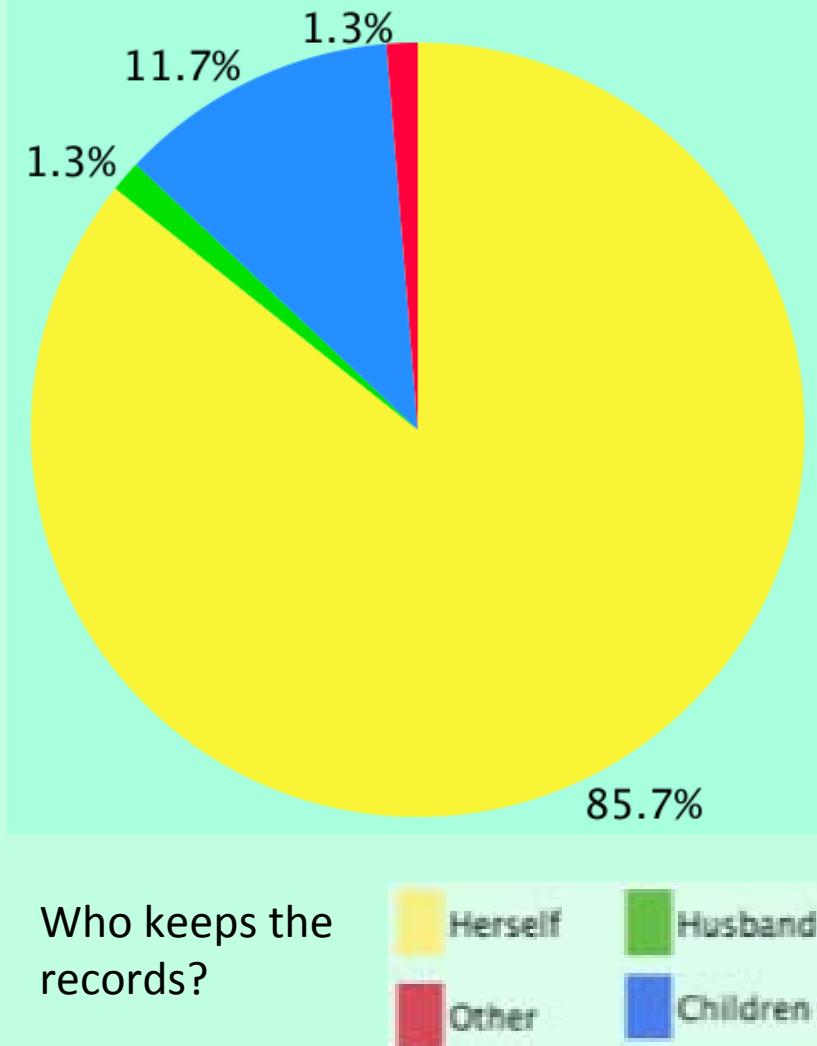
Yes

All the PBU borrowers opted to receive their \$500 loan in one installment, rather than spreading it out over two or three installments.



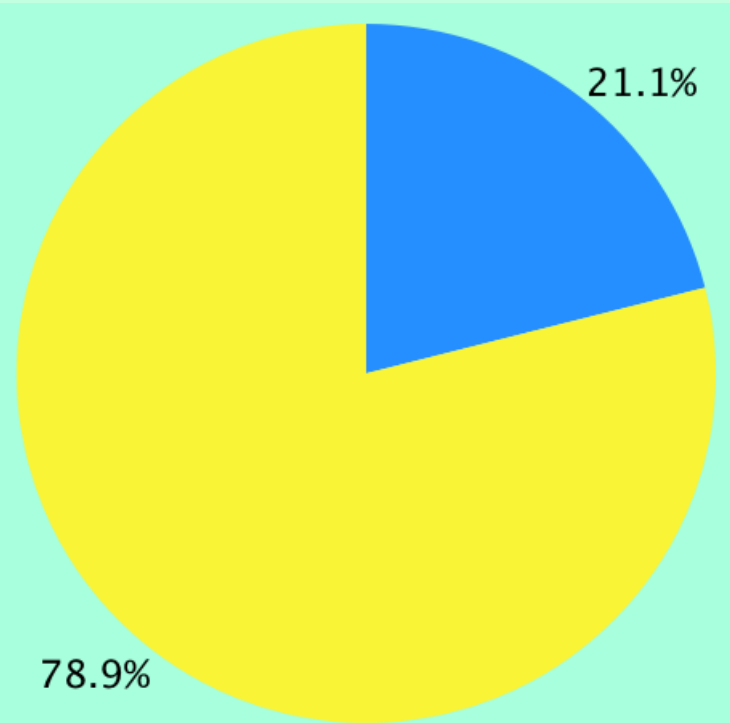
- Borrowers were advised that splitting their loan into two or three installments would reduce the interest owed; nevertheless, all borrowers chose to receive their loan in one lump sum.

