

# The Impact of Microfinance on Women Borrowers' Livelihoods: A Case Study of BRAC Kabarole District, Western Uganda

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## Abstract

This study examined the experiences of poor women borrowers involved in BRAC microfinance initiatives in Kabarole District. Drawing upon empowerment theory, a cross-sectional study design was employed, with data collection conducted through interviews, observation and key informant interviews. Information was obtained from women borrowers who were selected through convenient sampling whereas interview guides were used to obtain key information from four group leaders and BRAC officials who were purposively selected. The study discovered that although, BRAC loans largely benefited women borrowers with multiple income sources, the expansion of accessibility to loans for women in far flung districts like Kabarole is economically empowering to women borrowers and increases women's economic agency and productivity by providing highly needed capita for expansion. Access to BRAC credit facility has also improved women's array of choices, improved their participation in decision-making, expanded their businesses and increased their appetite for individual loans which were previously seen as a masculine attribute. However, several challenges impeded the successful utilization of BRAC microfinance services by women. These included negative group dynamics, short repayment periods, and increased workloads for women, which reduced productivity. Additionally, some women misallocated their loans to address household needs, such as children's school fees and house renovations. In light of these findings, it is recommended that BRAC bank evaluates these challenges and develops mitigation strategies to fully empower women.

**Keywords:** women borrowers, empowerment, microfinance, decision-making, loan repayment, financial services, women entrepreneurs

## Introduction

Microfinance is the provision of small loans to the poor, particularly women, with the aim of lifting them out of poverty (Bateman, 2010). This study draws on Yunus Mohammed's definition of microfinance, which was adapted to mean small loans offered to poor people, especially groups of women, to enable them to undertake income-generating employment and provide for themselves and their families (Karim, 2013). It therefore targets the informal sector comprised of small and micro-enterprises, which are located in urban and semi-urban areas (Karim, 2013). Microfinance originated in Bangladesh in the early 1970s, when women's movements in a number of countries became concerned about women's endemic high levels of poverty and their inability to access credit (Mayoux, 2009). Several organizations in Bangladesh,

with their roots in women's and labour movements, viewed enhancing access to credit as the key to the success of their work and improved livelihoods (Bateman, 2010).

Access to credit is by all intents aimed at alleviating poverty. Poverty is a universal phenomenon that is prevalent in developed as well as developing countries, with 83.7% of the world's poor residing in Sub-Saharan Africa (62.8%) and Central and Southern Asia (20.9%) (UN Women 2022). Data also shows that 80% of the global poor live in rural areas (UN Women, 2022 and World Bank, 2018). Although available data shows that women have higher poverty rates than men, the percentage differences are not very big (UN Women, 2022; World Bank, 2023). Global poverty, worsened by COVID-19, has complicated livelihoods through greater mortality, widespread suffering, higher unemployment and even more poverty (World Bank Group, 2021) as well as access to credit. Access to credit enhances the capacity of the poor to fight poverty through income generation, improves livelihoods, and gives women equal rights and healthier lives (Yin; Chen; Zhou; Chen and Liu, 2023; European Investment Bank, 2019). Access to credit is therefore a crucial ingredient for achieving Sustainable Development Goals 1 (no poverty) and 5 (gender equality), and microfinance have a key role in improving women's access the credit.

In developed countries, a recent study by World Bank (2018) concluded that although the repayment rate among women borrowers was slightly higher than among men borrowers, microfinance has failed to take off in Canada because poor borrowers are wary of forming groups of mutual liability. Similarly, in the United States of America, microfinance has yielded decidedly mixed results (Bateman, 2010). Available evidence from studies done by Karim (2013) in Asia concluded that, while households accumulated more assets initially, this did not continue. Mayoux (2009) affirmed this by adding that microfinance has both positive and negative impacts notably, increase in poor people's savings, accumulation of assets, and increase in borrowers' expenditure. Another issue is gender oppression where most microfinance institutions deliver financial services through field workers or loan officers, who are typically male (Bateman, 2010).

In Sub-Saharan Africa, especially in conflict areas, poverty remains high (World Bank, 2021). In those areas the provision of microfinance services to the poor especially women (those earning less than \$12 per day), in particular small loans of \$50–\$1000, has been hailed by advocates as an effective poverty alleviation and development tool (Mayoux, 2009). This is mainly because women are more likely to reinvest their loans for the betterment of their families more than men who tend to invest in assets (Mayoux, 2009). This is in line with Kabeer's (2012) assertion that empowerment involves gaining the capacity to earn an independent income, being able to make choices and decisions concerning oneself, family and community.

