

**SACCOS' RESPONSE TO UGANDA MICROFINANCE REGULATORY AUTHORITY
(UMRA) NEW RULES AND REGULATIONS IN MBARARA DISTRICT**

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DECLARATION

I **Martin Nawagaba**, (REG. NO:2018/HD03/675U) declare that this dissertation entitled *SACCOs' response to Uganda Microfinance Regulatory Authority new rules and regulations* is my original work and that it has never been presented or submitted to any other University or Institution of Higher learning for any academic qualification or award.

Signed.....*M.N.*.....
Date.....*11/1/2023*.....

APPROVAL

This dissertation entitled *SACCOs' response to Uganda Microfinance Regulatory Authority new rules and regulations* has been submitted for examination with the knowledge of my supervisor.


.....

Prof. Peter Atekyereza.

Supervisor

Date.....11 January 2023.....

DEDICATION

I dedicate this piece of work to Prof. Hosea Muhanguzi who endlessly encouraged me, for his relentless and selfless parental love and support without which I would not have accomplished my studies.

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ABBREVIATIONS/ACRONYMS

AFI:	Alliance for Financial Inclusion.
AMFIU:	Association of Microfinance institutions of Uganda.
BAMU:	Budget Monitoring and Accountability Unit.
CGAP:	Consultative Group to Assist the poor.
DFID:	Department for International Development.
EIB:	European Investment Bank.
ICURN:	International Credit Union Regulator's Network.
ICA:	International Cooperative Alliance.
MDIs:	Microfinance deposit -taking institutions
MDLA:	Mbarara District Local government
MOFPED:	Ministry of Finance Planning and Economic Development.
NDP:	National Development Plan
NGOs:	Non-Governmental Organization
NFIs:	National Financial Inclusion Strategy
PROFIRA:	Project for Financial Inclusion in Rural Areas
ROSCAs:	Rotating Savings and Credit Associations
SACCOs:	Savings and Credit Cooperative
SASRA:	Societies Regulatory Authority
UCA:	Uganda Cooperative Alliance
UCSCU:	Uganda Cooperative Savings and Credit Union
UMRA:	Uganda Microfinance Regulatory Authority
VSLAs:	Village Savings and Loan associations

ABSTRACT

Savings and Credit Cooperatives (SACCOs) have become a popular strategy for poverty eradication and promotion of financial inclusion in low- and middle-income countries. In Uganda, the government is committed to establishing a SACCO in each sub-county. Under the Tier 4 microfinance institutions Act 2016 key position was the establishment of the Uganda Microfinance Regulatory Authority. UMRA has the mandate to license, regulate and supervise all Tier 4 financial institutions including SACCOs. The importance of this is to have a sound and sustainable non-banking financial institutions sector under the guidance of UMRA's laws, policies, rules and regulations. This study was conducted to investigate SACCOs response to the new rules and regulations by UMRA in Mbarara District. A mixed method approach of data collection was used to collect qualitative and quantitative data. Quantitatively, 140 questionnaires were administered to respondents. Qualitatively, 14 key informants were interviewed and 4 focus group discussions were conducted in the 2 city divisions and 2 sub-counties. Quantitative data was analyzed using SPSS for descriptive statistics whereas qualitative data was analyzed using thematic approach of analysis in order to capture the overall views of different respondents. The study findings revealed that SACCOs have shown a slow response towards the new rules and regulations by UMRA. This is due to inadequate sensitization and awareness programs, different perceptions and attitudes, uninformed membership and weak institutional support for SACCOs. In line with state interventions, the state has supported SACCOs through Microfinance Support Centre (MSC) where SACCOs have been able to get loans at a low interest rate. With regard to the standard procedures put in place to promote fair and transparent business practices, SACCOs have credit policies, do loan audits and keep records. These have been of a great importance in monitoring and evaluating SACCOs performance. In conclusion, SACCOs have shown a slow response towards the new rules and regulations by UMRA, due to inadequate sensitization and awareness programs. Members and management of SACCOs cannot respond to rules and guidelines they do not understand. Hence, there is a need for more sensitization and awareness programs so that SACCOs members can be able to understand the pros and cons of the new rules and regulations by the Uganda Microfinance Regulatory Authority.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Microfinance and in particular SACCOs have become a popular strategy for poverty reduction and promotion of financial inclusion in low- and middle-income countries (Alliance for Financial Inclusion (AFI), (2013). Evidence shows that out of 100 Africans, including children and the elderly, at least seven people are members of a SACCO and the total number of SACCOs in most countries has continued to grow (Develtere, Pollet and Wanyama, 2008). This is based on the fact that SACCOs strengthen unity, promote savings and provide financial support to their members in form of small loans with reasonable repayment conditions (Wanyama, 2007). Further mounting evidence shows that there are a lot of irregularities associated with SACCOs. These are related to mismanagement, theft of resources and failure of cooperators to surrender member's deposits, hence leading to exploitation of low-income earners. This has attracted a need for governments to regulate the microfinance sector including SACCOs. The importance of regulations is to fight against illegal financial activities such as the exploitation of clients through high interest rates (Mutinda, 2016).

In Uganda to date, regulation of the cooperative movement has evolved under the following legal frameworks: Cooperative Societies Ordinance (No. 5, 1946), the Cooperative Ordinance of 1952, Cooperatives Societies Act and Rules of 1963, Cooperative Societies Act 1970, the Cooperatives Societies Act 1991, Cooperative Societies Regulations, 1992 and the Tier 4 Microfinance Institutions and Money Lenders Act (2016). The Cooperative Societies Ordinance (No. 5, 1946) of 1952 formalized the operation of cooperatives. Which provided for government regulation and support. To add on, it was biased in favor of the European/Asian traders (Ahimbisibwe, 2016). The Ordinance provided for the registration of societies. Registered societies became corporate bodies. They were granted tax reduction on their transactions involving duty or tax, stamp duty and any other tax payable under the law of registration. By the end of 1946, majority of the cooperatives were unregistered because they were not in agreement with the terms of the Ordinance (Nuwagira, 1993). This necessitated the Cooperative (Amendment) Act, 1952.

The Cooperative (Amendment) Act of 1952 streamlined government control over cooperative societies (Nuwagira, 1993). Due to Uganda's political independence in 1962, participation in cooperative activities gave several leaders national visibility (Ahimbisibwe, 2016). Involving leaders who had motives other than the commitment to serving cooperatives, gave room for mismanagement, nepotism and corruption in cooperatives (Kiranda, 2017). This caused discontent and resulted in repealing of the Cooperative Societies ordinance of 1952 and necessitated the Cooperatives Societies Act and Rules of 1963.

The Cooperatives Societies Act and Rules of 1963 restored the powers of the Registrar of cooperatives and other technocrats. These had complained of being incapable of enforcing their commands at the expense of member cooperators' authority. Nevertheless, it still maintained clauses of the cooperative societies ordinance of 1952 which made it more difficult for the government to institute any precautionary measures against ineffectiveness and malpractices in cooperative societies (Nuwagira, 1993). Hence the Cooperative Societies Act 1970 gave all control over cooperative societies to the government. It vested too much power to the Minister in charge of cooperatives (Marti et al., 1984). Hence members lost control of their cooperatives to managers, politicians and government officers (Ahimbisibwe, 2016).

Cooperative Societies Act (1991) and the Cooperative Societies Regulations, 1992 led to government control over cooperative societies. It is more top-down, informative and with limited institutionalization. To deal with the challenges which have emerged over time as the cooperatives sector continues to spread and grow, the Cooperative Societies (Amendment) Bill, 2016 was tabled before Parliament. A review of the proposed amendments revealed that the Bill is an improvement of the Cooperative Societies Act (1991). In addition, the Bill still maintains the excessive powers given to the Registrar (Commissioner) under the principal Act (Nkandu, 2010). Furthermore, the Bill does not specify Uganda Cooperative Savings and Credit Unions limited as the Apex Body for regulating SACCOs in Uganda (UCSCU, 2015). This anomaly necessitated the enactment of the Tier 4 institutions and Money Lenders Act (2016).

The Tier 4 institutions and Money Lenders Act (2016) was enacted to give direction to institutions that do not accept financial deposits and are not under the supervision of the Bank of Uganda, the main national banking regulator. These include SACCOs; Credit only microfinance non-

governmental organizations (NGOs), private businesses and individuals providing financial services, which include Moneylenders, community based and informal financial groups such as Village Savings and loan associations (VSLAs), Rotating Savings and credit associations (ROSCAs) and burial societies. These institutions can modify from one tier to another depending on the condition of meeting the regulatory requirements for that tier. Tiers 1 to 3 include financial institutions that are regulated by the Bank of Uganda namely: Commercial banks (Tier 1), Credit (non-bank financial institutions) (Tier 2) and Microfinance deposit-taking institutions (MDIs) (Tier 3). The Tier 4 microfinance institutions Act 2016 key position was the establishment of the Uganda Microfinance Regulatory Authority. UMRA has the mandate to license, regulate and supervise all Tier 4 financial institutions including SACCOs with a capital of less than Ush 500 million (US\$140, 000). Significantly, this is to promote a sound and sustainable non-banking financial institutions sector under the guidance of UMRA's laws, policies and regulations. These include licensing, registration, credit policies and SACCOs power.

Though the Act has been passed, it is not yet popularized and known to the SACCOs owners, managers as well as members. It remains to be seen how the Act will improve SACCOs operation when actual implementation starts. Since the government of Uganda was committed to establishing a SACCO in every sub-county (PROFIRA, 2014), the number of SACCOs seems to have grown remarkably and currently are estimated to be over 18,000 in the country (Uganda Cooperative Alliance (UCA), (2017). Only 2176 are registered (UCSCU, 2015). Furthermore, there have been many studies undertaken on the advantages of the new rules on fostering the adoption of good practices that will encourage savings mobilization. Others have largely focused on promoting financial inclusion in Uganda (Fin scope, 2013; 2018; PROFIRA, 2014; MOFPED, 2018 and 2019). And these studies have largely focused on strengthening and sustainability of SACCOs through credit and default management, financial literacy, governance through digitalized systems, financial management, business development and strategic planning. So, there was a need to conduct this study to understand SACCOs response to the new rules and regulations by UMRA.

1.2 Statement of the Problem

SACCOs establishment happened without grass root support from members, board and a clear oversight by the government and a regulatory authority (Association of Microfinance Institutions of Uganda (AMFIU), (2015). This encouraged many irregularities within SACCOs operations and delivery of services related to location, registration, defrauding, mismanagement and exploitation of clients (Ministry of trade, industry and cooperatives (MoTIC), 2016).

With the establishment of the Uganda Microfinance Regulatory Authority, it is expected to restore investor and consumer confidence as well as promote good practices in Uganda's microfinance sector. In addition to the establishment of Uganda Microfinance Regulatory Authority and the presence of Uganda Cooperative Savings and Credit Union Limited for regulating Tier 4 microfinance institutions. It is not yet clear how these institutions have harmonized their roles to be able to provide clear guidance to the microfinance sector in particular SACCOs.

However, in the context of Uganda's microfinance sector being regulated by multiple laws and institutions (UCSCU and UMRA). There was a need to examine factors that have influenced SACCOs response to the new rules and regulations. The state interventions put in place for the uptake of the new rules and regulations, standard procedures and guidelines adopted by SACCOs to promote fair and transparent business practices and how the new rules and regulations have benefited or affected SACCOs performance in Mbarara District.

1.3 Study Objectives

1.3.1 General Objective

To investigate the response of Savings and credit cooperatives to the new rules and regulations by the Uganda microfinance regulatory authority.

1.3.2 Specific Objectives

- i) To assess the nature of SACCOs response to the new rules and regulations
- ii) To establish state interventions for the uptake of the new rules and regulations
- iii) To explore standard procedures established by SACCOs on promoting fair and transparent business practices

- iv) To examine the factors that have influenced SACCOs response to the new rules and regulations

1.4 Significance of the Study

The findings of this study contributed to the existing knowledge on promotion of financial inclusion in Uganda and SACCOs response to Uganda microfinance regulatory authority new rules and regulation.

Furthermore, the findings serve as empirical evidence to guide future reforms and interventions aimed at enhancing SACCOs response to policies, guidelines, rules and regulations in the country. Similarly, policy makers and practioners can use the information and recommendations generated from the study to develop measures geared towards addressing barriers to SACCOs response.

The study enhanced the researcher's capacity in terms of research skills and knowledge on the subject matter which is likely to improve job performance.

1.5 Justification of the Study

One of the major challenges SACCOs are experiencing in Uganda is how to respond to the new rules and regulations by UMRA. This is due to the fact that there are two regulatory authorities (UMRA and UCSCU). In addition, it is not yet clear how these authorities have worked together to provide clear procedures and guidelines to SACCOs. With the implementation of the new policies, guidelines, rules and regulations by Uganda microfinance regulatory authority. There was a need to assess the nature of response, state interventions, factors influencing uptake and standard procedures established by SACCOs.

1.6 Theoretical Framework

This study draws on public interest theory and enforcement theory of regulation.

1.6.1 Public Interest Theory

Public interest theory is associated with Pigou (1932). The theory is based on two assumptions. First, unhindered markets often fail because of the problems of monopoly or externalities. Second, governments are capable of correcting these market failures through regulation. Regulation is an effort to correct market failures such as monopoly, externalities and lack of information. For example, the social cost of the failure of a financial institution may be much higher than the private cost to the institution itself. Hence forming the basis for government regulation of banking activity and the establishment of capital requirements (Feldstein, 1996).

