

INFLUENCE OF WEKEMBE MIXED GROUP CREDIT SCHEMES ON SMALL TO MEDIUM SCALE FARMERS IN BUKOLWA, LUWEERO DISTRICT, UGANDA

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ABSTRACT

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This fieldwork was carried out in the Bukolwa village in the district of Luweero, Uganda to assess the functionality of the Wekembe mixed group credit scheme and how it affected individual and group activities within the context of livelihoods and food security. Data were through combination of different methods including informal conversations with villagers and people working with the non governmental organization (NGO), VEDCO, participatory resource mapping with the members of the Wekembe mixed group, and structured and semi-structured interviews of thirty randomly selected member households. This study reveals that the Wekembe mixed group formed in order to receive loans from a microfinance institution run by the Catholic Church. It offered the same terms and conditions to all of its loan-takers, and utilized a progressive credit granting formula. Participation in the credit scheme educated Bukolwa residents on how to manage an organization, how to handle loans and working together in groups and sharing the responsibility for one another's loans helps to build social capital. The Bukolwa sustainable agriculture group was one outcome of the social capital generated within the Wekembe group.

Keywords: Wekembe mixed group, livelihood, food security

INTRODUCTION

Volunteer Efforts for Development Concerns (VEDCO)

VEDCO is an indigenous non-governmental organization with the vision of improving the quality of life of smallholder farmers and entrepreneurs through sustainable economic empowerment. Its mission is to ensure sustainable economic empowerment of smallholder farmers and rural entrepreneurs through capacity for food security management, agri-business development and access to micro-finance (VEDCO 2005).

VEDCO implemented agro based community development programs in Uganda for over 15 years. Recently, it has developed a three-year strategic plan that will build the capacity of community based associations and market associations in agricultural production and marketing, and intends to spread out its program to new areas in the Eastern, Midwestern, and northern Uganda. The proposed agriculture trade project was implemented in the areas of Luweero, Wakiso, Nakasongola, and in the new area of Mokuno (VEDCO 2005).

Wekembe mixed group credit scheme

Wekembe means to "pull out of a certain condition". Women originally organized this group in 2001; the Luweero bishop of the catholic archdiocese initiated it. The Luweero catholic bishop dispatched his staff to the village and they promoted the micro-credit scheme by focusing on small retail shop. They also provided training for a week; including an evaluation exam and those who passed were eligible to become members and established what came to be the Wekembe mixed group. The group realized that there was a burning need to come together after observing that their mode of individuality was neither promising nor rewarding.

Wekembe mixed group sought to engage in communal labor and assist individual members. The Wekembe mixed group organized in 2003 with 15 members. Later in 2004, there were 26 members and in 2005, there were 33 members. Currently, there are 33 members, 15 of whom have benefited as loaners. The 'mixed' group title means that they are gender sensitive and they engage in agriculture activities as well as others. However, its predominant activity is the micro-credit scheme.

There is an amount of 5,000.00 Uganda shillings to become a member of the group. The group is divided into sections with 5 members each. Loans are given individually but all 5 members will be obliged to repay the loan in case of any eventuality where a member who credited a loan failed to pay-back. The group action would be to go and collect or seize a property value from the loan defaulter and have it for auction in order to settle the debt. Members of Wekembe shared benefits such as access to credit facilities and access to seeds amongst others.

The Wekembe Mixed Group credit scheme is analyzed here as an individual program, however it is important to consider the correlations of other community based programs in addressing the functionality of such a group. VEDCO activities in Luweero District have been of tremendous concern; who have a minimal role in the credit scheme, but are active with other projects within Bukolwa.

Study objective

To assess the functionality of the Wekembe group credit scheme, how it affects individual and group activities within the context of livelihoods and food security.