More than 80% of PBU borrowers keep their own records; almost 70% update them weekly and about 30% update them daily.



Frequency of Record Keeping

Almost 80% of PBU borrowers report that their businesses have grown. Of those who reported business growth, 85% had increased their business inventory.



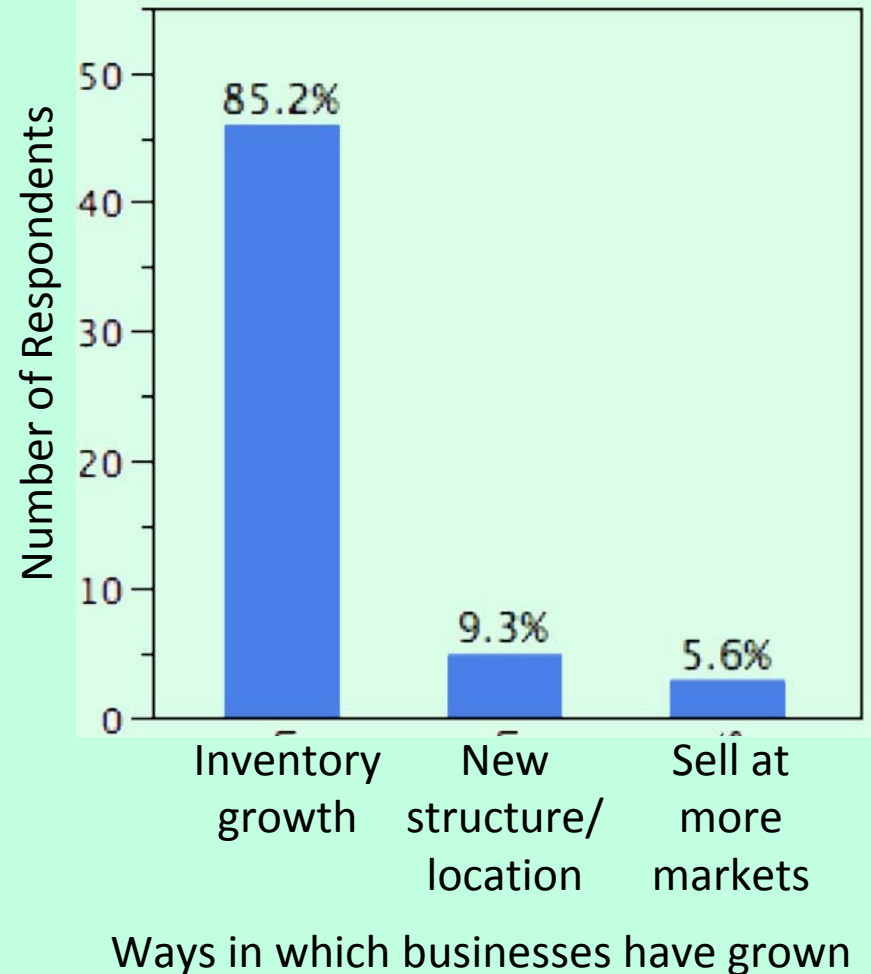
Has your business grown?



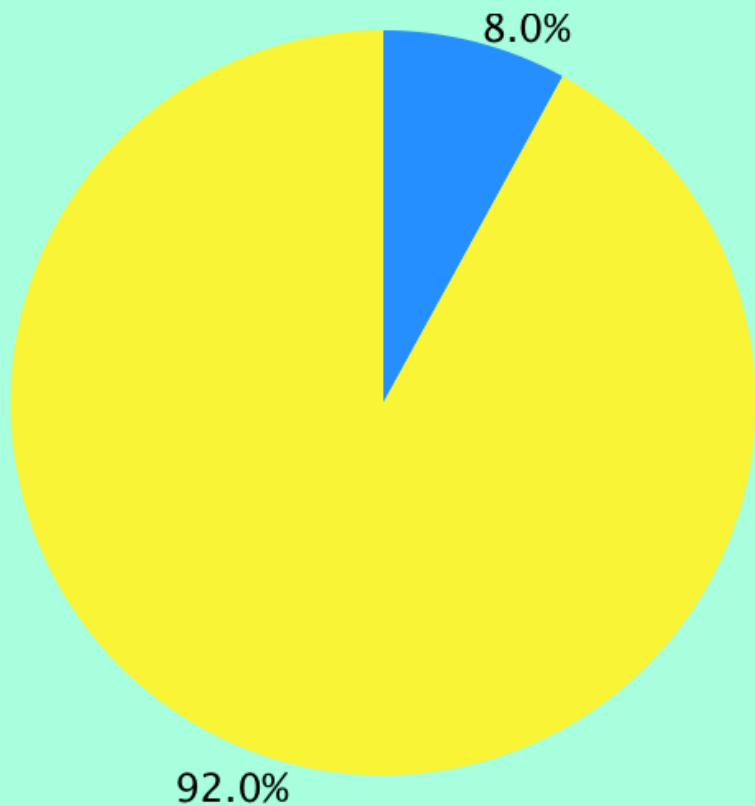
No



Yes



Over 90% of PBU borrowers receive help in their businesses; however, only about one-third of borrowers pay their help.