Public interest theory has been used to justify much of the growth of public ownership and regulation over the twentieth century (Allais, 1947; Lewis, 1949; Meade, 1948). On this basis, we can justify public interest theory with the case of external regulations on private sector behavior on four aspects which relates to market failure: First, the moral hazard argument which suggests that if a market participant believes in the state funding his losses, the behavior will change. For instance, if SACCOs encourage depositors to engage in risky behavior that forces the state to pay in the end, this will undermine market discipline which will entail for regulation.

Second, the poorly Informed client's argument which posits that Regulation provides safety to poorly informed clients, based on the view that small depositors and investors cannot assess properly the riskiness of financial institutions they deal with. Third, the Small financial institutions' argument speculates that no matter how small a financial institution may be, the impact of its failure may be far-reaching for the entire financial system. For financial institutions to prevent closure, they need to meet the minimum requirements necessary to achieve the status of a bank or a licensed deposit-taking institution. For instance, it is not unusual for financial institutions especially in developing countries to be given credit policy guidelines especially on the sectoral allocation of loans, either by the government or the central bank.

Fourth, the importance of regulation advances that the reason for regulating financial systems stems from the need to foster the efficiency and integrity of the market by minimizing the problems

that may arise from conflicts of interest on the part of market participants. Public interest theory largely focuses on moral hazard argument, poorly informed clients, small financial institutions and the importance of regulations. However, there is no element of enforcement of rules and regulations in this theory and this called for the enforcement theory of regulation.

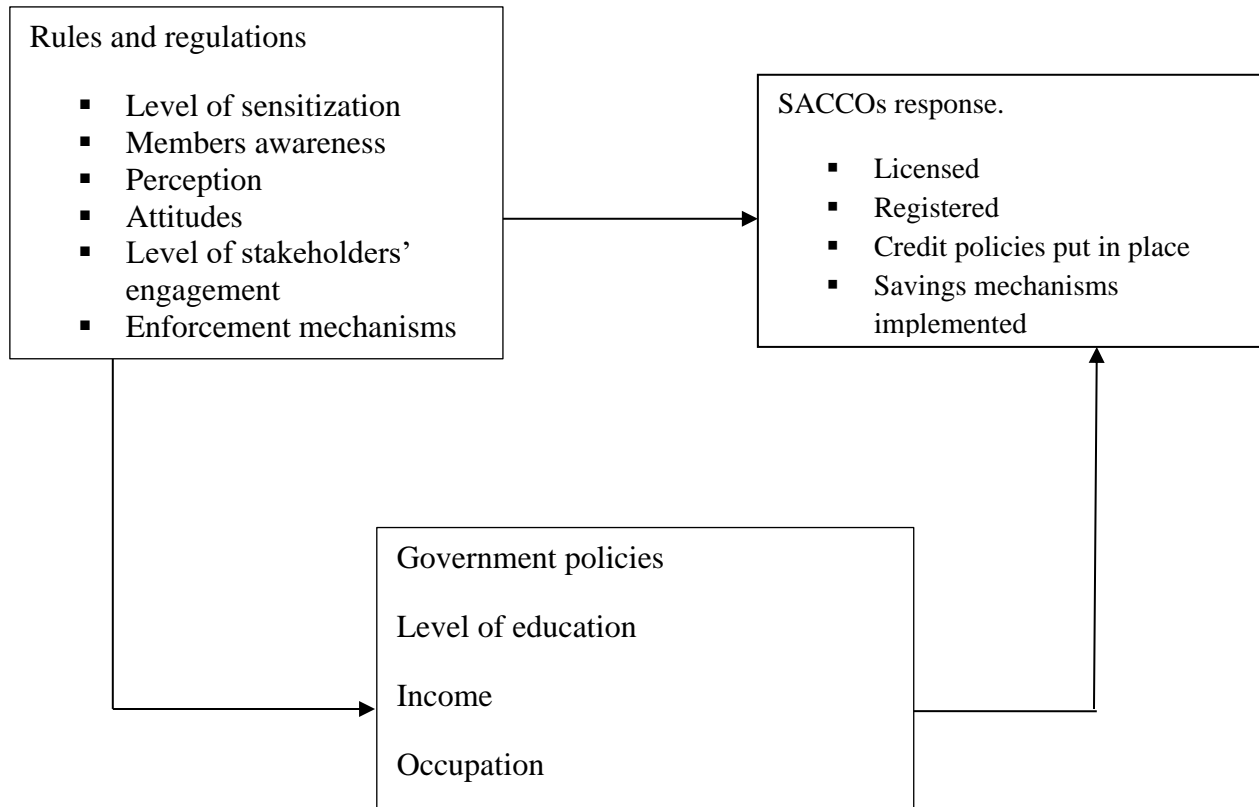
1.6.2 The Enforcement Theory of Regulation

The theory argues that there are four distinct strategies of social control of the business which include: Market discipline, private litigation, public enforcement through regulation and state ownership (Djankov et al., 2003). Firstly, market discipline provides for controlling disorder for instance the ability of private agents to harm others to steal, overcharge, injure, cheat and impose external costs. Secondly, private litigation is of no special interest to the government and hence disputes can be resolved legally with no favors to influential parties. The third and fourth are about public enforcement through regulation and state ownership/government regulation. This is where governments create a set of rules governing private parties.

The reason for doing so is that the enforcement of specific statutes through litigation might be considerably cheaper than that of broad contractual principles. As well as helping in the fight against corruption and bribery especially with civil servants in case of disclosing their properties to the public. It is much harder for the issuer to convince prosecutors or Judge when the law states what must be disclosed. Perhaps for these reasons, private enforcement of public rules is a highly efficient strategy of enforcing good conduct in many situations (Hay&Shleifer, 1998; Hay et al., 1996; Laporta et al., 2004) showed empirically that this is a crucially important strategy for enforcing good conduct in security issuances. Barth et al., (2003) similarly point to the importance of private enforcement of public disclosure rules in bank regulation. The two theories were of great importance to the study in that URMA's establishment is meant to foster good practices in Uganda's microfinance sector and restore investor and consumer confidence in particular for SACCOs. It was also of the great significance to look at enforcement theory since the main objective of the study was to investigate SACCOs response to the new rules and regulations by the Uganda Microfinance Regulatory Authority.

1.7 Conceptual Framework.

Based on the work of Pigou (1932); Allias, (1947); Meade (1948); Lewis (1949), and (Djankov et al., 2003) on enforcement theory of regulation, the following conceptual framework was adopted for the study.



In the conceptual framework as displayed in the figure above, the level of sensitization, SACCOs members' awareness, perception, attitudes, stakeholders' engagement in the registration process and enforcement mechanisms determine SACCOs nature of response to the new rules and regulations. SACCOs are expected to respond to the new rules and regulations by UMRA through licensing, registration, putting in place credit management and savings policies. These are anticipated to promote improved performance, proper management and good conduct within the SACCOs operations. The intervening variables which might interfere in SACCOs response to the new rules and regulations by UMRA include government policies, level of education, income and occupation as illustrated above.

1.8 Scope of the Study

The study was conducted in Mbarara district in the South western region of Uganda. The study focused on factors that have influenced SACCOs response to the new rules and regulations. It also investigated state interventions that have been put in place to facilitate uptake of the new rules and regulations, standard procedures and guidelines adopted by SACCOs on promoting fair and transparent business practices. The reference period was four years since the establishment of the Uganda Microfinance Regulatory Authority.

1.9 Operational Definitions.

Microfinance: is a financial service that gives loans, savings, and insurance to entrepreneurs and small business owners who do not have access to traditional sources of capital, like banks or investors.

SACCOs: these are savings and credit cooperative organizations which are initiated by both governments and private individuals or firms to improve the welfare and income of the general public in which they are located.

Stakeholders': refers to a group or an individual who can affect or is affected by the achievement of the organization's objectives. These include SACCOs members, board members, management, staff, and clients.

Perception: refers to how something is regarded, understood and interpreted.

Enforcement: refers to the act of compelling observance of or compliance with a law, rule and obligation. This is in line with the enforcement theory of rules and regulations and how SACCOs are implementing UMRAs' new rules and regulations.

Credit: refers to the ability of a customer to obtain goods or services before payment, based on the trust that payment will be made in the future.

Savings: refers to the amount left over after an individual's consumer spending is subtracted from the amount of disposable income earned in a given time.

1.10 Organization of the Dissertation

The dissertation has been arranged into five chapters whereby *Chapter one* describes the background to the study and Statement of the research problem. The Chapter also describes the study objectives both general and specific, significance of the study, justification of the study, theoretical and conceptual frameworks, the scope of the study, operational definitions as well as the organization of the dissertation. *Chapter two* looks at the literature review concerning the study objectives both globally, the African continent and specifically Uganda. *Chapter three* discusses the research methodology used during the study and includes among others; the research design, area of study, study population, sampling procedure, sample size and selection, data collection and instruments, data processing and analysis, quality control, procedure, ethical considerations and limitations of the study. *Chapter four* gives a presentation and discussion of study findings whereby it talks about; the demographic characteristics of the respondents, general objective 1 which examines the nature of SACCOs response to the new rules and regulations; objective 2 which presents findings on the state interventions put in place for the uptake of the new rules and regulations; objective 3 which presents findings on the standard procedures that SACCOs have put in place on promoting fair and transparent business practices and finally objective 4 which presents factors that have influenced SACCOs response to the new rules and regulations. *Chapter five* is the last chapter that gives a summary of study findings, conclusions made and recommendations drawn on how to use public private partnerships in monitoring and training of SACCOs for integration and implementation of the new rules, policies, guidelines and regulations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature from Journals, academic papers, research documents and some websites concerning SACCOs as the strategy for financial inclusion, Factors that have influenced and state interventions put in place for the uptake of new rules and regulations and Standard procedures and guidelines adopted by SACCOs to promote fair and transparent business practices.

2.2 SACCOs as the Strategy for Financial Inclusion

Financial inclusion is about having financial institutions that serve people with financial services at a low cost. These include Rotating Savings and Credit Associations, Village Savings and Loans Associations and Savings and Credit Cooperatives (Consultative Group to Assist the Poor (CGAP), (2006). Financial inclusion, refers to the access to various financial services including savings, credit and insurance at a reasonable cost (Shah &Dubhashi, 2015). Similarly, (Divya, 2014) defined financial inclusion as the delivery of financial services at affordable costs to enormous sections of the disadvantaged and low-income society.

Development agencies like African Development Bank, UK Department for International Development (DFID) and the World Bank have dedicated ample resources in the promotion of financial inclusion in Africa. But several severe gaps have remained in financial inclusion in most African countries (Otchere, 2016). SACCOs have been established as a strategy for promoting financial inclusion in Africa (Allen et al., 2014). Since they act as both informal and formal financial intermediaries that center on the socio-economic wellbeing of their members and communities (Nuwagaba, 2012). Furthermore, SACCOs create employment opportunities, encourage savings and provide credit facilities to their members to involve in income generating activities. According to the World Council of Credit Unions (WOCCU), (2016), SACCOs provide affordable, reliable and sustainable financial services to people both in urban and rural areas. In Sub Saharan Africa, SACCOs have helped people who have been neglected by commercial banks to get financial support in form of small loans to support their livelihoods (European Investment Bank (EIB), (2016). In Uganda, SACCOs have encouraged savings and provided financial support

to their members. In addition, they provide small loans with reasonable repayment conditions and strengthen unity within their members (PROFIRA, 2014). More Significantly, in the mobilization of savings among low income people, SACCOs promote investments and help in the eradication of poverty (Patrick et al., 2008; Regina, 2010). Regardless of SACCOs being used as an intervention for implementing financial inclusion and poverty eradication among the low income people in Uganda (Marus, 2018), there was inadequate information about their effectiveness and efficiency concerning the promotion of financial inclusion, poverty eradication and their response to the new rules and regulations by Uganda Microfinance Regulatory (Eton et al., 2018). Hence, there was a need to examine SACCOs as agents of promoting financial inclusion in Uganda and their response to Uganda Microfinance Regulatory Authority new rules and regulations.

2.3 State Interventions for the Uptake of the New Rules and Regulations

Rules and regulations are of the great significance in promoting good governance in financial institutions (WOCCU, 2016). In addition, they have created a big impact on SACCOs performance in terms of outreach and sustainability (International Credit Union Regulators' Network (ICURN), (2013). Most SACCOs have reported an improvement in their performance both in membership, portfolio, loan cycle and general efficiency (Societies Regulatory Authority (SASRA), (2015). Due to the fact that rules and regulations provide clear guidelines, principles and directions to SACCOs in particular their management and governance systems (International Credit Union Regulators' Network (ICURN), (2013). According to Seibel (2013: 13), he affirmed that. "a successful credit cooperative system requires autonomy and self-reliance, a conducive legal and regulatory environment, effective supervision and enforcement of compliance by an autonomous financial authority, the role of the state may be supportive, but within limits, providing a conducive operating environment, but not intrusive." In Uganda, state support has gone beyond the provision of a conducive operating environment into the actual implementation of SACCOs programs (State House, 2020). Where by government is committed into launching a SACCO in every sub-county (PROFIRA, 2014). With the recent state program called "Emyoga," a word derived from a local Ugandan dialect (Runyankore) to refer to specialized skills enterprises/groups. Which is a presidential initiative aimed at wealth and job creation through forming SACCOs. Where by the state disburses money to help the targeted groups (State House, 2020), which include, Saloon operators, bodabodas, taxi operators and market vendors. Under the Tier 4 microfinance

institutions Act (2016) in particular SACCOs, such groups are supposed to comply with the new rules and regulations by UMRA (AMFIU, 2018). Yet they seem to have shown a slow response (UCA, 2017). Hence, there was a need to establish state interventions for the uptake of new rules and regulations.