MATERIALS AND METHODS

Study Area

The study was carried out in Luweero district located north of the capital Kampala. Luweero also consists of large tracts of unutilized land, which border the districts of Masindi in the north-west, Kiboga in the west, Mukono and Kayunga in the east, Lira in the north and Wakiso in the south. It has an area of about 5,693 km². It lies at an approximate altitude of between 1,082 m to 1,372m above sea level with high temperature and rainfall of the modified equatorial climate type (Uganda Districts Information Handbook 2006).

The main language spoken is Luganda and the people are Baganda. Their predominant economic activities are agriculture with a bias to the following crops: cassava, sweet potatoes, maize, groundnuts, beans, sorghum, bananas, Soya beans, finger millet and Irish potatoes, in addition to fruit (Uganda Districts Information Handbook 2006).



Figure 1: Map of Luweero district (Uganda Districts Information Handbook 2006).

Luweero is one of the districts that were devastated by war more than 10 years ago. At independence, it was part and parcel of the Buganda kingdom. During the war, agriculture, and livestock rearing came to a halt. Today, signs of life abound and agriculture is back on its footing; and livestock rearing has steadily sprung up. Most of the peasants in the district produce for subsistence but do engage in some sale of the surplus crops (Uganda Districts Information Handbook 2006).

Sampling design and procedure

The sample was selected using probability sampling technique. This implies that a sample was selected using random sampling and in which each unit in the population had a known probability of being selected (Bryman 2004).

Resource Map

A resource map was drawn on the ground using local items to represent a community's resources. Stones, flowers, fruits and other locally available materials were used to represent resources such as the area boundary, the river, the trading center, hospitals, and boreholes (not shown). The community, or group therein, interacts to identify their available resources, opportunities, and challenges related to such resources. This research tool was the first activity; it served as an introduction to the surrounding area and promotes open dialogue.

Socio-economic characteristic data

A questionnaire survey was conducted to obtain quantitative and qualitative household and credit information. Structured questionnaire consisted of closed-ended questions with specific response categories allowed comparative analysis amongst the respondents. Thirty household interviews were done from a random selection of Wekembe mixed credit group members. The household variables collected included age, occupation, family size, land size, education and marital status. The credit information focused on terms of credit, purpose and utilization of credit, benefits of credit, and portfolio quality. Descriptive statistics were utilized for the social demographic and the credit data, using the Microsoft Excel software.

Livelihood analysis data

Semi-structured interviews were carried out through informal dialogue to explore details of peoples' lives. Informal discussion was carried out with the individuals to obtain more information on household food security to relate their livelihoods to food consumption and availability, and the benefits and challenges associated with being a Wekembe mixed group member. Livelihood activities were evaluated with cross tabulation tools to help visualize group similarities from individual responses. Such analysis helped to form conclusions on the structure and functionality of the Wekembe Micro Credit Program.

Key Informant Interview

A key informant interview was conducted with the chairperson of Wekembe mixed group in providing basic information as well as clarifying data already collected. The purpose of a key informant interview was to obtain details about a particular group from a single, reliable source. The analysis of a key informant interview was done by reviewing the notes from the discussion.

RESULTS AND DISCUSSION

Household characteristics

The total number of respondents interviewed was 30 with a composition of 22 women and 8 men. The majority of the respondents (87 %) were within the age of the working class. The oldest was 61 years old. Of the respondents, 80% were married, 13% widow, and 7 % single. The average household size was 7 people where 73% fall in the range of 5-10. The average household land size was 2.5 acres. The land tenure was of medium landholdings with 73% of the respondents being medium farmers (1-5 acres). Of the 30 respondents, 60% have a primary level education, while the rest were of the senior educational level. Farming was the sole occupation for 9 of the respondents (60 %) while the rest had additional activities such as brewing, tailoring, rearing, small scale trading, and weaving. The average monthly expenditure was 198,333 Uganda shillings. Based on the household characteristics we can infer that almost all the members were in a medium level household in terms of income and landholdings (Table 1).