In Uganda, poverty is pervasive across the country. The pervasiveness of poverty was made worse by the impact of COVID-19, which affected women disproportionately. Economic growth slowed to 3.5% in 2021 from an average of 6% growth rate before COVID-19 in 2021 (Macro Trends, 2023) before an upturn to 4.6% in 2022 (World Bank Group, 2023). Livelihoods and small businesses were hit further by a 10% reduction in remittances, a key livelihood source. UNICEF (2021) reported that, as a result, nationally, poverty increased from 18.7% to 21.9%, with rural areas posting a higher poverty rate (29%) compared to

urban areas (11%). In addition, many Small and Medium Enterprises (SMEs) closed, especially those owned by women during and after the first and second COVID-19 lockdowns in 2020 and 2021 (World Bank 2021). A total of 45% of women owned SMEs reported a complete stoppage in sales, compared to 39% of those owned by men. The case for credit has never in support of women-owned businesses keeping afloat in order for their household members to have functional livelihoods. Generally, women, both rural and semi-urban, represent more than one-third of all people in entrepreneurial activity in Uganda (UBOS, 2019). Therefore, the need for poor people especially women to access credit in order to improve their entrepreneurial activities is not debatable (Ninsiima, 2014). This is because women can achieve economic empowerment through access to finance through credit facilities (Mayoux, 2009). Such credit can be secured from microfinance institutions.

Microfinance has been in operation in Uganda from as early as 1923 (Kyazze, 2010), with women forming the bulk (89%) of borrowers, against their male counterparts (UBOS, 2023). Women's acute lack of assets that would act as collateral for commercial banks like land (26%), houses (28.1%), livestock (28.1) or buildings (22%) (UBOS, 2018). This generally leaves them unable to borrow from the strict and rigid commercial banks which condemns them and their small businesses to economic stagnation. Ninsiima (2014) however highlights the flexibility of the various types of loans offered by Savings and Credit Cooperative Organizations (SACCOs) and microfinance institutions, for example: individual business loans, group loans, agricultural loans, and energy loans. Microfinance loans have significantly empowered some women economically, in acquisition of assets (mainly poultry, piggeries, and beds with mattresses), and in terms of decision-making for women entrepreneurs for their micro-enterprises (Mukoki and Namuyanja, 2021; Kyazze, 2010; Lakwo, 2006).

In Kabarole District, Western Uganda, where this study was conducted, women constitute a third of the people in the male dominated informal sector (Kabarole District Local Government, 2015). They participate in trading and services, operating in traders' markets, homes, small rented rooms, semi-permanent wooden structures, and engage in hawking from one place to another and street vending, to mention but a few. Such small businesses are a prime target for microfinance services. Despite women's economic involvement, the number of people living in poverty remains high in Tooro region including Kabarole District with more women (52%) than men (48%) living in poverty (UBOS, 2019). With this dire livelihood situation, women in Kabarole needed a source of financing to expand their small businesses and be able to grow. This makes the presence of microfinance institutions like BRAC a viable option.

BRAC Kabarole, is part of a larger BRAC Uganda Microfinance institution that has transformed itself into BRAC Uganda Bank Limited (BUBL) on 25 April 2019, after obtaining a charter to operate as a bank that provides services including small loans, micro savings and insurance (BRAC, 2019). BRAC commenced microfinance operations in Uganda in 2006 with a mission to help women out of poverty and improve their livelihoods. BRAC Microfinance was founded in Bangladesh in 1972 as the Bangladesh Rural Advancement Committee (BRAC) by Sir Fazle Hasan Abed, with the aim of offering credit to the poor (ibid). Today, it is the largest NGO in the world measured by the number of employees and number of people served (Bateman, 2010). BRAC's core microfinance product is a group loan, while individual loans products are designed to support women's enterprise growth (BRAC, 2019). Borrowers operate businesses that provide goods or services to their local communities.

BRAC microfinance credit scheme uses the microfinance groups as a social platform to deliver scaled up services and products in health, education, business development, and livelihood support, agriculture, poultry, and livestock to the youth and women, all of which are critical to give people the opportunity to break the vicious cycle of poverty (Bateman, 2010). Thus, empowerment, as a process, occurs both at an individual and collective levels through group involvement (Mayoux, 2009). It should be noted that, while BRAC's microcredit scheme mainly lends to women, the Small Enterprise Programme (SEP) allows male borrowers (Marcella, 2013). A study conducted by Lakwo (2006) revealed that in Uganda, microfinance has had both positive and negative impacts on the incomes of poor people. For example, the longer a client was involved in a credit scheme, the worse their business profit tended to become. This highlights the need to better investigate how microfinance credit schemes could increase business profit for (Karim, 2013).

