COMMUNITY FUND ADVISOR (CFA)

REPORT

By:

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Declaration

We do hereby declare that this project report is original and has not been published or submitted for any other degree award to any other University before.

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Abstract

From 1986 upto today when Uganda as a country has had a stable political and economic environment, sustainable economic growth is still a challenge for the government. Several initiatives such as “Mbona Mbagagawale”,”Emyooga” have been introduced to boost incomes to the lowest administrative units. Results achieved are not satisfying enough despite the huge funds utilized.

We believe that economic growth and development at the lowest administrative units requires much more than just provision of funds. It requires tracking, monitoring and analysis of all financial groups to guide the financial decisions.

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ABBREVIATIONS AND ACRONYMS

ABBREVIATION	MEANING
VSLA	Village Savings and Loan Association
TRO	Trade Representation Office
CFA	Community Fund Advisor
SRS	Software RequirementsDocument
MTN	Mobile Telephone Network

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CHAPTER ONE

INTRODUCTION

1.Introduction

The Village Savings and Loan Association (VSLA) deals with savings and borrowing of money from one's savings. The VSLAs reside in Kamwokya Kisenyi Kampala and work closely with the KCCA Trade Representation Office. This office is responsible for managing the various VSLAs through improvising different measures for which one a VSLA must fulfil to get recommended for support or qualify for the fund.

The CFA system will help the members save money and borrow from the VSLA and also provide education to them on how to build their capital, use it in various ventures as guided by the concerned persons and thus become competent enough for the KCCA fund, hence improving their standards of living. The Village Savings and Loan Associations.

1.1 Background

Access to financial services is a decisive factor in eliminating poverty and generating local development. The Village Savings and Loan Association (VSLA) is KCCA's successful microfinance model under which savings groups are formed at community level to reduce poverty by financially and socially empowering poor and vulnerable people.

A VSLA is a self-managed group that is registered with the TRO at KCCA; it provides its members a safe place to save their money, to access loans and to obtain emergency insurance. Members can take out loans to cover expenses such as school fees and medical bills with - out selling productive assets, or they can use the loans to invest in income generating activities to raise household income. As a result, VSLA members experience significant improvements in household health and wellbeing, and an overall improved quality of life.

VSLAs share relevant characteristics such as leadership structure, record keeping, regular meetings, rules and regulations and most importantly they engage in saving and lending activities. Since the industry consensus in 2010, savings group has been mostly used as a generic term. Yet, not all researchers agree on using this term.

1.2 Objectives

The main objective of this project was to design a web-based fund advisory system that will keep VSLA data safe, provide security to that data online and advise on which groups qualify for the loan.

1.2.1 Specific Objectives

To carry out an investigation on the Community Fund Advisor system used by KCCA.

To analyze the problems heed by VSLAs.

To investigate the problems faced by the TRO office.

To design a prototype for a web-based CFA system

1.3 Overview

The remainder of this report contains a general description of the software system in terms of the product perspective, system methodologies, literature review, results and findings for the software system.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The literature review of this project covers previously researched material from different scholars on Fund Advisory and VSLA Management. Through researchers' attempts, various theories on how fund advising and VSLA management has been propagated. These theories produce systems to assist officers in making fund allocation decisions, savings groups in handling loan management, information systems in, existing information reporting systems, improving management, reporting and the use of data warehousing efficiently to improve management reporting.

2.1 VSLAs

VSLAs are a type of Savings Group that are local, self-managed, sustainable, secure and highly profitable. They are an effective way of helping even the poorest households manage their money more efficiently and staying out of debt. VSLAs comprise between 10 and 25 members and offer self-managed savings, insurance and credit services in urban slums and remote rural areas. The model has spread to 77 countries with over 20 million active participants worldwide[1].

Spontaneous replication is taking place without the intervention of a project. On average, for each 'foundation' group in Uganda and Kenya, 2-3 years later there are two more groups, mostly formed by the members themselves, without formal training. Rasmussen for example prefers the term 'savings and loan association', because it emphasizes on the one hand that "groups provide loans as much as savings" and also that "they are associations in the sense that they have a constitution, a board and elections".

2.1 Automated Fund Advisors (AFA)

AFAs use algorithms (instead of humans) for portfolio selection and rebalancing. Its affordable ways have opened up wealth management options to the masses, but its means of quantifying risk need more sophistication and tailoring to individual circumstances.

The financial industry is continuously adopting new technologies to deliver financial services in cheaper and more efficient ways. The adoption of these technologies particularly deepened after the 2007-08 global financial crisis, when tighter regulations on traditional banks and developments in computer science increased incentives to develop non-bank, technology-based financial companies[17]. Some examples of technological innovations in finance include ATMs (automated teller machines), mobile payments, and trade finance using blockchain. Now, technological disruption has reached the realm of wealth management services, where automated financial advisors, known as robo-advisors, are starting to compete with human advisors.

Conceived as a low-cost alternative to traditional human advisors, AFAs are online platforms that use algorithms to automatically build and manage clients' portfolios.