Table 1: Household characteristics of Wekembe mixed group

Household characteristics	Proportion of respondents (%)
Sex	
Female	73.33
Male	26.67
Age group	
20-30	26.66
31-40	40.00
41-50	20.00
51-60	6.67
61-70	6.67
Education	
Primary	60.00
Senior	40.00
Family size	
2-4	6.67
5-10	73.33
11-15	20.00
Land size(Acre)	
Small (0.25-1)	13.33
Medium(1-5)	73.33
Large(above5)	13.33
Occupation	
Farmer	60
Farmer +Tailor	6.67
Farmer+ Brewer	6.7
Farmer + rearing	6.7
Farmer+ small scale trader	13.33
Farmer+ weaver + trader	6.67
Marital status	
Married	80
Unmarried	6.67
Widow	13.33

Functionality of the Wekembe Mixed Group Credit Scheme

The establishment of Wekembe credit scheme was to grant micro credit on a social security basis. The scheme utilized group pressure to ensure repayment of loans. This joint liability reduces risk “and contributes in shifting costs from lenders to borrowers” (Schreiner, 2003).

Terms of Credit

“Terms of credit” refers to the amount of loan taken, the credit period, the payment schedule, the interest rate, and other conditions for taking a loan. The scheme followed a progressive credit granting formula. All respondents had taken up loan from Wekembe. 73% of the loan-takers had taken 100,000 Ugandan shillings in their first loan. For the second loan the loan amount had increased from 100,000US\$ to 200,000US\$ for 53% of the loan-takers. 33% respondents had taken up a third loan amounting to 300,000US\$ (Figure 2).