This paper thus assesses the livelihood experiences of BRAC women borrowers by examining the changes in their income, productivity of the money borrowed, levels of individual savings, acquisition of property, and impact on gender relations.

### **Methodology**

The study utilized a qualitative approach, with data collected from four women groups of Mukonomura, Mbuzi Tukorrehamu, Kagote After Seed and Rwengoma, that were benefiting from BRAC loan services. A total of 108 group members were selected from the four groups using convenience sampling where each group presented 27 members. Convenience sampling provides a quick and easy way to gather data, as the sample is selected based on the individuals that are readily available (Alvi, 2016). Therefore, the lists of BRAC borrowers in Fort Portal Municipality and Karambi sub-county was obtained from BRAC Kabarole branch office. Based on the lists, the researcher randomly picked four women groups – two groups from Fort Portal Municipality and two from Karambi Sub County, comprising of 150 women borrowers. That list of 150 women borrowers acted as the sampling frame and it is upon that number that the researcher used to come up with the desirable sample size. Key information was obtained from four BRAC staff, and four chairpersons of the four women groups that were purposefully selected. The group chairpersons were presumed to have relevant, balanced and objective information about BRAC activities and borrowers. The women borrowers knew and outlined the challenges that they went through regarding payment plans. They gave information on leadership, collection and remittance of BRAC money to the microfinance credit organization. The BRAC officials gave authoritative information on policies of credit product and women's experiences as regards to paying their loans. An interview guide was used as a tool to collect information from the key informants.

Data was collected using a number of techniques, notably, in-depth interviews using interview guides, observation and key informant interviews in order to discover meanings and patterns of relationships. An interview guide was used as a tool to collect information from the key informants. Data were analysed by content analysis along the themes of the major variables in the study e.g. varying gender relations, livelihood patterns, household types, trading etc. Broad categories were developed to differentiate and describe the ideas expressed by respondents. These broad categories were further broken down to indicate the varying types of livelihoods and gender relations in different households and how both relate to broader structural changes at local, regional, national and global levels.

### **Ethical Clearance**

During data collection, the study took into consideration the common ethical principles such as obtaining permission and a covering letter from the School of Women and Gender Studies Makerere University as well as obtaining permission from the area manager of BRAC bank, Fort Portal branch. Actual names of respondents have not been used to ensure anonymity and privacy of the respondents, seeking the informed consent of the respondents, confidentiality of information, and the privacy of respondents. All participants were made aware of the voluntarily nature of the research and given an informed consent form stating reasons for the research, and what the information provided would be used for. Consent forms accompanied data collection tools, where participants were made aware of their right to withdraw from the study at any time.

### **Limitations of the Study**

It was not easy to interview a large number of respondents on the agreed days during their weekly meetings due to time constraint. Some of the respondents were not readily available, as they were either busy attending to their small businesses, other roles such as cleaning, cooking and washing, while a good number of borrowers had dropped out of the program. As a mitigation, several appointments had to be made. Furthermore, because credit and finance are a sensitive, some respondents were not convinced that the researchers were not employees of BRAC. They were not willing to disclose the information about their businesses. A few borrowers refused to attend to the researchers, while a few others ran into hiding in fear that they could be arrested. In order to mitigate this challenge, the responsible group chairpersons were requested to talk to the concerned women borrowers prior to the meeting days. Even then, some respondents could not be got at all which reduced the respondents to 102 borrowers instead of the 108 planned respondents.

### **Findings**

#### **The experiences of BRAC women borrowers' in regard to their livelihoods**

This paper assesses the livelihood experiences of BRAC women borrowers by examining the changes in their income, productivity of the money borrowed, levels of individual savings, acquisition of property, and impact on gender relations.