2.4 Factors for the uptake of new rules and regulations

In respect to the uptake of new rules and regulations, there are both internal and external factors. These include the low capacity of regulators due to limited financial resources, skilled and competent manpower who fully understand SACCOs operations and religious beliefs (Obure and Muturi, 2015). In addition to religious beliefs, Max Weber argues that religious ideas of groups play a fundamental role in creating and shaping the capitalistic spirit. He further observed that the so called modern spirit of capitalism views profit as simultaneously a means and an end within itself. Therefore, Weber postulates that Protestantism and Catholicism offer a concept of the materialistic calling and gives numerous worldly activities a religious persona. Hence, this justifies the impact of the new rules and regulations. This is in line with Ademba (2019) who asserted that low adoption of technology from SACCOs and regulators; different growth phases of SACCOs where some easily meet the prudential standards where others struggle, the legal tussle between regulators and SACCOs and religious beliefs are of great hindrance to SACCOs response to regulators. Hence, there was a need to examine factors influencing SACCOs response to the new rules and regulations.

2.5 Procedures and Guidelines Adopted by SACCOs for Effective Operation

SACCOs Procedures and guidelines are meant to promote transparency and accountability (International Cooperative Alliance (ICA), 2009). These include credit policies, loan provision policies, loan audits, financial management, governance and staffing, keeping up-to-date records and managing information systems and risk management. ICA (2005) indicates that one of the main challenges in SACCOs management is the tendency of management staff to ignore some of the procedures and guidelines requirements. Consequently, these lead to failure to maintain good quality loan books which lead to delinquency risk, credit risk and payment default risk (Mukama et al., 2011). According to Aguma (2008), transparency and accountability are the key principles of corporate governance in SACCOs. Similarly, Bakalikwira et al., (2017) asserted that managerial competencies are significant when achieving transparency and accountability. Bananuka (2017)

also argued that transparency and accountability can be achieved through effective internal control mechanisms put in place. It can therefore be argued that SACCOs governance organs should have policies, processes, procedures and guidelines that produce results in terms of transparency and accountability which meet the needs of their members (WOCCU, 2015). With the establishment of the Uganda Microfinance Regulatory Authority to regulate and supervise all Tier 4 financial institutions in Uganda, the Tier 4 microfinance institutions and money lenders Act (2016), requires all SACCOs to incorporate registration, licensing, credit policies, loan audits, loan provision policies, transparency and accountability. This will contribute to economic efficiency by enabling SACCOs operators to identify opportunities and financial risks across the management (AMFIU, 2018). However, SACCOs seem to have shown a slow response to procedures and guidelines by UMRA (UCA, 2017). Therefore, there was a need to investigate standard procedures and guidelines adopted by SACCOs as a fulfillment of UMRA's new rules and regulations in Uganda. Hence, the justification for this study in Mbarara district.

2.6 Nature of Response to the New Rules and Regulations

For financial institutions in particular SACCOs to respond to regulatory rules and regulations, it entails them to meet certain requirements (ICURN, 2013). These include having board members, management, staff, members, capital, a trading license and a registration number. In addition, SASRA (2015) acknowledged that for SACCOs to have an effective implementation of the rules and regulation, there is a need for adequate capital, skilled and competent staff, adoption of high technology and adequate training for the implementers. This is in line with the AMFIU (2018) report which affirmed that both SACCOs and UMRA have board members, management and staff members who are well equipped and ready for the implementation of the new rules and regulations. Regardless of the measures that have been put in place, SACCOs seem to have shown a slow response towards the new rules and regulations by UMRA (UCA, 2017). Hence, there was a need to examine the nature of response to the new rules and regulations by the Uganda Microfinance Regulatory Authority.

2.7 Summary of Gaps

The literature reviewed indicates that SACCOs play an increasingly significant role in promoting financial inclusion and poverty eradication. However, various studies conducted in Uganda concerning SACCOs have largely focused on SACCOs strengthening, sustainability, financial literacy, governance through digitalized systems and how SACCOs performance will improve under the guidance of a regulatory authority. No studies had investigated SACCOs effectiveness, efficiency concerning the promotion of financial inclusion, poverty eradication and their response to the new rules and regulations. The factors that have influenced and state interventions put in place for the uptake of new rules and regulations.

And the reasons as to why SACCOs seem to have shown a slow response to procedures and guidelines provided by the regulatory authority (UMRA). This justified the need for this study to investigate SACCOs response to the new rules and regulations by UMRA.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the study design, area of study, population of the study, sampling size and procedure, data collection methods, data collection instruments and procedure. It further looks at the data processing and analysis, data quality control, ethical considerations and limitations of the study.

3.2 Study Design

The study used a cross-sectional study design that employed both quantitative and qualitative methods. Quantitative data aimed at measuring the demographic data like the number of SACCOs members and management practices available for the implementation of the new rules and regulations. The approach also enabled the researcher to conduct an in-depth investigation into the problem under study. With this approach, the set objectives on factors that have influenced, the nature of the new rules and regulations, SACCOs nature of the response, state interventions established for the uptake of new rules and regulations. And standard procedures and guidelines adopted by SACCOs were achieved from a large number of respondents spread all over in the divisions and sub-counties randomly selected as representatives of the sample.

3.3 Area of study

The study was conducted in Mbarara District located in the southwestern region of Uganda. It borders with Ibanda District in the North, Kiruhura District in the North east, Isingiro District in the East, Ntungamo District in the South and Bushenyi District in the west (Mbarara district local government (MDLG), 2020). It has a total Population of 472,629 comprising of (48%) males and (52%) females (UBOS, 2016). The District is made up of 1 city, 2 counties, 6 divisions, 11 sub-counties, 22wards, 61 parishes and 757 cells/ villages (MDLG, 2020). The selection of the district was due to different views regarding SACCOs management and members' response to the new rules and regulations by the Uganda Microfinance Regulatory Authority. The study was centered on both rural and urban areas. Urban areas were represented by the city and its divisions which included Kakoba division and Kamukuzi division while rural areas were represented by the county and its sub-counties which included Rwanyamahembe sub-county and Bubare Sub- County. The

main sources of livelihoods in Mbarara city and its divisions include businesses, the social services sector, informal sector activities, trade and industry (MDLG, 2020). Whereas Rural areas are represented by counties and their sub-counties which are mainly agro-based composed of agricultural enterprises which include the growing of Beans, Maize, Matooke, Cassava, Sweet potatoes, finger millet and livestock keeping including Cattle, Goats, Sheep and Chicken. The District is estimated to have over 100 SACCOs and a total number of (50) registered SACCOs (MDLG, 2020). These provide financial services to people in both urban and rural areas in form of loans to support their livelihoods.

3.4 Population of the Study

SACCOs members were the study population with both males and females involved in management, supervision, operation and utilization of SACCOs services. The four categories were selected because they are in a better position to provide information as far as SACCOs responses to the new rules and regulations are concerned. SACCOs members have experience over time in dealing with SACCOs activities. Therefore, their knowledge, attitudes and perceptions of the new rules and regulations by Uganda Microfinance Regulatory Authority were important to the study. The management and supervisors were of great significance due to their advice on implementation and management. Whereas the operators and service utilizers had adequate knowledge on factors influencing SACCOs response to the new rules and regulations, hence justifying the need to involve them in the study.

3.5 Sample Size and Sampling Procedure

The sample size for this study was 140 respondents. The study site was stratified into two categories presenting urban and rural areas. Disproportionate stratified sampling was applied to select two divisions from the city and two sub-counties from a county. Out of the two divisions and two sub-counties selected, purposive sampling was applied to select four SACCOs from each division and two SACCOs from each sub-county. In total, twelve SACCOs were selected from two divisions each having an equal representation of four SACCOs and two sub-counties each having an equal representation of two SACCOs. One hundred forty respondents were randomly selected to avoid biases. These included both females and males actively participating in SACCOs business. Direct observations, Document review, Key informants and Focus group discussions

were organized to investigate SACCOs response to the new rules and regulations by Uganda Microfinance Regulatory Authority.

The sample size was selected based on Yamane's (1967) sample size determination. According to this formula, where the total number is 216, the sample size is 140. The breakdown of the respondents is as seen in the Table below.

Yamane’s formula for calculating sample size:

Yamane (1967) *cited in* (Guwahati, 2013) suggested another simplified formula for the calculation of sample size from a population which is an alternative to Cochran’s formula. According to him, for a 95% confidence level and $p = 0.5$, the size of the sample should be

$$N = \frac{N}{1 + N(e)^2}$$

$$N = \frac{144}{1 + 144(0.05)^2} \qquad N = \frac{144}{1 + 144 \times 0.0025} \qquad N = \frac{144}{1 + 0.54}$$

$$N = \frac{144}{1.54} \qquad N = 140$$

Where, N is the population size and e is the level of precision

Let this formula be used for our population, in which $N = 216$ with $\pm 5\%$ precisions.

Assuming 95% confidence level and $p = 0.5$, we get the sample size as one hundred and forty (140) respondents.

Purposive sampling procedure was used in the early stage in the selection of Mbarara district as the study area. Mbarara district was selected due to different views regarding SACCOs management and members' response to the new rules and regulations by Uganda Microfinance Regulatory Authority. Simple random sampling strategy was used to select SACCOs members. This random selection helped in capturing different information on gender, education, awareness, perceptions, attitudes, state interventions and standard procedures adopted to promote fair and transparent business practices.

Purposive sampling strategy was applied to select fourteen key informants. These include 4 Chief executive officers in charge of institutions governing SACCOs, 8 Chief executive officers of

SACCOs and 2 representatives from UMRA in charge of SACCOs. The purposive selection helped in collecting information on the nature of the response, factors influencing response and actual implementation of new rules and regulations. Four focus group discussions were conducted comprising of 8 participants (four females and four males). The table illustrating the sampling strategies used for both quantitative and qualitative methods is shown below.

Table 1: Composition of the final Sample, both quantitative and Qualitative

Category	Sample size	Sampling procedure	Data collection method	Tools of data collection	Data analysis
Quantitative					
Number of respondents	140	Simple Radom sampling	Survey	Questionnaire	SPSS
Qualitative					
Number of key informants	14 key informants	Purposive sampling	Key informant	Interview guide	Thematic approach
Number of FGDs	4 FGDs	Purposive sampling	Focus Group Discussion	FGD guide	Thematic approach

3.6 Data Collection

3.6.1 Quantitative Data Collection

Quantitative data was collected to collect numerical data on the number of males and females that were aware of the SACCOs nature of response to the new rules and regulations by the Uganda Microfinance Regulatory Authority. Structured interviews were done using questionnaires. The questionnaires were self-administered. Self-administration of the questionnaires helped in carrying out data cleaning while in the field and ensuring that the data collected was adequate for the research. Questionnaires were administered to SACCOs staff members and members of the management and board. These were out of the twelve SACCOs purposively selected. And each SACCO was represented by five people respectively who were interviewed once. This enabled

collection of quantitative data on SACCOs nature of the response, factors that have influenced uptake of the new rules and regulations. And standard procedures adopted by SACCOs in response to the new rules and regulations.

3.6.2 Qualitative Data Collection

Qualitative data was collected using focus group discussions and key informant interviews. SACCOs clients were engaged in a discussion using a focus group discussion guide. The discussion generated information on the factors that have influenced and state interventions put in place for the uptake of the new rules and regulations. The discussion was conducted once from each group which was purposively selected from the two sub-counties and two divisions respectively. This enabled assessment of clients' perceptions, opinions and attitudes that they have towards the new rules and regulations.

Key informants' interviews were conducted once using a key informant's interview guide. These included representatives of institutions governing SACCOs and UMRA who provided information on factors influencing, the nature of the response and actual implementation of the new rules and regulations.

Document review involved a comprehensive review of key documents obtained from the SACCOs chief executive officers. Document review was done twice. And it elicited information on the standard procedures and guidelines adopted by SACCOs on promoting fair and transparent business practices.

3.6.3 Procedure

A letter of introduction was secured from Makerere University School of Social Sciences (Department of Sociology and Anthropology). This letter was presented to the district records office and a copy availed to the L.C V chairperson and the CAO. The DCO was also given a copy of the letter and guided the student on areas that were purposively selected for the study. He assured the student that in case of obstacles along the way the student should raise him and during the study, there were no obstacles met.

3.7 Data Processing and Analysis

3.7.1 Quantitative Data Processing and Analysis

Quantitative data was analyzed using Statistical Package for Social Scientists (SPSS) version 16 on the computer. Quantitative data was analyzed and presented in tabular form using percentages, frequencies to describe the study findings on the nature of the response, state interventions and standard procedures and guidelines adopted by SACCOs to promote transparent business practices concerning the new rules and regulations by Uganda Microfinance Regulatory Authority.

3.7.2 Qualitative Data Processing and Analysis

The qualitative data obtained through focus group discussions, key informants and document review was analyzed. Data collected was analyzed using the thematic approach of analysis. The analysis focused on key information collected on the themes of factors that have influenced SACCOs response, state interventions put in place for the uptake of new rules and regulations, procedures and guidelines adopted and the effect of the new rules and regulations on the performance of SACCOs. Data was arranged into relatively shorter and meaningful phrases that captured the overall views of different respondents. This was presented in form of verbatim, indirect and direct quotations.

3.8 Data Quality Control

A pretest of the questionnaire was conducted before the actual field data collection started which helped take care of gaps, unclear questions and other important information that could have been left out during the designing of the survey tool. During data collection, I would go through the questionnaires daily to check for any errors that could have been made and correct them from the field. Data collection was in a participatory manner and respondents were consulted for permission before the questionnaire was administered. During data collection, data was recorded and verbatims were written for further report writing.

3.9 Ethical Considerations

Before administering questionnaires, the consent of the respondents was sought for and the study objectives were explained and clarification was made to them about their participation that it was voluntary. Finally, respondents were assured of confidentiality and anonymity of information gathered at all levels of the study. They were not asked to directly identify themselves through their names. The researcher was able to seek consent from the respondents before executing the questionnaire and the names of respondents were not included in the final report.