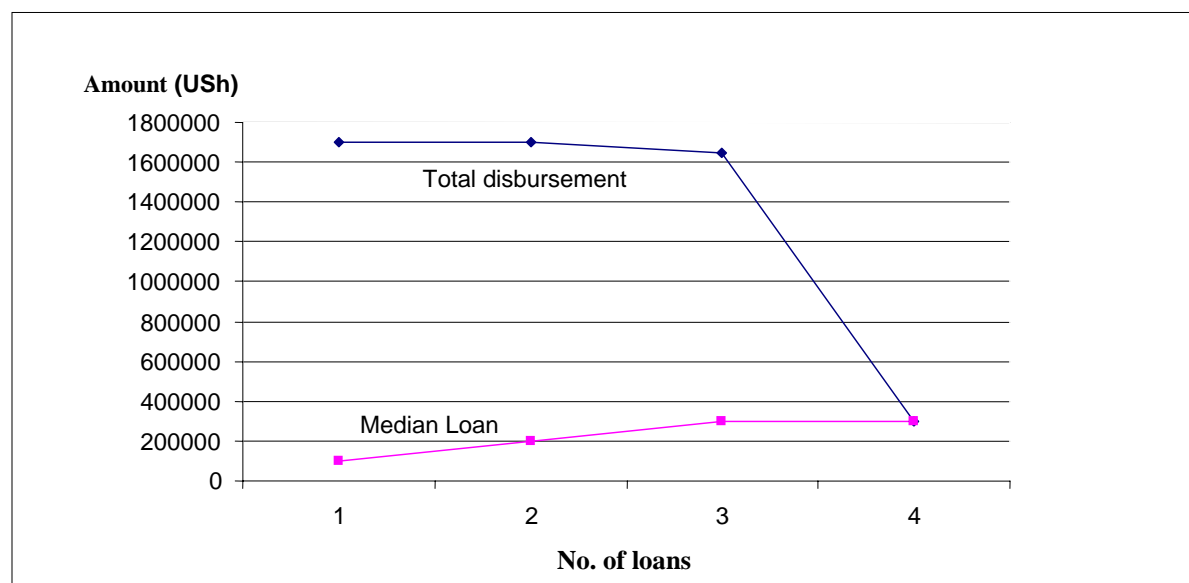


Figure 2: Trend of Loan Disbursements

The increased in the size of the loans might have indicated an improved financial discipline among the respondents. According Schreiner (2003) progressive loan procedures can be understood as collateralizing future access to loan and an incentive to loyal members to settle their debt in time. Most self-help groups lack flexibility (Helms 2006). This was also true in the case of Wekembe mixed group credit scheme. It had granted equal amounts of loans to almost all members, similar repayment schedules, and compulsory savings of 20% of the loan requested. This was a one-size-fits-all assumption. The contractual agreement to repay a loan was on a weekly installment basis for each loaner. Member activities, product type, and prospective cash flows were not of consideration in the setting of the repayment schedule. The installment basis of credit, compared to term-loans, had the advantage of reduced risk, high cash turnover, and debt servicing using alternative sources, better liquidity, and amortization of debt. However, it was not convenient for all, as their activities vary. The installment terms given fit small-scale traders having daily or weekly revenues, unlike members who invested in farming activities.

Purpose / Utilization of credit

Wekembe credit members utilized their loans for school fees 33%, farming 23%, buildings 17 %, animal rearing 23 %, services 13 %, and equipments 7 % (Figure 3). Helms (2006) suggested that the poor had diverse financial needs to finance life cycle events such as birth, marriage, and death recurrent incidence such as school fees, and festivities, emergency such as death of family members, and theft and investments in profitable ventures and fixed assets. The majority of the members expend their loans for payment of school fees followed by farming.

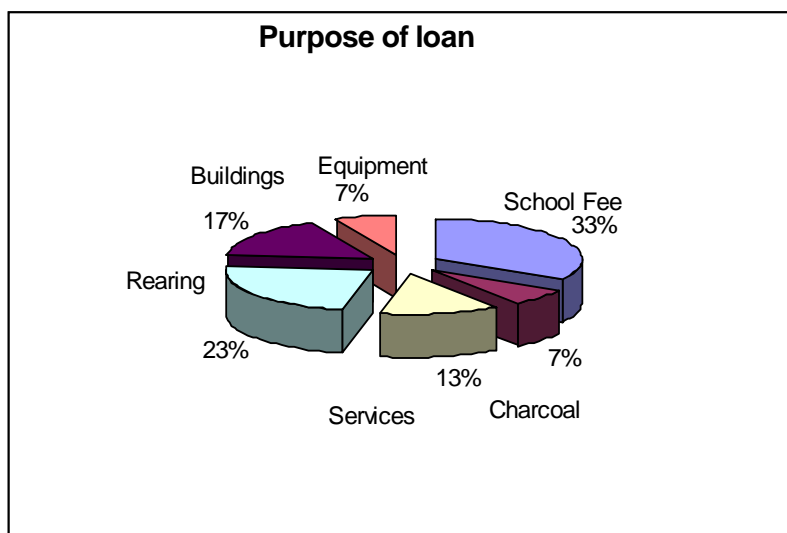


Figure 3. Purpose of Loan

This had an implication on the recovery of loans, in line with the mode of repayment that Wekembe has adopted. Some members had difficulties to comply with the contractual terms of paying weekly once they expend the money on school fees, buildings and equipments.

Portfolio Quality

The sustainability of the Wekembe credit scheme greatly depended on its ability to keep a healthy portfolio quality. According to Helms (2006) “a slight deterioration in loan portfolio quality can seriously compromise their survival.” Even this study did not use portfolio quality measures like recovery rate and portfolio at risk of its loan condition, still arrears and defaults are a high-risk area. Almost all respondents raised the problem of arrears and defaults as challenges to the credit scheme. Defaults were beasts to credit schemes, as they damage the largest productive asset i.e., the loan portfolio. Defaults and arrears spoiled the financial discipline of loyal members.