#### **BRAC credit facilities**

The credit facilities offered by BRAC microfinance, which were accessible to women, included the group-based micro loans as well as the individual loans. The study was however limited to group-based borrowers of BRAC microfinance credit schemes. BRAC offers a group lending model that provides individual loans to women who must members of a Village Organization (VO). The VOs in the study had, on average, 30 women borrowers. Consequently, groups with larger numbers were divided. The key informants highlighted that each VO had a chairperson and a small committee. When starting a group in a new area, a survey is done by BRAC's Credit Officer (CO) to determine the potential for new borrowers. The BRAC manager, area managers and COs were in charge of expansion of BRAC activities in new areas by fostering VO formation, registration, and admission of women into the program. When a new area is deemed viable, a new branch is established. Then, the COs go door-to-door to inform women about the microfinance program and encourage them to form groups. New groups, then, select their leaders (a

chairperson, secretary and cashier), choose a group name, and decide where they would hold their weekly group meetings.

At the weekly meetings, the group's CO explained BRAC's policies and processes. After a VO has been established and has been in existence for some time, old members brought new ones. For all new members, there is a mandatory one-month period of orientation before receiving the first loan. A new member is introduced by a seconder into the VO and has to present herself and her motivation for joining the group. Membership acceptance is based on how existing members assess the risk of default by the new member. Because individuals often have more detailed information about their neighbours, self-selection allowed individuals to filter out high risk borrowers and partner with others who have similar risk profiles (Marcella, 2013). This process leaves out the poor women who do not meet the standard guidelines set by BRAC microfinance credit scheme. Moreover, women need financial services tailored to their needs, and most of all, should be enabled to participate in economic decision-making (Kabeer, 2012).

Upon acceptance into the VO, the new member would receive three independent inspections of her home and business by the VO, the CO, the branch manager, and the area manager. The inspections are conducted to confirm the physical existence and location of the woman's residence and business and to assess her ability to pay the weekly instalments. When the team is satisfied, the group members may sign a group resolution of admission into the group and the COs will sign the BRAC admission form.

Upon admission, the new member had to produce an introduction letter from the chairperson of her village, provide three passport photographs and physically present herself to the group. Additionally, she must have a guarantor (usually her husband) who will be responsible for loan repayment in case loan recovery from group members failed. Payment of 2,000 Ugandan shillings as membership fee is another requirement, which entitles a member to a passbook, where weekly remittances are recorded, and a national identification card. The final step of admission occurs at the branch office, where the new member and guarantor present themselves at a session chaired by the area manager. During this session the applicant pays an annual registration fee. Loan applications are guaranteed by every member or most of the members of a particular group. Loan amounts must also be agreed upon unanimously by majority of the members. Authorised microloans are disbursed in cash to individual women at the branch.

To access a loan, borrowers had to meet the aforementioned requirements, including the need for a guarantor, who had to be either one's husband for married women or a female borrower for single or widowed women. It is important to note that some women have been able to make choices that they would not make if they did not have an income. However, reports from some of the key informants revealed that a significant number of women borrowers, upon securing BRAC loans, handed the money over to their husbands. This significantly impacted their businesses and loan repayments because their husbands were not willing to support them. Another borrower from Mukonomura group complained about her husband who wanted a portion of the borrowed money. She thus had this to say:

*Before joining BRAC, I requested my husband to sign for me as my guarantor. He even went ahead to negotiate this stall for me from the owner, (where the business is). After three weeks, he started*

*demanding money for drinking, complaining that I was misusing the money. In the end I had to leave him and live my own life, (Betty, November 2019).*

This reflects a positive trend whereby women in partnership with their husbands can spearhead development which is a sign of empowerment. Other borrowers lacked full control of the proceeds from the bank because their husbands, who acted as their guarantors would claim a portion of the borrowed money. A 40 year old tailor from Butebe Trading Center said:

*Whenever I get a loan, my husband who is my guarantor gets a portion of it. Most of the money I make in this shop is taken by my husband who decides on its use. This has brought peace in my marriage and has enabled me to continue as a client of BRAC. (Kabakidi, October 2019).*

The findings show that exploitation of women is one of the manifestations of patriarchy which have not been fully challenged by women and sometimes perpetuated by the women themselves yet it affects their empowerment process.

The key informant interviews further revealed that members shared the responsibilities of running the group activities, which involved collecting loans, chairing meetings, and ensuring discipline among group members. This was done by changing of leadership positions after a loan cycle in most groups. This was reported to have contributed to creating openness, improving transparency, numeric skills, and leadership skills which increased the participation and confidence of the group members in the activities of the group. This is one of the aspects of microfinance that originated with Grameen Bank in Bangladesh (Schuler & Nazneen, 2018).