3.10 Limitations

It was anticipated that there may be delays in the field during data collection by respondents. And of which it happened. This was due to lack of enough time to answer questionnaires or attend to the interviews. However, I made follow-ups using phone calls and making callbacks to their respective workplaces to be able to cover the required sample. There was also unwillingness of respondents to participate voluntarily in responding to the questionnaires and attending to the interviews. For ethical purposes, if someone was not willing to participate voluntarily after seeking his/her consent then the interview was terminated and I looked for another one.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter focuses on the presentation and discussion of the study findings. The findings are arranged according to the study objectives except for the demographic characteristics.

4.2 Socio-demographic Characteristics of the Respondents

Social demographic characteristics captured by this study include sex, age, religion, marital status and level of education of the respondents (See Table 1). The findings indicate that the majority of the respondents were males (57%) and females (43%).

Table 2: Demographic Characteristics of Respondents (n=140)

Characteristic	Female		Male		Total	
	Freq	Percent	Freq	Percent	Freq	Percent
Age						
21-30	18	30.0	26	33.0	44	31.4
31-40	14	23.0	17	21.0	31	22.1
41-50	13	22.0	16	20.0	29	21.0
51-60	12	20.0	15	19.0	27	19.0
Above 60	03	5.0	06	7.0	09	6.4
Total	60	100	80	100	140	100
Religion						
Anglican	36	60.0	47	59.0	83	59.2
Catholic	18	30.0	21	26.0	39	27.8
Born again	05	8.3	10	12.0	15	11.0
Muslim	01	1.6	02	3.0	03	2.0
Total	60	100	80	100	140	100
Marital status						
Married	35	59.0	43	54.0	78	56.0
Single	17	28.0	22	28.0	39	28.0
Widowed	05	8.0	10	12.0	15	10.0
Divorced	03	5.0	05	6.0	08	6.0
Total	60	100	80	100	140	100
Level of education						
University	36	60.0	39	49.0	75	54.0
Tertiary	15	25.0	23	28.0	38	27.0
Secondary	09	15.0	12	15.0	21	15.0
Primary	00	0.0	04	5.0	04	3.0
Never went to school	00	0.0	02	3.0	02	1.0
Total	60	100	80	100	140	100

On age, the majority of the respondents (31%) were aged between 21-30 years, followed by those aged 31-40 years (females 23% and males 21%) and less than 7% above 60 years. Based on my observation, respondents who were more knowledgeable and aware of the new rules and regulations were in between 21-40 years of age compared to their counterparts of 50 years and above. Since the majority of the youth are the ones employed and involved in the daily activities and management of SACCOs compared to their counterparts. Who are always board members, members and shareholders who only get information concerning what is happening in SACCOs when invited for the meetings?

With the level of education, most of the respondents had attended school with the highest level attained being university (Females 60% and males 49%) while 0% females and 3% males having not attended formal education. The findings revealed that there have always been disagreements between the educated SACCOs members and the uneducated members during the annual general meetings (AGMs) more especially on discussing and passing out of SACCOs management policies, rules and regulations. As evidenced by one of the FGD participants' who affirmed that, *“SACCOs have been managed by uneducated people. In case of passing out a certain policy, it has always been difficult for the chairperson of board members to be in an agreement with the rest of members when he/she is not educated”* (FGD, female participant, 2021). This might be of a great hindrance towards the implementation of the new rules and regulations by the Uganda Microfinance Regulatory Authority. As it was observed by Anania et al. (2015) in his report findings on promoting good governance and accountability practices in microfinance institutions in particular SACCOs where he affirmed that in order to promote better accounting practices, good governance, proper records and networking in Microfinance institutions most especially SACCOs, there is a need to invest in education and training of the members.

Regarding religion, more than a half of the respondents (females 60% and males 59%) were Christians (Protestants and Catholics). More to the findings, a few Muslims (2%) participated in the study. The findings indicated that SACCOs are more profit-oriented and they always charge an interest rate of 15% on the amount of money borrowed which contradicts the principles of Islamic law. Islamic Microfinance is guided by the principles of Islamic (*sharia*) law which emphasizes moral and ethical values in prohibiting the payment or receipt of interest (*riba*).

Considering marital status, most of the females (59%) were married while a few of the male respondents (28%) were single. Further analysis indicated that the marrieds could easily access the loans from SACCOs. Since they are in the position of collateral security in form of land and land titles compared to their counterparts who are single. Thus, a great hindrance to the utilization of SACCOs credit by the singles due to lack of collateral security. This is in agreement with (EIB, 2016) which documented that the major challenge on promoting financial inclusion in Sub Saharan Africa, is due to a lack of collateral security when accessing financial services from financial institutions in particular SACCOs.

Concerning the main source of income, the findings revealed that more than half of the respondents were employees (males 53% and females 53%). More males (23%) than females (14%) were more involved in informal employment especially small and large businesses like the sale of hardware materials, kitchenware, scholastic materials and managing the wholesale and retail shops. Indeed, small and large businesses featured most of the respondent's main sources of income.

More females (60%) were from rural areas and males (70%) urban. The findings revealed that the majority of the female respondents were from rural areas because they are the ones who stay at home with the children and take care of the family responsibilities as their counterparts (men) move to urban areas to do businesses, informal and un informal jobs.

4.3 Nature of the New Rules, Regulations and SACCOs Response

Understanding the nature of the new policies, guides, rules, regulations and SACCOs response was of great significance to the study. The study sought to find out whether SACCOs members had the knowledge and were aware of the advantages and disadvantages of the new policies, guidelines, rules and regulations. This was of great importance in having a deeper understanding of the difference between the SACCOs nature of the response to the old policies, guidelines, rules and regulations versus the new policies, guidelines, rules and regulations by the Uganda Microfinance Regulatory Authority. It was also of great significance in identifying the level of the respondents' awareness of the new rules and regulations versus the old ones that have been governing SACCOs.

According to the findings in both quantitative and qualitative interviews, SACCOs participants that were engaged in this study were more knowledgeable and aware of the old policies, guidelines,

rules and regulations compared to the new ones by Uganda Microfinance Regulatory Authority as discussed below:

4.3.1 Awareness of the Old Policies, Guidelines, Rules and Regulations

The study solicited respondents' awareness of the old SACCOs policies, guidelines, rules and regulations. Respondents were asked if they were aware of the registration, credit policy and licensing. Because it was wise enough to get to know their views regarding the old policies before asking them about the new policies by UMRA. Interestingly, a few of them talked about the human resource manual, bye-laws and a strategic plan.

In respect to the human resource manual, the findings indicated that the human resource manual guides SACCOs on recruiting competent staff members as well as protecting staff's rights. Like you cannot terminate one of the staff members' contract without referring to the human resource manual in terms of the benefits and the costs that the SACCO will incur due to the termination of the contract. From the findings, SACCOs are always governed by their bye-laws. In addition, you cannot invite people for an annual general meeting (AGM) and you fail to give them the minutes of the previous annual general meeting as well as information regarding expenses and the general performance of the SACCO compared to the past years of operation. The study further established that the strategic plan is of great significance to SACCOs in terms of monitoring their performance. Performance is monitored in terms of the losses and profits made by the SACCO depending on its intended plans, objectives and programs. Respondents' awareness of the registration, credit policy and licensing are shown in Table3.

Table 3: Awareness of the Old Policies, Guidelines, Rules and Regulations (n=140)

What are SACCOs old policies, guidelines, rules, and regulations, do you know of?	Females n=60		Males n=80		Total	
	Tally	Percent	Tally	Percent	Tally	Percent
Registration	25	42.0	34	43.0	59	42.0
Credit policy	20	33.0	22	28.0	42	30.0
License	09	15.0	19	24.0	28	20.0
Human resource manual	03	5.0	03	3.0	06	4.0
Bye- laws	03	5.0	01	1.0	04	3.0
Strategic plan	0	0.0	01	1.0	01	1.0

More than a half of the respondents (males 43% and females 33%) knew and were aware of the key elements of the old SACCOs policies, guidelines, rules and regulations (registration and credit policy). In respect to registration and licensing, the findings indicated that they are of great importance to SACCOs. Significantly, when a SACCO is registered and licensed, it is safe, has a proper address in its area of operation and this increases the level of trust and confidence by the clients. Respondents explained further on registration and licensing that in case there is mismanagement of funds, SACCOs clients and members have a right to report to the authorities where the SACCO is registered and licensed. When the incident is unresolved, they can sue the SACCO management in courts of law. Due to the fact that the SACCO has been operating legally (registered and licensed) compared to a non-registered and a non-licensed SACCO. This is in line with the public interest theory which focuses on protection of poorly informed clients, small financial institutions and the importance of rules and regulations for financial institutions in particular SACCOs.

With regard to the credit policy, statistics indicated that more women (33%) than men (28%) were more informed about the requirements of getting a loan from SACCOs. The implication to this is that women do not have enough security in terms of property like land, buildings, businesses and cattle compared to men. Women always benefit from group loans where they go to SACCOs as registered savings associations comprising of ten to fifteen people for them to qualify to be given a loan. They always ask a lot about the details of the loan that is given to their savings association in terms of security, guarantor, interest rate and payment procedures compared to men who just present their guarantors and security. Women always face challenges in accessing financial services from SACCOs due to a lack of security. It was also observed that in their small village savings associations, the chairpersons and the secretaries of the associations, have to be given all the details concerning the loan that is given to them. To avoid conflicts with the loans officers on paying back the loan compared to their counterparts who get individual loans due to possession of collateral inform of land, land titles, buildings, businesses and cattle. The findings are in agreement with Marus et al. (2020) who observed that women cannot access financial services from formal institutions which require collateral security (land, land titles, buildings, cattle and guarantors).

Concerning location, urban respondents were more knowledgeable and aware of the old policies, guidelines, rules and regulations compared to their counterparts. This is due to the fact that urban

respondents had access to different sources of information which include newspapers, radios and televisions compared to their counterparts. It is evident that one of the FGD participants' attested that, "*The challenge that we have as rural people, we are limited to sources of information. Our radios and telephone networks have been always poor. At times, we cannot afford money for charging phones or buying cells for radios compared to our counterparts who can listen or watch from the neighbors' television*" (FGD, male participant, 2021). The implication to this is that rural people are poor and it is very difficult for them to share with their neighbors in accessing sources of information because their homesteads are distant from each other compared to their counterparts whose homesteads are nearer to each other.

More to the findings, majority of the respondents had received information about the new rules and regulations by Uganda Microfinance Regulatory Authority from the workshops. The findings reflected that most of the workshops and trainings were conducted by the District Commercial Officer, SACCOs management, Uganda Cooperative Savings and Credit Union, Uganda Microfinance Regulatory Authority, Project for Financial and Economic Development, Microfinance Support Center, Association of Microfinance Institutions of Uganda, Bank of Uganda and Centenary bank officials. It is evident from the above findings that different stakeholders were in charge of the workshops and trainings because they wanted to prepare SACCOs members for the uptake of the new policies, guidelines, rules and regulations. This shows that the stakeholders never wanted SACCOs members to be taken up by the new authority (UMRA) without their consent and being orientated about its new rules and regulations. The study established that workshops mainly concentrated on the need for registration and having a trading license with UMRA. This implies that the officers in charge of the workshops mainly talked about registration and licensing. The main intention was to build trust among SACCOs members and UMRA officials. In addition to the workshops done, SACCOs members had also received information concerning new rules and regulations by UMRA from different sources as illustrated in the bar chart below.

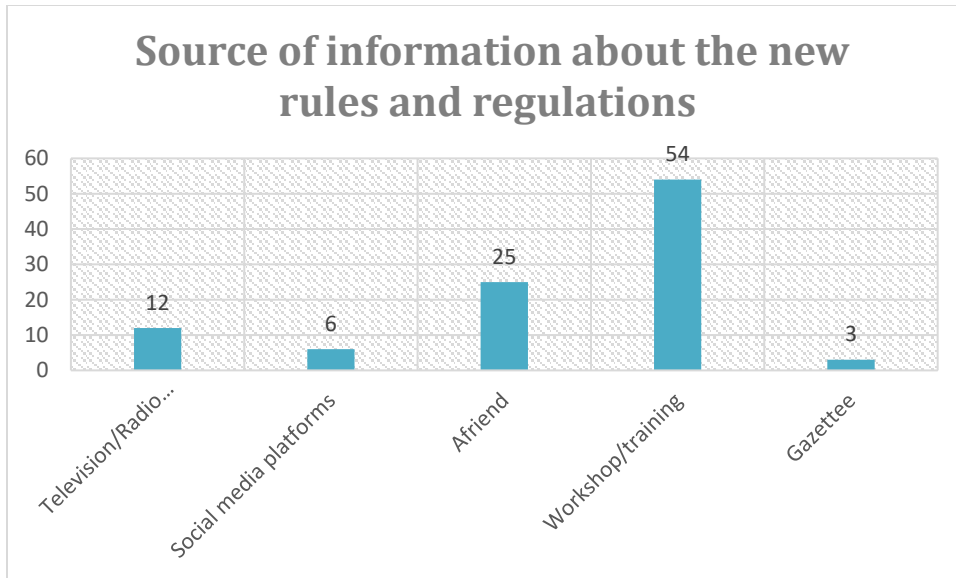


Figure 1: Source of information about the New Rules and Regulations

As seen from above, SACCOs members are not yet conversant with the new policies, guidelines, rules and regulations. According to the findings, during the workshop, they were not taken into details due to limited time. More to the findings, SACCOs members are also not yet up-to-date with other sources of information as shown above. This correlates with one of the findings where a key informant affirmed that:

we only focus on registration, licensing and requirements of being licensed. Our trainings have always been one day. (KII, Male participant manager Microfinance institutions (MFIs) in charge of SACCOs, 2021)

It is evident that from the information above more than a half of the respondents had received information about the new policies, guidelines, rules and regulations from the workshops and trainings which lasted for one day. This justifies the need for more workshops and awareness programs from different sources of information for SACCOs members to have details of the new policies, guidelines, rules and regulations by UMRA.