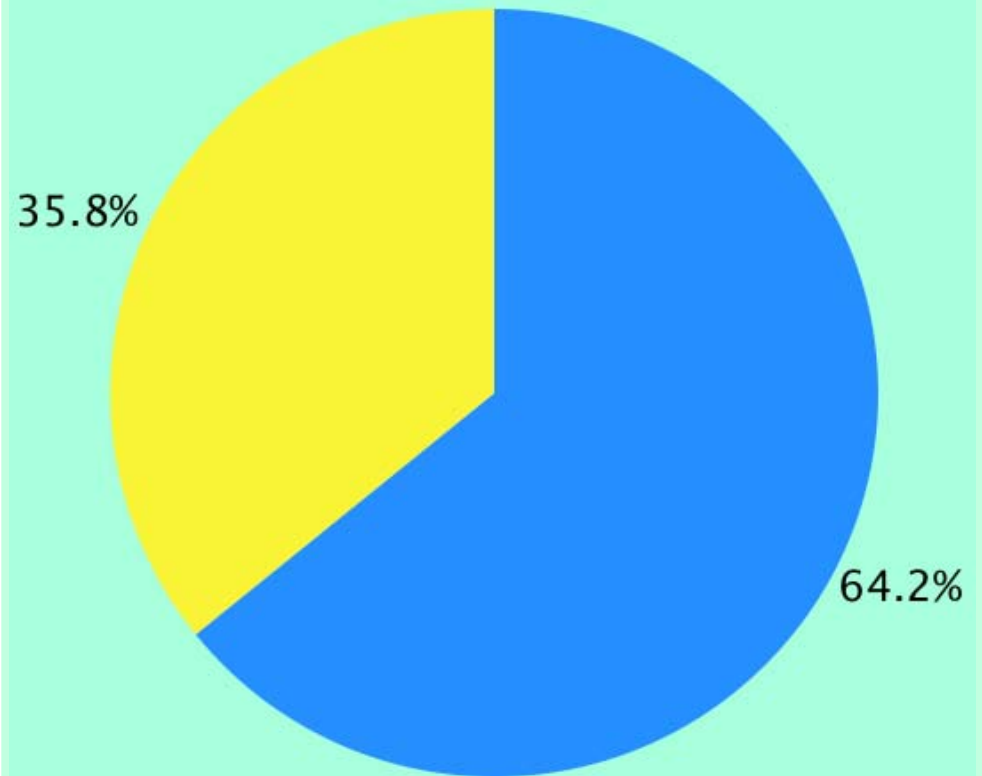
Does anyone help you in your business?



No



Yes



Are they paid?