According to the four group chairpersons, to become a member of a group, one had to meet the following criteria: 1) own a business, 2) be a permanent resident of that particular area, or 3) if the person was renting in that particular area, she should have stayed there for five years — a period long enough for one's business to have grown. When asked about the procedure for a member to secure a loan, another woman borrower in Mbuzi Trading Center stated:

*For one to secure a loan, you have to ask for approval from the members - if they accept you automatically qualify for the loan. In case they do not trust you, you have to wait for some time until they are sure they can trust you. This is because, in the past, people used to run away and we suffered paying the money they took (Kakyo, October 2019).*

The fact that most credit officers were female reduced distrust among some borrowers' husbands. Additionally, the advantage of group lending with joint liability for loan recovery emerged because women admit women they know well into their groups. This allows them to utilize their social ties to screen new members, monitor the process, and ensure loan repayment by group members. However, these stringent collateral demands tend to leave out the very poor, particularly those below the poverty line, since they do not own businesses but engage in agriculture. Karim (2013) underscored this when he observed that rural women's access to financial resources is limited by biased lending practices that emerge when financial

institutions in the area consider them smaller, less experienced and therefore less attractive to clients. This contradicts the empowerment process.

However, the criteria of borrower's self-selection for new members allow individuals to filter out high risk borrowers and partner with others who share similar risk levels. This limits the inclusion of a significant number of women who do not meet the criteria for joining a group, leaving them excluded.

This process results in the exclusion of impoverished women who fail to meet the stringent criteria established by BRAC's microfinance credit scheme. As pointed out by Karim (2013), rural women encounter obstacles in accessing financial resources due to biased lending practices adopted by local financial institutions, which perceive them as smaller, less experienced, and less appealing clients. This exclusionary approach contradicts the empowerment process, which, as observed by Kabeer (2012), is meant to transform those who have been denied the ability to make choices and regain their capacity.

Individual bank loans, which were still relatively a new facility, were welcomed by a section of women who wanted larger loans to expand their businesses. This was because BRAC, until 2019 when it transformed into a bank, had primarily provided small group loans (BRAC, 2019). Some women expressed their readiness to withstand the seemingly unfavourable bank terms like the high interest rates and high collateral demands such as a car log book, and land as long as they could access bigger loans which they thought would expand their livelihoods. This ability and preparedness to withstand foreseeable challenges was seen as a male attribute, but due to women's exposure, as a result of access and use of BRAC's credit facilities, clearly shows a shift in some women borrowers' attributes, where some women are able to experience a level of freedom and are able to make certain choices once they have a livelihood. Indeed, empowerment is "a process of challenging existing power relations and of gaining control over sources of power" (Zimmerman, 2012).

### **Voluntary saving**

To examine the benefits of BRAC on women borrowers' livelihoods, we assessed the weekly savings of women borrowers to establish the different levels of savings among them. Respondents who did not save anything explained that they were incapacitated by weekly payments to BRAC microfinance and, that they had used the money to solve their immediate needs such as payment of school fees for their children, renovating a house, to mention but a few as already discussed above.

In an interview with a group leader for Kagote After Seed group in Fort Portal Municipality, it was revealed that many of the members were not able to save and service their loans at the same time. Two other borrowers, one from Kibimba Trading Center and another from Karago market stated that this was mainly because these borrowers did not plan for their loans. They further explained that most of the women used the money to meet their immediate needs such as renovating their houses, buying land and paying school fees for their children. For example, one respondent said:

*Most of the members in my group find it hard to save some money because they do not plan well. We sometimes have to go to members' houses to demand money from them. When they get BRAC money, some women do not invest a single portion of it back into their businesses, at the end of the day, they neither have money to run their businesses nor service their loans. (Margret, November 2019).*



Some of the respondents who saved below UGX 20,000 (equivalent to 5.3 US dollars) explained that their personal savings had declined because of low sales caused by the bad weather (rainy season). When asked how much she was saving per week, the group leader of Rwengoma stated:

*I was saving UGX 50,000 (equivalent to 13.5 US Dollars) before taking the loan, right after securing the loan I can hardly save even UGX 10,000 (equivalent to 2.7 US dollars). Business is not good these days because of the weather, we have less customers yet I have to pay back the loan (Vonne, October, 2019).*