4.3.2 Awareness of the New Policies, Guidelines, Rules and Regulations

Understanding respondents' awareness of the new SACCOs policies, guidelines, rules and regulations by the Uganda Microfinance Regulatory Authority was of great importance to the study. It aimed at examining the most commonly known new SACCOs policies, guidelines, rules

and regulations that respondents were acquainted with and how they perceive them versus the old policies, guidelines, rules and regulations that have been governing SACCOs.

Statistics indicated that females (28%) and males (33%) were aware of the need for registration with UMRA. The study findings established that when a SACCO is registered, it is operating legally, has a proper address and this increases its level of trust and confidence by the members. More to the findings, respondents noted that when you are a member of a registered SACCO, you are aware that your savings are protected. These findings are in line with the Societies Regulatory Authority in Kenya (SASRA, 2015) which observed that when a SACCO is registered, it gives members confidence in the protection and safety of their savings. In respect to the credit policy, more men (30%) and females (22%) were more knowledgeable on the need for SACCOs to have a credit policy within UMRA’s guidelines. The findings indicated that the majority of the men are in charge of the loans departments compared to their counterparts. The justification for this is that men are always in the field giving out loans as well as dealing with loan defaulters. The study findings further reflected that most of the SACCOs loans departments are headed by men because they are the ones who can manage to ride motorcycles for a long distance compared to their counterparts (women). Men have always been initiators/founders of SACCOs and they are the ones in possession of property like land, buildings and businesses. In case a SACCO needs a loan from formal financial institutions, men have what to use as collateral security. The study findings on awareness of Licensing, savings, annual fee, stabilization fund, protection fund, shareholding and liquid assets are shown in Table 4.

Table 4: Awareness of the New Policies, Guidelines, Rules and Regulations (n=110)

Which of the following new policies, guidelines, rules, and regulations have you heard of?	Females n=50		Males n=60		Total	
	Tally	Percent	Tally	Percent	Tally	Percent
Registration	14	28.0	20	33.0	34	31.0
Credit policy	11	22.0	18	30.0	29	26.3
License	06	12.0	07	11.0	13	11.8
Share holding	05	10.0	04	7.0	07	6.3
Savings	04	8.0	04	7.0	07	6.3
Annual fee	03	6.0	03	5.0	08	7.2
Protection fund	03	6.0	02	3.0	06	5.4
Stabilization fund	02	4.0	01	2.0	03	2.7
Liquid assets	02	4.0	01	2.0	03	2.7

Concerning the stabilization fund, a few of the respondents were aware of it (females 4% and males 2%). As earlier mentioned, when UMRA officials came for the workshop, they only concentrated on the need to register and have a trading license with them. According to the study findings, the workshop only lasted for a day and SACCOs members were not taken into details concerning other policies, guidelines, rules and regulations. Due to covid, a few of the SACCOs members were invited in observance of the standard operating procedures (SOPs) by the Ministry of Health. In general, some members of the SACCOs knew and were aware of the new policies, guidelines, rules and regulations. The only challenge that they have, is that they have not yet understood them in depth which has left them with so many unanswered questions due to limited time for the training. This concurs with the findings from a KII interview where a key informant attested that:

Generally, in my opinion, SACCOs members are aware of the new rules and regulations. Because they are aware of the Act and when you look at the few trainings that we have conducted, you find that they have so many unanswered questions. (KII, Male participant manager Microfinance institutions (MFIs) in charge of SACCOs, 2021).

In addition, there were voices of the need for more training to understand these rules better. In one FGD, participants said that, *“There is a need for workshops and training for people so that they can be able to understand what is needed for the implementation of the new rules and regulations”* (FGD, Female participant, 2021). Therefore, concerning sex, location, marital status, age, religion and experience. Majority of the respondents were married urban men who were Anglicans within the age bracket of 30 years and above. They had more than two years of experience and they were more knowledgeable about the new rules and regulations by UMRA. This was due to the fact that married men are the ones heading SACCOs committees and at the same time using SACCOs services to receive their payments, banking school fees for the children, making deposits and withdrawals for their businesses compared to their counterparts (women). This is due to the fact that the majority of the women are unemployed and they rarely participate in SACCOs activities because they are always at home taking care of the domestic work.

4.3.3 SACCOs’ Response to the New Rules and Regulations

One of the major aspects of this study was to understand SACCOs nature of the response to the new policies, guidelines, rules and regulations. The study sought to find out whether SACCOs

were aware of the advantages and disadvantages of the new policies, guidelines, rules and regulations. According to the findings in both quantitative and qualitative interviews, SACCOs that participated in this study were licensed and registered with the District Commercial Officer (17.8%) and the registrar of cooperatives (10.7%) and not with UMRA. The study findings revealed that SACCOs have not yet responded to any of the new policies, guidelines, rules and regulations by the Uganda Microfinance Regulatory Authority.

This is due to the fact that UMRA officials came to Mbarara District once and had a one-day workshop that was attended by few people in observance of standard operating procedures (SOPs) by the Ministry of health due to Covid. The findings indicated that the workshop only centered on the requirements of registration and the importance of having a trading license with UMRA. The implication to this is that registering and licensing with UMRA is of great importance to SACCOs. Registration and licensing will help in the fight against illegal financial activities such as embezzlement, corruption and mismanagement of members' funds. This is in agreement with (Mutinda, 2016) who acknowledged that registration and licensing of SACCOs is of great importance in the fight against illegal financial activities such as mismanagement of funds and exploitation of clients through high interest rates. More to the findings, big SACCOs are waiting to be regulated by Bank of Uganda. According to the findings, they have enough capital more than 500million and a loan portfolio of 1.5billion shillings which is above UMRA's target of the operation. UMRA only targets SACCOs with capital of 500million and a loan portfolio of 1.5billion shillings. Therefore, big SACCOs are waiting to be taken over by Bank of Uganda because they qualify to be under Tier 3. On the other hand, further interrogation into the nature of response revealed that some of the SACCOs are still preparing their technical documents as they wait on UMRA and others are confused on whether to register with UMRA or dismantle their SACCOs and go back to Village Savings and Loan Associations. More to Study findings, respondents asserted that they are planning to go back to Village Savings and Loan Associations, since UMRA is perceived to take away SACCOs ownership by members. Interestingly, this is in line with the past report findings (AMFIU, 2019) which justified that SACCOs are confused on which institution to report to in terms of implementing the new policies, guidelines, rules and regulations by the Uganda Microfinance Regulatory Authority. This relates to the voices from one of the focus group discussions where participants asserted that:

There is nothing that has been adopted because UMRA came here once and met people on registration and licensing. Here we register with the registrar of cooperatives and the district commercial office at the district. Up to now, we are not yet registered with UMRA. we cannot get married to three people at the same time (FGD, Female participants, 2021).

In addition to the findings, one of the male participants in one of the FGD asked that, *“I would like to know why they are shifting us from the registrar of cooperatives? Yet we have no problem with the registrar. Up to now am still wondering what will be the value addition of UMRA in management of SACCOs?”* (FGD, male participant, 2021). Therefore, there is a lot of confusion on whether SACCOs should be regulated by UMRA or stay under the management of the registrar of cooperatives as asserted by one of the key informants who said that, *“There is a conflict between the laws. But to us, we will focus on our Act as they try to harmonize them. There are SACCOs which are aware of which institution to report to and others do not know.”* (KII, Male participant in charge of SACCOs reports and Microfinance institutions, 2021). To sum it all, SACCOs need to be more enlightened on the advantages and disadvantages of the new policies, guidelines, rules and regulations so that they can be able to respond to them.

4.4 State Interventions for the Uptake of New Policies, Guidelines, Rules and Regulations

The Ugandan government in collaboration with the state, they are committed to reviving the Cooperative sector in particular SACCOs (PROFIRA, 2014). The Government and state acknowledge Savings and Credit Cooperatives to be the drivers in the mobilization of people to save as individuals or groups in order to enhance production, investment and capital accumulation. The overall goal, is to have a SACCO in each Sub-County spearheading savings mobilization and promoting household incomes. Furthermore, the main objective of promoting Savings and Credit Cooperatives include: Developing and reviewing the legal and regulatory framework; Promoting and enhancing good governance in the SACCOs movement; Rebuilding the SACCOs movement to efficiently and effectively respond to members’ needs; Developing the capacity of SACCOs to compete in the domestic, regional and international markets; as well as to provide a framework for improving capitalization and diversification of financing tools appropriate for the SACCOs. The study sought to find out whether there are state interventions put in place for the uptake of the new rules and regulations by the Uganda Microfinance Regulatory Authority. The findings revealed that the state interventions include giving SACCOs soft loans at a low interest rate, promoting

financial literacy trainings, facilitation of workshops and skills development fund (*emyoga*) as discussed below.

4.4.1 Soft loans at a Low Interest Rate

As discussed earlier, the role of Government in Uganda has gone beyond providing a conducive operating environment into the actual implementation of SACCOs programs (PROFIRA, 2014). The goal is to have every sub-county with a SACCO. The study findings revealed that the state has supported SACCOs financially through soft loans at a low interest rate (8%) in order to increase their lending and liquidity capacity. Further analysis indicated that SACCOs have been given a tax holiday to operate freely in a period of ten years. SACCOs need to first stabilize and enhance their financial capacity to be able to meet their members' expectations (UCA, 2017). This has encouraged SACCOs formation at the national and community level (MoTIC, 2016).

4.4.2 Financial Literacy Trainings and Facilitation of Workshops

The findings revealed that the state has supported institutions managing SACCOs financially through promoting financial literacy programs and facilitating their workshops. The main objective of the workshops and financial literacy trainings was to prepare SACCOs for the uptake of the new rules and regulations by the Uganda Microfinance Regulatory Authority. More to the findings, most of the workshops and trainings were conducted by the District Commercial Officer under the local government Act. Due to the fact that the District Commercial Officer is the one in charge of all the financial activities at the district level. In addition, other workshops have been conducted by SACCOs management, Uganda Cooperative Savings and Credit Union, Uganda Microfinance Regulatory Authority, Project for Financial and Economic Development, Microfinance Support Center, Association of Microfinance Institutions of Uganda, Bank of Uganda and Centenary bank officials. Further analysis revealed that it's the state which provided a conducive environment for the enactment of the Tier 4 Microfinance Institutions and Money Lenders Act (2016). This is in line with (AMFIU, 2016) report findings which acknowledged that the state has provided a conducive environment for the enactment of the Tier 4 Microfinance Institutions and Money Lenders Act (2016) through the Ministry of Finance Planning and Economic Development. The implication to this was to put in a lot of effort in ensuring that the Tier 4 Bill is concluded and enacted into law. Thus, its implementation will enhance professionalism in the management of microfinance sector in particular SACCOs. Hence, building

stronger and sustainable SACCOs in Uganda. In addition, through PROFIRA project, the State has supported the strengthening of SACCOs and Community Groups especially in areas where the SACCO strategy has not been effective. The project has also supported the implementation of Tier 4 regulatory framework. Through sensitization and creating an awareness of the existing new rules and regulations by the Uganda Microfinance Regulatory Authority.

4.4.3 Skills Development Fund (*emyoga*)

Skills development fund (*Emyoga*) is a presidential initiative aimed at wealth and job creation through forming SACCOs. This is where the state disburses money to help the targeted groups which include saloon operators, bodaboda riders, taxi operators and market vendors (State House, 2020). The Ministry of Finance Planning and Economic Development report (2018) affirmed that the government has subsidized the funding of the new SACCOs all over the country. This is through The Microfinance Support Center where newly established SACCOs are encouraged to apply for the startup funds. The Microfinance Support Center supports SACCOs financially by giving them loans that are subsidized at a low interest rate (8%). The implication to this is to encourage SACCOs not to exploit their members due to high interest rates that will be charged on the amount of the money borrowed by the borrower.

This is in line with Uganda Cooperative Alliance report (2017) which postulates that SACCOs are supposed to provide financial services at a cheaper rate compared to the commercial banks which are profit oriented. Further investigation revealed that at times when a SACCO is on the verge of running bankrupt, board members and some committee members, they can call in for the state intervention to be given money from the national treasury to assist them in increasing their liquidity capacity. Similar views were identified in the major objective of The National Cooperative Policy (2010) which provides guidelines for cooperative development in particular SACCOs in Uganda. This postulates that Government is to develop and strengthen the cooperative movement in particular SACCOs to enable them to play a leading role in poverty alleviation, employment creation and social economic transformation of the country. Further analysis revealed that in all the SACCOs that participated in this study, there is none that had benefited from the skills development fund (*emyoga*) due to the bureaucracy involved in getting the funds. Hence, a great hindrance to the presidential initiative. In addition to the findings, similar views were identified in a focus group discussion where participants affirmed that:

we heard about emyoga project which is a government financial support to SACCOs. During registration, they told us to mobilize one million and form a group of thirty people. Most of us failed to raise the money and we have given up on the project. (FGD, Female participants, 2021)

On the state interventions, the state seems to have facilitated workshops and trainings for the uptake of the new policies, guidelines, rules and regulations through the emyoga project which seem not to be effective and efficient to the targeted groups.