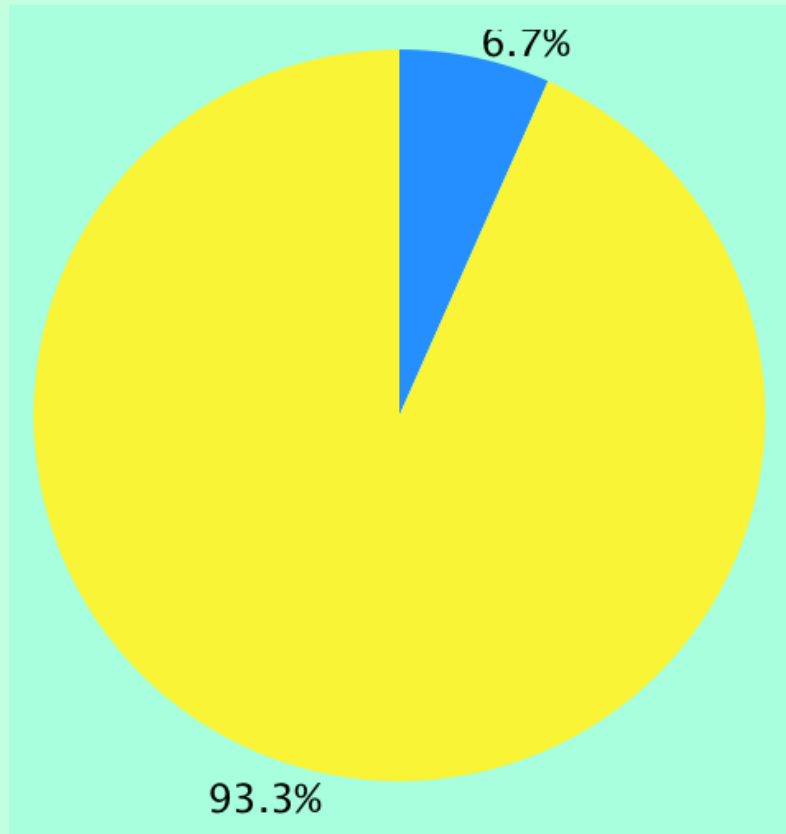


No



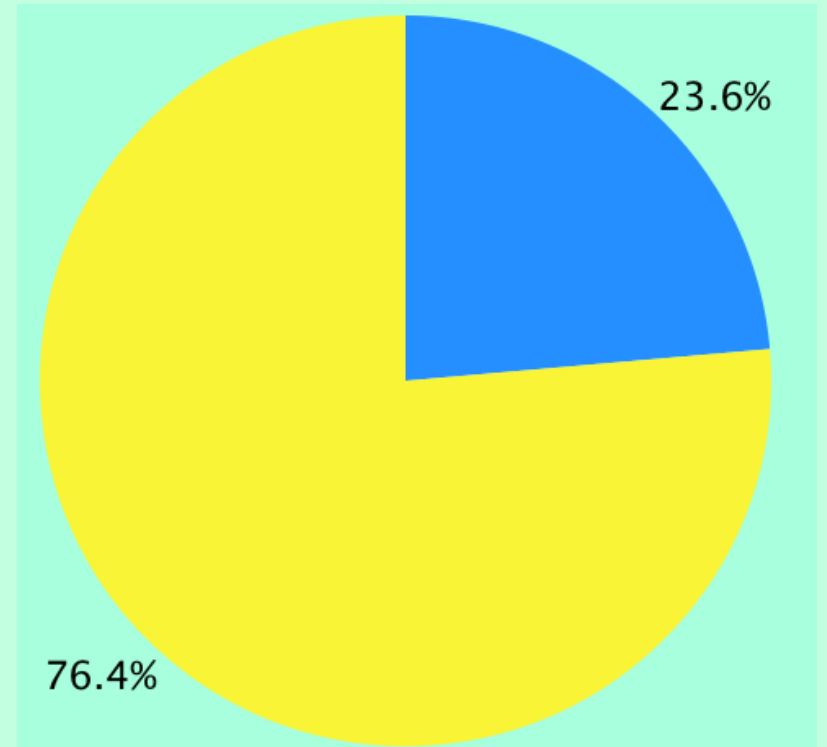
Yes

Most PBU borrowers receive help from their children and husbands in their businesses, indicating that most businesses are family run.



Do your children help?

■ No ■ Yes



Does your husband help?

■ No ■ Yes

IV. TRANSITION TO INDEPENDENT BANKING - SUMMARY

•**Age and Marital Status:** WMI lends to a wide age-range range of women, most of whom are married and have families.

•**Monthly income, savings, and profit:** At the time of their first loans, over 80% of borrower households survived on less than \$1/day, and the majority of borrower households saved less than \$5/month. The majority of borrowers increased savings to \$10/month within 6 months of their first loans. By the time of their transition to a PBU loan 18 months later, about two-thirds of borrowers save at least \$40/month. The WMI loan program helps borrowers increase savings significantly. This can have an enormous positive impact on protecting the household from financial calamity in the face of emergencies.

•**Seasonality:** In order to deal with the seasonality of businesses, borrowers add different business lines as seasons shift. They are attuned to the need to respond to market conditions. Sales typically increase during the harvest, when people have more income, and during holidays, when people spend more readily.

•**Records:** A majority of PBU borrowers report keeping their own records. Borrowers also report keeping them on a very regular basis – nearly 99% update records daily or weekly. This is remarkable in light of the high rate of illiteracy among borrowers. The WMI loan program places a huge emphasis on record keeping and provides training and a user-friendly template.

•**Assistance with business:** After their first 6-month loan, 17% of borrowers hired paid employees; after their fourth 6-month loan, about 35% of borrowers hired paid employees. Almost all businesses reported that unpaid family members, mainly children and husbands, helped with their businesses. This phenomenon of the family run business can have long term positive benefits for the entire household. It improves domestic harmony and provides children with a valuable learning experience and business skills. Payment of school fees is a top parent priority. Parental emphasis on education coupled with the resources to pay for it, plus the potential of inheriting a thriving business, improves the outlook for the future for borrowers' children.