Notably, there were differences in the amounts of money that women borrowers saved. On average, a woman borrower from Fort Portal town saved more money, UGX 30,000 (equivalent to 8.1 US dollars) than her counterpart in the rural areas of Karambi Sub-County (UGX 25,000 (equivalent to 6.7 US dollars)). This difference emanated from the fact that women in the urban centers made more sales and had bigger businesses unlike borrowers from rural areas that made very low sales. This finding is in line with Kabeer (2009) who adds that, “the choices people sometimes make may be constrained by the structure.” Most of the respondents who saved UGX 50,000 (equivalent to 13.5 US dollars) or more per week were from the urban center of Fort Portal Municipality. Ten respondents dealing in second-hand clothes at Kabundaire market also revealed that they saved through different savings groups, which required mandatory payments. Another respondent, who was involved in the foodstuff business in Kisenyi suburb (Fort Portal Municipality), explained that she participated in two savings groups, one with a weekly contribution of UGX 50,000 (equivalent to 13.5 US dollars) and the other with UGX 70,000 (equivalent to 19 US dollars). She further elaborated that these savings groups helped her maintain her capital because the groups shared the money every quarter of the year, while she also serviced her loan on a weekly basis. She expressed that she was very comfortable saving while simultaneously servicing her loan.

It is also important to note that some women have been able to make certain choices that they would not make if they did not have an income. Reports from individual respondents revealed that weekly savings and loan requirements had led some women to work harder, diversify their economic activities and expand their income generating activities. Some women reported to have been engaging in multiple businesses. A 40-year-old respondent from Karago said:

*In addition to my second-hand business, I own a motorcycle locally known as ‘bodaboda’ which is used as commercial transport to bring in more income on a daily basis (Lydia, October 2019).*

Individual interaction with most women borrowers revealed that those who have found microfinance beneficial were those who had multiple sources of income. A substantial number of borrowers revealed that they were shouldering the burden of looking after a home. Some of the married women reported having more responsibilities, including larger families, caring for their parents, orphans, and dependents. Others mentioned a lack of support from their husbands, which compelled them to shoulder most of their family's financial needs. A 44-year-old respondent from Fort Portal Municipality whose husband repaired motorcycles said:

*Since my husband got another wife four years ago, he stopped caring and providing for our household needs. I have had to meet all the household, children, and personal needs alone. (Zaituni, November 2019).*

Zimmerman (2012) confirms this finding, adding that when women are empowered, they are able to influence social choices and decisions affecting the family.

Another respondent, a 34-year-old nurse said:

*Most of the money made from the clinic is taken by my husband who decides on its use. This has helped to bring peace in our marriage and has enabled me to continue as client of BRAC (Consolanta, October 2019).*

While women's money tends to be used for the family's well-being, it is also true that when women make money, they do not necessarily regulate its spending (Mayoux, 2009). Reports from individual women borrowers revealed that savings could have been higher if women didn't use the same money as both capital for their businesses and to meet their family and personal needs. Therefore, personal savings can form an internal source of funding for small enterprises which can facilitate the empowerment of women (Kabeer, 2012).

Acquisition of property is one of the indicators of improved livelihoods and economic empowerment among women borrowers. In light of the above, respondents were asked to reveal the type of property they had acquired as a result of the loan from BRAC. The findings revealed that some women managed to acquire personal property which they had full right of use and control. These properties included immovable property like land and houses, while others had acquired domestic animals, such as goats, sheep, pigs, chicken, and domestic property such as mattresses, beds, chairs and saucepans.

The respondents who had failed to acquire any property revealed that they used the money that they secured from BRAC Microfinance to solve their immediate needs like payment of school fees for their children, instead of expanding their businesses. Karim (2013) agreed with this finding and says that women tend to place more importance in educating their children than men. According to the chairperson of Mukonomura group, some women borrowers had a tendency of 'pay yourself first,' that means setting aside a portion of borrowed money to clear an immediate need like school fees, buying household items or renovating a house. Some women expressed their readiness to withstand the seemingly unfavourable bank terms like the high interest rates and high collateral demands such as a car log book, and land as long as they could access bigger loans which they thought would expand their livelihoods. This resilience is as an aspect of empowerment.