4.5 Standard Procedures adopted to promote Fair and Transparent Business Practices

The study sought for responses on the standard procedures adopted to promote fair and transparent business practices as shown in Table 5:

Table 5: Standard procedures for Transparent Business Practices

What are the standard procedures adopted by SACCOs to promote fair and transparent business practices?	Females		Males		Total	
	Tally	Percent	Tally	Percent	Tally	Percent
Loan audits	47	50.0	47	50.0	94	100
Governance structure	43	51.2	41	49.0	84	100
Record keeping	42	47.2	47	53.0	89	100
Credit policies	41	48.0	45	52.0	86	100
Human resource manual	07	12.0	05	6.3	12	18.3
Annual general meetings (AGMs)	05	8.3	04	5.0	09	13.3

Multiple responses in Table 5 indicate that more than a half of the respondents affirmed that SACCOs have adopted standard procedures which represent governance structure (females 51.2% and males 49 %) while a few females (8.3%) and males (5%) were aware of annual general meetings (AGMs). The findings indicated that the standard procedures adopted have helped to promote accountability, transparency, proper records, recruitment of competent staff members and monitoring the growth of the SACCOs. This is in line with Bananuka et al. (2019) who attested that MFIs in particular SACCOs should have well constituted boards with the necessary quality of members and at the same time UMRA must ensure that SACCOs have the right human resource, facilities and they should be open to client demands. More to the findings, the Majority of the respondents who were more informed about the standard procedures adopted by SACCOs to promote fair and transparent business practices, were married men, Anglicans and from urban areas within the age bracket of 30 years and above. Study findings revealed that men frequently

use SACCOs to receive their salaries, pay school fees for the children, make business deposits, withdrawals and get loans compared to their counterparts (women and youth).

This is due to the fact that men own collateral security in form of land, land titles and businesses. Hence, they qualify for individual loans compared to the women and the youth who have to benefit from group loans due to lack of collateral security. The fact that married men use SACCOs services more often than women and the youth. This justifies the reasons as to why they are more knowledgeable on the standard procedures adopted to promote fair and transparent business practices compared to their counterparts. According to the Association of microfinance institutions of Uganda report findings (2015), its code of conduct requires SACCOs to ensure transparency in the maintenance of the books of accounts. This is through unveiling all SACCOs affairs and preparing financial reports. Financial reports prepared may not reveal the correct image of the SACCO until they are imperiled to audit. An audit may be done by internal auditors who confirm that the internal controls for organizing financial reports were adequate; audit committees also check the accounting information while external auditors confirm the truth and fairness of financial statements.

This is in agreement with the study findings on loan audits and record keeping where respondents confirmed that SACCOs always present financial reports at every annual general meeting (AGM). The study participants further acknowledged that it is through the financial statements given to them during the annual general meetings that help them in monitoring and evaluating SACCOs performance. The findings concur with Bananuka (2017) who argued that transparency and accountability can be achieved through effective internal control mechanisms put in place in form of audits and record keeping. The implication to this is that SACCOs governance organs should have internal control mechanisms in form of policies, procedures and guidelines that produce results in terms of transparency and accountability which meet the needs of their members. This is in line with the enforcement theory which looks at market discipline, private litigation and public enforcement through regulations. This can be of great help in the fight against corruption and mismanagement of funds in microfinance sector and in particular for SACCOs.

4.6 Factors Influencing Uptake of the New Policies, Guidelines, Rules and Regulations

In respect to the advantages for the uptake of the regulatory policies, guidelines, rules and regulations guiding Microfinance institutions in particular SACCOs. The advantages include the following: confidence, protection and safety of members' savings. Study findings in Kenya revealed that policies, guidelines, rules and regulations help SACCOs to grow at a faster rate (SASRA, 2015).

In Uganda, the key elements for the adoption of the new policies, guidelines, rules and regulations by the Uganda Microfinance Regulatory Authority include registration, licensing, having a governance structure, business plan, credit policy and lending procedures, competent staff members and adequate capital (AMFIU, 2015). The study sought to find out factors influencing SACCOs nature of the response to the new policies, guidelines, rules and regulations. Surprisingly, the findings revealed the following: financial constraints; different perceptions and attitudes; uninformed membership; inadequate education and training programs; the distance of UMRA offices and weak assistance from national institutions supporting SACCOs as discussed below.

4.6.1 Financial Constraints

In most cases, the capital base of Microfinance institutions in particular SACCOs is commonly narrow, thereby weakening their capacity to lend or honor cash withdrawals. Similarly, the lack of capacity and weak capital base often forces SACCOs to offer a very limited product range, thereby making them unattractive to broad segments of both rural and urban populations (CGAP, 2015). According to the study findings, financial constraints are the leading factors influencing uptake of the new rules and regulations by the Uganda Microfinance Regulatory Authority. Further investigation revealed that UMRA needs money for registration, licensing, protection funds and stabilization funds from SACCOs. Based on the SACCOs managers' response, He affirmed that the costs that will be incurred on registration, licensing, protection fund and stabilization fund will lower SACCOs loan portfolio hence weakening their lending capacity. Thus, putting SACCOs at risk of failing to meet members' expectations.

As a result of financial constraints, SACCOs have been unable to compete with commercial banks and other Microfinance institutions. Inadequate funds make SACCOs go to other Microfinance institutions and banks to take loans as a way to increase their capital base. In a long run, it leaves them with a debt burden and their members. Many SACCOs suffer from severe low profitability

and depend on state handouts as well as donor assistance and other external resources. It is also clearly known that such financial deficit may be due to low saving culture, poor loan recovery and misappropriation of SACCOs funds from internal or external sources. Therefore, there is a need to support SACCOs financially to speed up the uptake of the new rules and regulations

4.6.2 Different Perceptions and Attitudes

Rules and regulations are perceived to be of great importance to SACCOs (AMFIU, 2015). Significantly, they help in the fight against illegal financial activities such as corruption, embezzlement, mismanagement of funds and exploitation of clients through high interest rates (Mutinda, 2016). The study findings established that the majority of the respondents perceive UMRA’s rules and regulations to be extremely important, very important, important, slightly important and not at all important based on the Likert scale that was designed in the questionnaire as shown in Table 6.

Table 6: Respondents’ Perceptions and Attitudes towards New Rules and Regulations

New Rules and Regulations	How do you perceive the new rules and regulations?										Total	
	Extremely Important		Very Important		Important		Slightly Important		Not at all Important			
	Tally	%	Tally	%	Tally	%	Tally	%	Tally	%	Tally	%
Registration	29	58.0	17	34.0	2	4.0	0	0	2	4.0	50	35.7
Savings	25	67.5	10	27.0	1	2.7	0	0	1	2.7	37	26.4
Licensing	23	46.0	22	44.0	3	6.0	0	0	2	4.0	50	35.7
Credit policy	14	33.0	21	49.0	6	14.0	0	0	2	4.0	43	30.7
Protection Fund	10	29.0	16	47.0	4	12.0	3	9.0	1	3.0	34	24.2
Share holdings	16	43.0	15	41.0	4	11.0	1	3.0	1	2.0	37	26.4

As seen from the table above, multiple responses from SACCOs members on perceptions and attitudes towards the new rules and regulations revealed registration 58% and savings 67.5% to be extremely important. Basing on the findings from the study, registration and savings are perceived to be of great importance to SACCOs. Registration is of great importance to SACCOs because it helps in the protection of members' savings, building trust, commitment and confidence. Whereas, savings increase the financial capacity of the SACCOs. Further analysis indicated that when someone is a member of a registered and a licensed SACCO, in case of illegal financial activities to do with mismanagement of funds. Members have a right to report to the authorities where the SACCO is registered and licensed.

The importance of this is that when a SACCO is registered and licensed, it is well established and its operation is legal compared to a non registered and a non licensed one. More to the findings, a few of the respondents revealed that credit policy (4%) and shareholdings (2%) as not at all important. This concurs with the qualitative findings from KII interviews and focus group discussions where Respondents acknowledged that, “*SACCOs incur costs on annual subscription for the protection fund and when dealing with loan defaulters*”. In addition to the findings, SACCOs incur costs on registration, licensing, protection fund, stabilization fund and when implementing policies, guidelines, rules and regulations. For instance, when dealing with loan defaulters, there is a lot of money spent on transport. This has encouraged SACCOs to exploit their clients by having an increment on the interest rates to compensate for the costs incurred.

However, this is in disagreement with the World Council of Credit Unions (WOCCU, 2016) which documented that SACCOs are supposed to benefit their members other than exploiting them like commercial banks and other money lending institutions. The study further established that a few of the SACCOs members have failed to get loans due to the bureaucracy involved in the processing of a loan. This implies that there are conditions designed in the SACCOs credit policies which require the borrower to first fulfill before getting the loan. For instance, you cannot get a loan from the SACCO when you are not a registered member. Similarly, you cannot get a loan when you do not have a certain amount of money (shares) commonly known as *emigabo* on your account. Similar views were identified from focus group discussions where participants asserted that:

we have been affected by the SACCOs credit policies. in case one of us needs a loan from the SACCOs, at times it can be difficult to get it. They always give us conditions to first put money on our savings accounts in order to qualify to be given a loan (FGD, Female and male participants, 2021).

At times when you are in need of a loan of one million, you find that you cannot qualify to get it due to limited savings on your account. Here you find that the rule has affected you and they might give you eight hundred thousand shillings only instead of one million that you wanted (FGD, Female participants, 2021).

A common finding that runs through the above voices is that although the new policies, guidelines, rules and regulations are perceived to be of great significance to SACCOs, some are of a hindrance to the beneficiaries/members. SACCOs members prefer to continue operating in their old rules

and regulations because they give them ownership and full control over the operation and management of their SACCOs. Concerning age, sex, marital status and location, more married men above 40 years of age in urban areas perceive the new rules and regulations to be extremely important compared to their counterparts (women and youth). The justification for this is that rules and regulations play a big role in protecting and providing safety of SACCOs members' savings. More to the findings, most of the SACCOs savings are dominated by men who are employed, do retail and wholesale businesses in urban areas compared to their counterparts who stay at home doing domestic work and are unemployed (women and youth). Therefore, SACCOs members have different perceptions and attitudes towards the new rules and regulations by Uganda Microfinance Regulatory Authority. Based on how they will benefit from them and how they will hinder their operations. Thus, leading to different perceptions and attitudes as discussed above.

4.6.3 Uninformed Membership

The existence of uninformed membership is the greatest threat to a SACCO. For SACCO members, the trainings should also comprise the cooperative values and the responsibilities of a member as well as the same questions they should be asking the board and management. These issues are always handled during members' training days or Annual General Meetings (AGMs) (UCA, 2008). Members should be aware of every activity that the SACCO is carrying on like being informed by their leaders and staff as well as having access to various sources of information and reports available in the SACCO.

Furthermore, the findings revealed that some of the SACCOs members were uninformed on the existence of the Uganda Microfinance Regulatory Authority. This concurs with the voices for more sensitization and awareness programs where FGD participants affirmed that, “*some of us we are not yet aware of UMRAS’ existence due to limited sources of information and awareness programs within our SACCO area of operation*” (FGD, Male participants, 2021). More to the findings, majority of the respondents had received information about UMRA’s rules and regulations from workshops. The workshops lasted for one day, apart from a few which went on for two to three days. Due to covid, a few of the SACCOs members were invited in observance of the standard operating procedures (SOPs). Uninformed membership and inadequate education and training are of the great hindrance to the development of Microfinance institutions in particular SACCOs. Hence a contributing factor to the dropout of members, reluctance to save, neglect of SACCOs

loans as well as poor participation in SACCOs affairs. Lack of effective means of communication and transparency make it difficult for the SACCOs members to be well informed on issues concerning their SACCOs.

4.6.4 Inadequate Education and Training Programmes

SACCOs members are always not being equipped with several education and training programs to build their ability. It is evident that in most SACCOs in Uganda, the Board members and staffs are the ones who always enjoy the education and training opportunities than the rest of the members (AMFIU, 2019). This lack of information and adequate training makes it difficult for the rest of the SACCOs members to detect misconduct like embezzlement of funds, know the financial position of their SACCOs and make an analysis of several financial reports. Study findings revealed that UMRA's workshops lasted for one or two days in observance of the standard operating procedures (SOPs). Due to Covid, a few of the SACCOs members were invited to attend. Thus, a hindrance to creating awareness and sensitization of the new rules and regulations to SACCOs members. More to the findings, it is evident that one of the greatest challenges that institutions governing SACCOs have is inadequate resources to facilitate education and training programs for their members (SACCOs). This concurs with one of the voices from key informants' interviews where a key informant affirmed that, "*we do not have enough resources to traverse the whole country*" (KII, Female participant Assistant manager in charge of Microfinance Institutions and SACCOs, 2021). Hence leading to inadequate education and training programs.

As Uganda Cooperative Alliance report (2017), it indicates that cooperative education enables members to learn more about the business world and to know the policies, laws, guidelines, rules and regulations governing their cooperative/ SACCO. The illiteracy or inadequate training and lack of information concerning the new rules and regulations by the Uganda Microfinance Regulatory Authority may be of great interference in the implementation process. For instance, literate committee members may violate policies, guidelines, rules and regulations like issuing unauthorized or oversized loans among themselves or their supporters which they do not repay or may delay paying. The same applies to the cashier and the manager or leaders governing various committees without members' awareness. All these frequently result in financial problems as the SACCOs fail to meet members' expectations through the provision of financial services to members, debt repayments and expansion of its operations.

4.6.5 Distance of UMRA's Offices

According to National Cooperative policy (2011), all institutions governing cooperatives in particular SACCOs, are supposed to open up branches to bring their services nearer to their members/SACCOs. The study findings revealed that UMRA has only one operating office that is centered in Kampala. This has predisposed the slow response of SACCOs in the uptake of the new rules and regulations. More to the findings, UMRA does not have enough resources to traverse the whole country to do the registration, licensing and carrying out awareness programs regarding the advantages and disadvantages of the new rules and regulations. In addition, one of the Key informants affirmed that, *‘we do not have enough resources to traverse the whole country’* (KII, Female participant Assistant manager in charge of Microfinance institutions and SACCOs, 2021). The justification to this is that SACCOs are required to move physically to UMRA's offices in Kampala which is a bit costly in terms of transport. All that UMRA needs to do, is to start doing the registration and licensing digitally so that it can reduce the transport costs for SACCOs that are far from Kampala as they come to register, license and consult them.