Interest rate

Interest refers to the cost of using money or the time value of money. The Wekembe credit scheme charged 30% interest rate per annum on flat rate basis (or 15% for the standard loan period of 6 months). This had positive impact on the lender (i.e. the Catholic Church), but prohibited members to take additional loans, and new community members to join the group. As Wekembe was a member based non-profit scheme it should be expected to grant credit at a low cost. Considering these points there seemed to be a need to revise the interest rate.

3.7 Livelihood analysis of Wekembe mixed group

The Wekembe members agreed that they will achieve many benefits in joining this credit scheme group. In general, participating in group-activities had many significant benefits for the members. Standing together, they were stronger and not only felt a sense of ownership, supplementary they had more power to make changes in their everyday life. For the Wekembe members this means that in addition they shared the risks involved; like when somebody could not pay their loans back, this affected everybody. Information was exchanged within groups and opportunities for new friendships were provided, this had benefited Wekembe members through passing on knowledge of farming and practicing credit procedures. In addition, they were helping each other in harvesting and arranging funerals or other larger gatherings. The flow of information also contributed to better empowerment and better leadership skills, although, flexibility was important to avoid group thinking mentality.

All members were involved in farming either as the main occupation, or as a part of their income. Growing food for own consumption was the main reason but if any surplus this will be put out for sale. Interview revealed that food shortage occurred during draughts mainly on month of July. For some respondents this had led to malnutrition and illness, as they did not receive any help. This was happened because many of the respondents were having problems and therefore had enough in caring for their own family. This could indicate that food security was not yet maintained. They all had their own land although amount of acreage varies from one to as much as ten, which means that their possibility to manage loans was in great deviation.

CONCLUSION

The Wekembe credit scheme group in Luweero was, according to VEDCO, formed to 'improve quality of the life for small and medium holder farmers and micro entrepreneurs through sustainable economic empowerment'. The aim is to reach food security through capacity building and agricultural trade development. In our study of the Wekembe group, we have assessed the functionality of the credit scheme and how this scheme affects the livelihood activities of its members. Women living in the village of Bukolwa formed the Wekembe group to access loans from a microfinance scheme run by the local Catholic Church. In this respect, they have succeeded, as they have been receiving loans from the church since 2001. The Wekembe group gives equal payment terms to all of its members. The interest rate is set to 30 % per annum, and the credit period is six months. Whatever the members are using their loans for, and whatever their personal financial situation is, the terms stay the same for all. We understand this as an inflexible way of operating a credit scheme, and we recommend the Wekembe group to adopt a more flexible and activity based repayment schedule, so that members can access loan conditions suited for their individual needs.

Secondly, we have found a tendency among members of the group towards progressively increasing the size of their loans. The large frequency of members following this pattern suggests that the procedure is with intension and may work as an incentive for members to settle their debt in time so they can access bigger loans. It may also work to educate the members gradually how to handle larger loans. The Wekembe group members share the risk of defaulting payments organized by sectioning the group into smaller fractions, each containing five people. Each of these five is responsible for the four other members in their section. If one of them fails to payback the loan, the burden transfers to the others. Normally settlements come from selling of the property of the defaulter. However, the group has experienced problems with members without roots in the community who have received loans, and later have disappeared from the village. However, the solution for this problem according to one member comes about by only accepting people with strong roots in the community to access membership. The Wekembe group in Luweero village seeks all to improve their lives by joining a credit scheme that has only a 15% interest rate; they are also constantly reminded of their debt as their payments are weekly. Their hopes and dreams for changing their family's future are then right from the start, an uncalled for challenge. This was the reaction from the majority of the interviewees when asked about what they find as the most difficult challenge in being a member. Loans that have such a high interest rate should not confine a long-term investment as education or housing, but instead on something that will give you a high profit in a short period. Although they are able to achieve goals that were not in-reach, before these loans, all of our respondents knew of people that had trouble in these matters. The fear of not being able to meet the payments in time is consequently given according to them, as the reason when not applying for membership.

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