While as the findings revealed that a bigger percentage of the women borrowers saved some money, the savings were not used to buy property, but rather to help them maintain their capital and service loans during bad days. When two of the respondents (from Karago Trading Center and Kiko Town Council) were asked how they spent their savings, they revealed that they had used it to maintain their businesses and to also meet their personal needs such as clothes and food for their families. Another respondent from

Mbuzi village explained that she could not afford to buy anything from the loan because she was paying school fees for her six children. She stated:

*A larger portion of my savings helps me to maintain my capital, as well as school fees for my children, and also paying back my loan in days of crisis as you know. Sometimes you may not have the money and you have to utilise your small savings (Suzan, October 2019).*

Most of these women borrowers that failed to acquire any property were the rural borrowers from Karambi Sub-County. Many borrowers invested it in farming which did not yield immediate returns. Other women borrowers especially those located in rural areas of Karambi Sub-County blamed their poor businesses that were characterized by low sales and bad debtors. A 38-year-old woman who operated a bar in Karago Town Council said:

*Ever since I came here, my sales are very low. People from this area do not have enough money to drink alcohol, as you can see my stock. Majority of the customers that I get want to drink on credit. Because of this, it is hard for this business to sustain BRAC money and at the same time, be able to save any money, leave alone buying any property. When I got BRAC money, I used it to renovate my house and buy these chairs, every week I make sure I improvise to avoid defaulting (Joyce, November 2010).*

This implies that some borrower's economic survival meant that they had to remain in the group and being able to borrow thus trapped in layers of debts.

*Collecting payments from single mothers is one of the biggest challenges, because even when you advise them to re-invest the money in their businesses, they never listen to us because they have many challenges, instead they use the money to cater for their family needs (Credit Officer, November 2019).*

Further reports from key informants and individual borrowers revealed that the loans received by some women were mostly used to address their immediate needs. While the majority of the borrowers were running businesses, many of the women borrowers did not reinvest a portion of their money into their businesses. Most of the respondents explained that they used the money to buy property or pay school fees for their children. A majority of the respondents from the rural sub-county of Karambi struggled with their businesses because they did not reinvest the money acquired through loans. A 36-year-old respondent from Mbuzi village stated:

*I have been borrowing from BRAC since 2011. The money has helped me to keep my children in school. Whenever I get a BRAC loan, I first clear my children's school fees then I service it with my small business and that's why the business is declining. My income has not improved at all. Sometimes, I find it hard to get money for weekly remittances (Best, November 2019).*

While some women borrowers did not notice any improvement in their incomes, some of the respondents acknowledged that their economic conditions improved. When asked whether her economic condition had improved after taking a loan from BRAC Microfinance, a 41-year-old respondent from Fort Portal

Municipality affirmed that her economic condition had improved greatly. She further explained that her savings increased because she restocked her business of selling second-hand clothes every time she secured her loan from BRAC Uganda. In her words:

*My economic condition has improved, and I cannot leave BRAC, the money helps me a lot to acquire new stock every after 10 months. This keeps me going on well with my business, saving more while my income improves, I really do not know how to thank BRAC (Sylvia, 2019).*

Based on the findings, it can be deduced that BRAC loans have been beneficial despite their small size, despite other limitations. The microcredit facility has had a positive impact on improving women's livelihoods by fostering a sense of hard work and self-reliance among the female clients. Reports from some of the individual respondents revealed that a significant number of women worked harder and were shrewder in their businesses after obtaining the loans. To them, taking a loan meant working hard to ensure that BRAC money was paid back in time without excuses whatsoever.

## Conclusions

This paper provides qualitative evidence of economic empowerment for women borrowers from the services that BRAC Microfinance provides to women in Kabarole district. Whereas the criteria used by BRAC to screen high risk borrowers and thus excludes several women, especially the very poor, women that have some form of running business and minimal collateral access and benefit from the BRAC services that they would not have access from commercial banks. Likewise, the expansion of accessibility to loans for women in far flung districts like Kabarole is empowering and increases women's economic agency and productivity by providing highly needed capita for expansion. However, several challenges impeded the successful utilization of BRAC microfinance services by women. These included negative group dynamics, short repayment periods, and increased workloads for women, which reduced productivity. Additionally, some women misallocated their loans to address household needs, such as children's school fees and house renovations. In light of these findings, it is recommended that BRAC bank evaluates these challenges and develops mitigation strategies to fully empower women.

The introduction of a new BRAC loan product in individual bank loans, previously seen as a masculine product from commercial banks, was warmly welcomed by women who were at that stage of economic empowerment that required larger loans for their enterprises. Until 2019, women had been limited to the feminized small group loans. Some women's enterprises had grown and were now ready to withstand the pressures of higher interests and collateral requirements to further improve their businesses and livelihoods at an even faster pace. BRAC had empowered them to such an extent that they were experiencing heightened freedom and were able to make their own choices (UNDP, 2017). Kabeer (2012) argued that, empowering individuals requires the removal of formal institutional barriers that prevent those who are powerless from taking action to improve their well-being. In this case, some women had outlived the small group loans and thus developed an appetite for larger individual loans for them to realize any further entrepreneurial growth and livelihood improvements.