4.6.6 Weak Institutional Support for SACCOs

The success of cooperatives in particular SACCOs depends on the role of the supporting institutions both at national and local levels (Budget Monitoring and Accountability Unit (BAMU), (2019). In order to support SACCOs financially, supervise and manage them well in Uganda, the Microfinance Support Centre was formed to provide them with affordable Microfinance services across the country. Apart from supervising and managing SACCOs, MSC is required to strengthen their capacities through training, giving them technical skills, financial advisory services and facilitating their market linkage (National Development Plan (NDP11), (2020). This seems to have failed due to lack of enough funds, understaffing, skilled and experienced manpower in SACCOs matters.

Study findings revealed that Microfinance Support Centre has played a big role in providing affordable micro credit funds to SACCOs. According to the findings, the only challenge that MSC has is that it is being understaffed and lacks enough staff members to do the monitoring and evaluation of the funds disbursed. It is evident that during the KII interviews, one of the key informants' attested that, *‘The challenge that we have is that we are being understaffed and it is very difficult for us to do the monitoring and evaluation of the funds disbursed to SACCOs’* (KII,

male participant in charge of SACCOs, 2021). More to the findings, The Microfinance Support Centre Zonal office in Mbarara district is being understaffed with an average of five staff members hence making it difficult to do the monitoring of SACCOs activities in the district. Other supporting institutions like Uganda Cooperative Savings and Credit Union, Association of Microfinance Institutions of Uganda and Bank of Uganda, they have put in a lot of effort to support SACCOs development in Uganda. This has been done through encouraging and supporting formation of vibrant SACCOs through financial support, technical advice in terms of good managerial skills and financial management.

Furthermore, the study findings indicated that these supporting institutions have done great work in conducting workshops in the district with support from the SACCOs management and the District Commercial Officer. This has helped in creating a ground for the awareness of the new policies, guidelines, rules and regulations as well as creating an operating ground for the Uganda Microfinance Regulatory Authority. Further analysis revealed that supporting institutions never wanted SACCOs to be taken up by UMRA without their orientation in terms of the advantages and disadvantages of the new rules and regulations. As a result, SACCOs in Uganda seem to have shown a slow response towards the new rules and regulations due to lack of enough financial support from The Microfinance Support Centre. Some even find themselves with problems to do with debt burdens from external sources like donors, poor financial management, incompetent staff members, defaulters, poor loan recovery and misuse of funds. The Tier 4 Microfinance Institutions and Moneylenders Act (2016) structure seems to be ineffective. With having some of the SACCOs looking for financial support from a poorly performing MSC. Hence lowering their capacity to respond to the new rules and regulations by Uganda Microfinance Regulatory Authority. It is better to have a Cooperative bank that will directly provide financial support to SACCOs in order to speed up their response to the new rules and regulations.

4.7 Challenges to Implementation of the New Rules and Regulations

Multiple responses from respondents revealed that SACCOs are undergoing through different challenges that are hindering their response to the new rules and regulations. These include limited funds, level of members' illiteracy rate, a lot of documentation needed by UMRA for registration, uniformed membership due to lack of sensitization and awareness programs, inadequate

membership, fear for the new rules and regulations regarding ownership of SACCOs, distance of UMRA's offices, loan defaulters, poor governance and financial management, incompetent staff members, different growth phases and Covid impact. Hence leading to a slow response to the new rules and regulations by UMRA.

Basing on the challenges listed above, they are in agreement with Olga et al. (2017) observations on several challenges faced by SACCOs in respect to the implementation of SACCOs policies, rules and regulations as a way of promoting financial inclusion in Uganda. Her observation includes the following challenges: inadequate infrastructure, many technical documentation requirements, high account fees and low levels of saving culture within SACCOs members. The following factors have been of a great hindrance in the implementation of the SACCOs policies, rules and regulations in respect to promoting financial inclusion in Uganda. Similar views were identified by Ademba (2019) in his report findings on the major challenges facing regulators in Kenya. He observed the following: Low capacity of regulators due to limited financial resources; limited skilled and competent management who fully understand SACCOs operations; Low adoption of technology from SACCOs and regulators; Different growth phases of SACCOs, where some easily meet the prudential standards whereas others struggle and Legal tussle between regulators and SACCOs. The implication of the above observations by different scholars in different areas of operation are great points of concern. This informs us that SACCOs need to first address several issues/challenges before the actual implementation of the new policies, guidelines, rules and regulations by the Uganda Microfinance Regulatory Authority.

In addition to the findings, similar views were affirmed by a KII participant and FGD participants as evidenced by the following quotes.

we do not have enough resources to traverse the whole country. Our work is done manually; all we need is to do it digitally so that we can reduce the transport costs of SACCOs members as they come to consult us. (KII, Female participant Assistant manager in charge of Microfinance institutions and SACCOs, 2021).

The new policies, guidelines, rules and regulations will hinder our operations. People are now thinking of going back to village savings and loan associations (VSLAs). This is due to the presence of UMRA which is perceived to take away SACCOs ownership by members (FGD, Female, participant, 2021).

In addition to the voices above, one of the Key informants affirmed that, “*SACCOs face several challenges which include having leaders who do not qualify for the fit and proper test. This is in terms of education levels, character and experience in management.*” (KII, Male participant chief executive officer, 2021). The remedy to this is to encourage more workshops; trainings; sensitization programs; advertisement; mobilization of SACCOs members, adoption of new technology to ease reporting; deployment of competent staff, adjustments in the rules and regulations; increment on the shareholdings; financial support in form of soft loans by the government; need to bring UMRA’s offices nearer to SACCOs areas of operation and enhance cooperation between management and staff. Correspondingly, as found in the past study (Anania et al., 2015) attested that to promote good governance practices in SACCOs, there is a need to provide education, training, increase capacity, ensure proper financial management, better accounting practices, proper records keeping and networking among the board, management, staff and members.

Similar views were revealed by the participants in a focus group discussion and one of the Key informants’ who asserted that:

There is a need for workshops, trainings, cooperation between the management, staff and clients. It is not easy to agree and implement policies, laws, rules and regulations where there is no cooperation. (FGD, Men participants, 2021)

There is a need for more workshops, trainings and sensitization programs. As of now, we have only covered two regions that is the central region partially and the western region. Due to covid, we did not invite big numbers of people for the trainings and workshops apart from a few that we were able to get under the supervision of the District resident commissioners and District police commanders. (KII, Male participant manager Microfinance institutions (MFIs) in charge of SACCOs, 2021)

A common finding that runs through all the voices above is that SACCOs need to be sensitized more about the new policies, guidelines, rules and regulations.

4.8 Conclusion

The findings revealed that SACCOs were mainly dominated by women as employees and clients. Whereas men were concentrated on top management as board members and chief executive officers. The implication to this is that men have more of the economic assets like property in form

of land, buildings, businesses and cattle. Hence, they were founders of the SACCOs that participated in the study. Furthermore, study findings affirmed that the most commonly known new policies, guidelines, rules and regulations were registration, Savings, licensing and credit policy. The least known were stabilization fund, protection fund and liquid assets.

More to the findings, on the standard procedures and guidelines, the commonly known are loan audits, governance structure, record keeping and credit policies. The results indicated that the least known are human resource manual and annual general meetings. In addition, the study established that the factors influencing SACCOs response to the new rules and regulations include financial constraints, different perceptions and attitudes, uninformed membership, inadequate education and training programmes, distance of UMRA's offices, weak institutional support and a lot of technical documents required by the regulator. In addition to different perceptions and attitudes, UMRA is perceived to restore investor and consumer confidence as well as promote good practices in Uganda's microfinance sector. This is in agreement with both public interest theory and enforcement theory of regulations. Public interest theory acknowledges the exploitation of poorly informed clients which is based on the view that small depositors and investors cannot assess properly the riskiness of financial institutions they deal with due to poor governance and illiteracy rates. Hence leading to exploitation and mismanagement of funds due to poor management skills. whereas enforcement theory concedes the role of rules and regulations in the fight against corruption and bribery in financial institutions in particular SACCOs, in order to combat mismanagement of funds. Concerning the nature of the SACCOs response, the findings revealed that in all the SACCOs that participated in this study, none of them had responded to any of the new policies, guidelines, rules and regulations. Big SACCOs with the capital of more than 500million (US\$140, 000) are waiting to be regulated by Bank of Uganda because they are above UMRA's target of the operation. Nevertheless, some SACCOs are still preparing their technical documents as they wait on UMRA and others were not yet aware of UMRA's presence apart from the registrar of cooperatives and district commercial office. On the state interventions for the uptake of new rules and regulations, the state in collaboration with government have played a significant role through soft loans at a low interest rate, financial literacy trainings, facilitation of workshops and skills development fund. In conclusion, there is a need for more sensitization and awareness programs so that people can be able to understand the pros and cons of the new rules and regulations by the Uganda Microfinance Regulatory Authority.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

5.1 Summary of the Findings

The summary of the findings looks at the nature of response, state interventions, standard procedures and factors that have influenced SACCOs response to the new rules and regulations by Uganda Microfinance Regulatory Authority as discussed below.

SACCOs nature of response is slow due to poor knowledge and awareness programs about the new policies, guidelines, rules and regulations. This is due to the fact that sources of information are limited yet limitations in knowledge and awareness greatly affect SACCOs response to the new policies, guidelines, rules and regulations. In turn, this lack of knowledge and awareness programs determines SACCOs members' interpretation, understanding and implementation of the new policies, guidelines, rules and regulations.

SACCOs growth in Uganda has been due to the state interventions. The interventions include soft loans at a low interest rate, financial literacy trainings, workshops and skills development fund. The state in collaboration with government have played a big role in supporting SACCOs financially through Microfinance Support Centre. This has enabled SACCOs to get soft loans at a low interest rate, hence increasing their liquidity capacity in order to increase their lending power, thus meeting their members' expectations. With regard to the new policies, guidelines, rules and regulations by Uganda Microfinance Regulatory Authority, the state in collaboration with government have supported institutions managing SACCOs financially so that they are able to conduct trainings and workshops for the uptake of the new policies, guidelines, rules and regulations. Due to covid impact and constrained budgets, the institutions were unable to reach out to all SACCOs members. Hence limiting their awareness and understanding of the new policies, guidelines, rules and regulations.

Standard procedures adopted by SACCOs to promote fair and transparent business practices include loan audits, record keeping and credit policies. These have been of a great significance to SACCOs in promoting accountability, transparency and monitoring performance. The study

participants affirmed that it is through the financial statements given to them during the annual general meetings that help them in monitoring and evaluating SACCOs performance.

Factors influencing SACCOs response include different attitudes and perceptions, poor management and limited finances. Poor, mistaken attitudes and perceptions towards the new policies, guidelines, rules and regulations are dangerous to the SACCOs management and savings. According to the respondents, they perceive UMRA as an institution that will take away their savings, control and ownership of the SACCOs. In fact, some of the SACCOs members are preferring to go back to Village Savings and loan Associations (VSLAs) and abandon the SACCO business as affirmed by one of the respondents. The management is poor because SACCOs are governed by people who are not educated and they always find difficulties in interpreting, discussing, passing and implementing policies, laws, guidelines, rules and regulations. This has always brought in disagreements between the management and members who are educated during the SACCOs meetings on how to go about certain policies, laws, guidelines, rules and regulations. Thus, this is of great hindrance to the implementation of the new rules and regulations by the Uganda Microfinance Regulatory Authority.

Limited finances to the SACCOs and the regulator. This is where SACCOs have failed to meet the application fees and the general requirements for registration due to limited funds and to the regulator, they have failed to raise enough money to facilitate their workshops, trainings and sensitization programs due to covid impact. In most of the workshops and trainings, they have always encouraged SACCOs to raise some funds to facilitate their drinks, eats and hiring of the training venue. The implication to this is that limited finances have paralyzed the sensitization and awareness programs. Hence lack of awareness, understanding and knowledge has led to a slow response to the new rules and regulations.

5.2 Conclusions

Respondents' socio-economic characteristics have an important role to play in the management of SACCOs in order to determine their nature of the response and implementation of the new policies, guidelines, rules and regulations. According to the findings, the gender, education level, the main source of income, marital status and age influence the knowledge, awareness, attitudes, perceptions, nature of response as well as standard procedures adopted to promote fair and transparent business practices towards the new policies, guidelines, rules and regulations.

During the study, it was observed that knowledge, awareness, attitudes and perceptions influence SACCOs response to the new rules and regulations. For instance, managers who are not knowledgeable about the pros and cons of the new policies, guidelines, rules and regulations have not yet thought of licensing and registering with Uganda Microfinance Regulatory Authority compared to those who are aware of the pros and cons of the new policies, guidelines, rules and regulations. The findings on the pros and cons of the new rules and regulations revealed that in Kenya where the SACCO sector is growing at a faster rate, its success is attributed to the policies, guidelines, rules and regulations by Societies Regulatory Authority. This is due to the fact that policies, guidelines, rules and regulations give SACCOs members confidence in the protection and safety of their savings (AMFIU, 2018). From the findings, it is further concluded that the new policies, guidelines, rules and regulations will not hinder the provision of services by SACCOs. Since licensing and registering with UMRA will guarantee members of SACCOs protection and safety of their savings.

Low levels of education of SACCOs management mean poor interpretation and understanding of the new rules, policies, guidelines and regulations. Thus, an impact on the implementation and integration of the new rules, policies, guidelines and regulations as well as limited finances to meet necessities. Limited finances also affect the awareness, trainings and sensitization programs thus a slow response to the new rules, policies, guidelines and regulations. From the findings, it is further concluded that low levels of education mean poor interpretation, understanding and implementation of the new rules and regulations as well as limited funds which have affected awareness and sensitization programs of the new rules, policies, guidelines and regulations.

5.3 Recommendations

Based on the key findings on the state intervention, factors influencing uptake, standard procedures and the nature of SACCOs response. SACCOs seem to have shown a slow response to the new policies, guidelines, rules and regulation by UMRA. The recommendation to this is that the management system needs to be sensitized on the pros and cons of the new policies, guidelines, rules and regulations as well as going for further education and training. This would be of great help in improving management practices, interpretation, understanding and implementation of the new policies, guidelines, rules and regulations.

Whereas the findings show that there is a need for amendments in the Tier 4 institutions and Money Lenders Act, there is a need for the authorities in charge to harmonize and make amendments to the Act. This would be of great help in avoiding the splitting of SACCOs because they will be answerable to one regulatory authority. As a recommendation, there is a need for workshops, trainings and sensitization programs for SACCOs by AMFIU, MOFPED, UCA, UCSCU, UMRA, UCCFS and other development agencies. There is also a need for strengthening partnership in sensitization programs through public private partnerships. In the study, it was observed that institutions like AMFIU, UCSCU and the district commercial office existed. However, the provision of technical advice on the new rules and regulations lacked. UMRA needs to train and partner with individuals who will monitor and train SACCOs on how to integrate the new policies, guidelines, rules and regulations in their management systems. Some of the gaps identified from the study findings, recommended for further research include the use of public private partnerships in monitoring and training of SACCOs for integration and implementation of the new policies, guidelines, rules and regulations.

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APPENDICES

Appendix 1: data collection tools

Promotion of Financial Inclusion in Uganda: SACCOS’ Response to Uganda Microfinance Regulatory Authority (UMRA) New Rules and Regulations in Mbarara District.

Semi-structured questionnaire for SACCOS’ management

Good morning/ afternoon/sir/madam. My name is Nuwagaba Martin pursuing a Master’s of Arts degree in Rural Development at Makerere University. I am carrying out a study **on promotion of financial inclusion in Uganda: SACCOS’ response to Uganda Microfinance Regulatory Authority (UMRA) new rules and regulations in Mbarara District.** The study is part of an academic fulfilment of the requirements for the award of a Master’s degree in Rural Development. The main objective of this study is to examine SACCOS’ response, state interventions for the uptake of new rules and regulations and factors that have influenced SACCOS’ response to the new rules and regulations. You have been selected to participate in the study because of your position and experience in SACCOS’ operations. All information that you give to us will be treated with utmost confidentiality and your participation is voluntary. All personal identifying data will be anonymized.

Should you have any questions about the purpose of this interview and use of information, please feel free to ask.

Do you accept to participate in the interview? (**Yes** or **No**)

If it is okay with you, we would like to record the interview? We are also taking notes but recording will help us to make sure we have captured what you have said-so that we don’t miss anything. We will destroy the recording after the transcription. If you are not comfortable with the recording, we will just take notes.

Date:

Time Started:

Time Ended:

100: Background information

101. District:

102. Division/Sub County:

103. Village:

200: Respondents information

201. Name of respondent (optional).....

202. Location of the respondent:

1. Rural

2. Urban

203. Sex of the respondent:

1. Female

2. Male

204. Age of the respondent

1. 21-30

2. 31-40

3. 41-50

4. 51-60

5. Over 60

205. Religion of the respondent

1. Anglican

2. Catholic

3. Muslim

4. Others specify.....

206. What is your marital status?

1. Married/Cohabiting

2. Widow/Widower

3. Unmarried/Single

4. Separated/Divorced

207. What is your current Position in the SACCO.....

208. Number of years spent on the position

1. One

2. Two

3. Three

4. Three and above

209. What is your main source of income

1. Small scale business

2. Large scale business

3. Farming

4. Formal employment

5. None

210. Do you have any other source of income.....

11. what is your highest level of education attended?

- 1. Never gone to school
- 2. Primary
- 3. Secondary
- 4. University/Tertiary

211. opening question

1. please share with me a copy of the new rules and regulations by Uganda Microfinance Regulatory Authority? **Yes/No**.....

300: Knowledge and awareness of new rules and regulations

301. is the SACCOS' management aware of these new rules and regulations? **Yes/No**

.....

302. From the list below, what are your SACCOS' policies, guidelines and rules?

SACCOS policies, guidelines and rules	Yes	No
1. Registration		
2. Credit policy		
3.license		
4.others specify.....		

302. Have you heard about the new rules and regulations by Uganda microfinance regulatory authority (UMRA) for SACCOS'? 1.Yes (go to.**303**) 2. No (go to.**800**)

303. Which of the following have you heard of?

Rules and regulations	Yes	No
Licensing		
Registration		
Credit policy		
Savings		
Annual fee		
Stabilization fund		
Protection fund		
Shareholding		
Liquid assets		
Others specify.....		

304. where did you receive them from?

1. Television/Radio program	
2. Social media platforms	
3. From a friend	
4. workshop/training	
5. Others specify.....	

305. Have you attended any training on how to integrate them within your management? **Yes/No**

.....

306. What kind of training?

.....

307. How long did it take?

.....
.....

308. Who facilitated?

.....
.....
.....
.....

309. How have you responded to them?

Rules and regulations	SACCOS' Response
1. Licensing	
2. Registration	
3. Credit policy	
4. Savings	
5. Annual fee	
6. Stabilization fund	
7. Protection fund	
8. Shareholding	
9. Liquid assets	
10. Others specify.....	

310. Do you know about their pros and cons?

.....
.....
.....
.....

400: Perception and uptake to new rules and regulation

401. How do you perceive them?

Rules and regulations	Extremely Important	Very Important	Moderately Important	Slightly Important	Not at all Important
Licensing					
Registration					
Credit policy					
Savings					
Protection Fund					
Share holdings					
Others specify.....					

402. How have you benefited from them?

.....

.....

.....

.....

.....

403. Is there anything that they do to hinder provision of services by SACCOS'?

.....

.....

.....

404. what kind of hindrances?

.....

.....

.....

.....

500: Factors that have influenced SACCOS' response

501. In your opinion, what are the internal factors that have influenced SACCOS' response to new rules and regulations?

.....
.....
.....
.....

502. what of external factors?

.....
.....
.....
.....

600: State interventions put in place for the uptake of new rules and regulations

601. Do you know of the State interventions put in place for the uptake of the new rules and regulations? **Yes/No**

602. What kind of interventions?

.....
.....
.....

603. How has the State helped in adaptation of new rules and regulations?

.....
.....

604. What should be done to increase on the adaptation of new rules and regulations?

.....
.....
.....

700: Challenges to implementation of new rules and regulations

701. what are the challenges that you face in response to new rules and regulations?

.....
.....
.....
.....

702. what are your suggested solutions to the challenges?

.....
.....
.....

703. in your opinion, what do you think can be done to address those challenges?

.....
.....
.....
.....
.....

800: Standard procedures adopted by SACCOS' to promote fair and transparent business practices

801. Why have you not heard about them?

.....
.....
.....

802. What are the standard procedures adopted by your SACCO to promote fair and transparent business practices?

Standard procedures	Yes	NO
1. Governance and staffing		
2. Credit policies		
3. Loan audits		
4. Records keeping		
5. others specify.....		

803. How have they improved on the management of SACCOS'?

.....

.....

.....

.....

804. What could be the positive effects of standard procedures adopted on SACCOS' management?

.....

.....

.....

.....

805. what of the negative effects?

.....

.....

.....

806. What are your suggested solutions to those effects?

.....

.....

807. Is there anything that you would like to add on that we have not had an opportunity to discuss?

.....
.....
.....
.....

Appendix II

Promotion of Financial Inclusion in Uganda: SACCOS' Response to Uganda Microfinance Regulatory Authority (UMRA) New Rules and Regulations in Mbarara District.

Key informant interview guide

Good morning/ afternoon/sir/madam. My name is Nuwagaba Martin pursuing a Master's of Arts degree in Rural Development at Makerere University. I am carrying out a study **on promotion of financial inclusion in Uganda: SACCOS' response to Uganda Microfinance Regulatory Authority (UMRA) new rules and regulations in Mbarara District.** The study is part of an academic fulfilment of the requirements for the award of a Master's degree in Rural Development. The main objective of this study is to examine SACCOS' response, state interventions for the uptake of new rules and regulations and factors that have influenced SACCOS' response to the new rules and regulations. You have been selected to participate in the study because of your position and experience in SACCOS' operations. All information that you give to us will be treated with utmost confidentiality and your participation is voluntary. All personal identifying data will be anonymized.

Should you have any questions about the purpose of this interview and use of information, please feel free to ask.

Do you accept to participate in the interview? (**Yes** or **No**)

If it is okay with you, we would like to record the interview? We are also taking notes but recording will help us to make sure we have captured what you have said-so that we don't miss anything. We will destroy the recording after the transcription. If you are not comfortable with the recording, we will just take notes.

Date:

Time Started:

Time Ended:

Background information

Name

Sex

Marital status

Position in the organization

How long he/she has been working in the organization

B: Knowledge and awareness of new rules and regulations

1. Are the SACCOS' aware of the new rules and regulations?
2. Do they know about their pros and cons?
3. Have they attended any training on how to integrate them within their management?
4. what kind of training?
5. how long did it take?
6. who facilitated it?
7. How do you think knowledge about the new rules and regulations should be shared? (**probe:** for the most appropriate channels)

C: SACCOS’ perception and uptake to new rules and regulations

1. How is the uptake and peoples’ perception regarding the new rules and regulations?

Rules and regulations	Extremely Important	Very Important	Moderately Important	Slightly Important	Not at all Important
Licensing					
Registration					
Credit policy					
Savings					
Protection Fund					
Share holdings					
Others specify.....					

D: Needs and concerns for implementation of new rules and regulations

1. What are the needs and concerns for the implementation of new rules and regulations?
2. What are the existing capacity gaps in the implementation of new rules and regulations?
3. How useful are the new rules and regulations for the management of SACCOS’?
4. Is there anything that the new rules and regulations do to hinder provision of services by SACCOS’?

D: Challenges to implementation of new rules and regulations

1. In your opinion, how have SACCOS’ responded to the new rules and regulations?
2. what do you think are the challenges that SACCOS’ face in their response to the new rules and regulations?
3. what are your suggested solutions to those challenges?
4. Is there anything else you would like to share with us regarding what we have been discussing above?

Thank you very much for taking your time with me.

Appendix III

Promotion of Financial Inclusion in Uganda: SACCOS' Response to Uganda Microfinance Regulatory Authority (UMRA) New Rules and Regulations in Mbarara District.

Focus group discussion guide (clients)

Good morning/ afternoon/sir/madam. My name is Nuwagaba Martin pursuing a Master's of Arts degree in Rural Development at Makerere University. I am carrying out a study **on promotion of financial inclusion in Uganda: SACCOS' response to Uganda Microfinance Regulatory Authority (UMRA) new rules and regulations in Mbarara District.** The study is part of an academic fulfilment of the requirements for the award of a Master's degree in Rural Development. The main objective of this study is to examine SACCOS' response, state interventions for the uptake of new rules and regulations and factors that have influenced Saccos' response to the new rules and regulations. You have been selected to participate in the study because of your position and experience in SACCOS' operations. All information that you give to us will be treated with utmost confidentiality and your participation is voluntary. All personal identifying data will be anonymized.

Should you have any questions about the purpose of this interview and use of information, please feel free to ask.

Do you accept to participate in the interview? (**Yes** or **No**)

If it is okay with you, we would like to record the interview? We are also taking notes but recording will help us to make sure we have captured what you have said-so that we don't miss anything. We will destroy the recording after the transcription. If you are not comfortable with the recording, we will just take notes.

A: participants profile

- Take participants background information

B: Knowledge and awareness of new rules and regulations

1. what are some of the SACCOS’ policies, guidelines and rules do you know of?

SACCOS policies, guidelines and rules	Yes	No
1. Registration		
2. Credit policy		
3.license		
4.others specify.....		

2. Have you heard about the new rules and regulations by Uganda Microfinance Regulatory Authority (UMRA) for SACCOS’? **Yes/No**

.....

3. Which of the following have you heard of?

Rules and regulations	Yes	No
Licensing		
Registration		
Credit policy		
Savings		
Annual fee		
Stabilization fund		
Protection fund		
Shareholding		
Liquid assets		
Others specify.....		

3. Have Saccos’ consulted you during their implementation?

4. How do you find their implementation by your SACCO?

C: Community perception and uptake to new rules and regulations

1. How is the uptake and peoples’ perception regarding the new rules and regulations?

Rules and regulations	Extremely Important	Very Important	Moderately Important	Slightly Important	Not at all Important
Licensing					
Registration					
Credit policy					
Savings					
Protection Fund					
Share holdings					
Others specify.....					

2. In your view, do you think the new rules and regulations are a good initiative for SACCOS’ management?

3. How have you benefited from them?

4. Do they ease on the accessibility of services by SACCOS’?

5. Have they promoted good conduct within the management of SACCOS’?

6. What effects do they have on SACCOS’?

7. In what ways has their implementation affected your accessibility to SACCOS’ services?

D: Bottlenecks to implementation of new rules and regulations

1. What do you think are the challenges that SACCOS’ face in implementing new rules and regulations?

2. How do you think these challenges can be addressed?

3. Is there anything that you would like to add on that we have not had an opportunity to discuss?

Thank you very much for taking your time to talk to us