Further expansion of choice by women borrowers in regard to their livelihood choices is evident in opting for weekly payments. Sen (1999) had argued that access to credit also has the potential to boost women's

well-being, self-esteem, freedom, and their capacity to make choices. Indeed, some of the women borrowers, especially those operating bigger individual loans, preferred weekly payments in order to avoid paying large amount of money at once which was the case with individual loans. Those who preferred this arrangement were operating relatively bigger businesses, mostly wholesale traders of second-hand clothes, which could multiply money more easily than retail businesses. The ability of borrowers to re-examine their lives is an act of empowerment, as Sen (1999) reiterated, enabling women to critically assess their lives, recognize power structures and sources, discover their strengths, and initiate action.

As regards decision-making practices, the paper makes it clear that the use of BRAC microfinance credit schemes leads to increased decision-making for women through group loans. This validates the assertion of Lakwo (2006). Women borrowers had learnt the ability to make decisions for themselves, which was an indicator that their livelihoods had improved since they took a BRAC loan. Decision-making was an attribute of empowerment. According to Kabeer (2009), access to credit empowers women by increasing their autonomy and decision-making ability within and outside the household. However, there were a section of women borrowers that could not afford to save and service their loans simultaneously. This category included those that chose to use BRAC money to settle their immediate needs such as renovating their houses, buying land and paying school fees for their children, farmers and those affected by low sales due to poor weather, and the low-income levels of the general population.

Additionally, some women were able to make certain choices that they would not make if they did not have a livelihood provided by BRAC microfinance. Other women confessed to working harder, diversifying their economic activities and improving their livelihoods; with some reported to have been engaging in multiple businesses. This means that women are aware about their needs and choices which have come as a result of accessing and using microfinance credit to boost their livelihoods which is conscientization, an aspect of empowerment as observed by Longwe (2007). Like this paper, Zimmerman (2012) had also found that women had become aware of their needs, received assistance to build capacity, and developed skills, particularly in planning, organizing, managing, and carrying out gainful activities, as well as in dealing with people and institutions in the world around them. It is thus important to note that BRAC microfinance women borrowers had been economically empowered, developed business skills, expanded their businesses, developed an appetite for bigger loans as their businesses grew, improved their participation in decision-making especially within the loan groups to which they belonged and also improved their livelihoods.

### **Recommendations**

From the study, the following recommendations are made:

The fact that some women decide to use borrowed money to meet their immediate needs, calls for BRAC micro finance to double their efforts in the finance literacy campaign, so that the objectives of borrowing loans by the women are realised, instead of BRAC appearing as an institution that is out there to exploit and confiscate borrowers' properties and force group members to offset defaulters' debts.

Lending terms like the weekly remittances are a big challenge to most borrowers. There is therefore need by BRAC to either revise its repayment terms or change the time frame from weekly to fortnightly or monthly. Women borrowers revealed that the weekly payments were unfair and unbearable, since

sometimes one may not have the money and yet they had to pay without excuse. This was re-echoed by key informants where they indicated that it was really hard for some of the members to pay their loans (weekly) without defaulting.

In relation to the above, BRAC microfinance credit stringent collateral demands tend to leave out the very poor, particularly those below the poverty line, since they do not own businesses but engage in agriculture (refer to 4.2.1). In that regard therefore, microcredit is barely sustainable among the poor and rarely reaches the very poor. Therefore, CBOs, NGOs and the government of Uganda ought to come up with anti-poverty programmes that can reach out to the very poor rural communities.

Specific programmes targeting the women and the youths should be considered to sensitise and train the youth in business skills, access to credit, and create employment through the private sector development programme and non-government organisations. The interaction with the borrowers revealed that some BRAC staff used vulgar/foul language when incensed by any borrower, say as a result of delayed payment. BRAC Uganda Bank Limited should up their game in as far as expediting the loan processing and staff conduct is concerned.

From the findings, it is evident that some women in the study area were doing more work than their spouses, and that some men did not support women's economic ventures. The cases examined showed the ways in which women tried to negotiate their way out of poverty through small-scale businesses and also challenge existing gender relations which tend to disempower them. There is therefore the need for networking, collaboration by organisations which address the plight of women such as CBOs, NGOs and the government to supplement the efforts of each other through organisations and conduction of seminars with the purpose of awareness creation and gender sensitization of both women and men.

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