2.2 How do they work

To help with investment decisions, robo-advisors start by defining the investment strategy of each individual based on his/her investment goals and risk profile. Robo-advisors ask potential clients about the purpose of the investment and the time horizon. robo-advisors use automated algorithms to make recommendations on how to allocate funds across different types of assets. In most cases, these algorithms are based on modern portfolio theory [16].

2.3 Management Information Systems

MIS is a system or process that provides information needed to manage organizations effectively. Management information systems are regarded to be a subset of the overall internal controls procedures in a business, which cover the application of people, documents, technologies, and procedures used by management accountants to solve business problems such as costing a product, service or a business-wide strategy[9].
Management information systems are distinct from regular information systems in that they are used to analyse other information systems applied in operational activities in the organization[18]. Academically, the term is commonly used to refer to the group of information management methods tied to the automation or support of human decision making, e.g., Decision Support Systems, Expert systems, and Executive information systems. For any organization's success, MIS plays a key role. Another criticism cited under Directed Credit Programs relates to the transaction costs for both the lender and the borrowers caused by direct credit programs.

2.4 Related Research

The expenses incurred by the borrower in complying with the directed credit program monitoring and proposing Requirements entailed in managing multiple lines of credit boost these costs. Costs include opportunity costs of time spent in navigating cumbersome borrowing procedures, transportation costs on monitoring, costs of providing acceptable collateral and in some cases bribes to influence lending, Desai and Mellor (1993). There is therefore a need to build a system that can help to minimize these costs through web technology.

2.5 The existing system

2.5.1 Strength of the existing CFA system.

Paper based systems are cheap and easy to implement. They are cheap in terms of costs because the involved parties do not spend a lot of money to purchase paper and files compared to purchasing hardware, software and maintaining them.

2.5.2 Weakness of the existing CFA system.

The existing management system has a lot of weaknesses, these include:

- Retrieval of VSLA records is difficult and time wasting as it takes a lot of time to search for a particular file as there are very many.

- Updating VALA's record is hard and at times impossible. VALA's records can easily be misplaced and lost due to the large number of files.
- There is also space wasting since files are kept in a store that needs a lot of space. This process is problematic because of the vulnerability for incorrect data entry. Member information can only be accessed when the book is availed by the chairperson on the day of the meeting.
- The TRO finds it hard to decide on which VSLA to recommend for the fund because very many of them are registered but their history, status and future is not clear.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter outlined the standards and procedures that affected planning, analysis, design, and development of the CFA system. It spells out the techniques and methods that we used in; - reviewing literature on related problems by other researchers, data collection, establishing the requirements for developing the CFA system, the design approach and validation.

To achieve the objective of establishing the requirements for the CFA system, we used interviews, questionnaires and observation. We continued to review literature on fund advisor systems from other materials that had the most recent views.

3.1 Preparation

The researchers held a meeting with the project supervisor to recognize the target group, target areas;

3.2 Study Population

The target population was 30 people, this included collecting views from the staff of KKCA from 5 divisions (1 person per office) and 25 members of the VSLAs that we interacted with at the village levels. Using Slovin's formula, the sample size needed was 24 people.

3.3 Data collection techniques

3.3.1 Interview

Interview guides were used to investigate how the existing CFA system is used by the TRO and the VSLAs. Different TROs and member representatives responded to the interviewers on how the existing manual CFA system is used. During interviews the project group got data on the actual view and facts about the CFA system at both KCCA offices and village level. This method enabled the project group to get the feedback from respondents and interact with them in a very short time and cost-effective way.

3.3.2 Observation

This method was used to take a keen look on how the existing system works, to establish procedures and find out its weaknesses and formulate possible solutions for the analysed problems.

3.3.4 Questionnaire

We used this method to ask questions that have both open-ended and closed-ended answers.

3.3.5 Document review

This method was used to investigate how the current CFA is used. This included the use of books, files, reports and documentation of the previous system. This helped to improve the project performance and efficiency.

3.4 Design of CFA system

The second objective was based on the requirements that were drawn from the interviews, observations and discussion groups. A prototype of the system was designed. One of the major components was the database and one of the major functionalities is to store information about the VSLAs, their members and the TROs in charge of them.

The logical Database Design for the relational model was produced where the Physical Database design for the relational database was derived by translating the logical data model into Mysql Database Management system.

3.5 Environment and systems

The development platform for this application is Microsoft Windows. The instruments of development included MYsqLsqi in the back end and HTML-PHP on the front end. Microsoft Visio was used to draw diagrams.

CHAPTER FOUR

RESULTS & FINDINGS

4.0 Social-economic demographic Characteristics

The social-economic demographic results of all VSLAs that were engaged in the survey, particularly Kampala Central Division, are presented in subsequent tables Table 1, Table 2 and Table 3. These characteristics included gender, age of respondent, nature of employment and level of Education attained.

Finding

40% of the member population were males and 60% were females; 6.6% of the population lacked basic primary Education implying they were illiterates and we used local language interpretation to obtain data from them, 26.6% had acquired primary education up to Primary 7, the largest population of 50% had attained secondary education and 16.6% acquired post-secondary education implying they had attained tertiary and Bachelor Graduates certification; 56.6% were self employed engaging in small scale productions and sales, 43.3 were formal employed and their incomes depended on their salaries earned.; age representation of the respondents was 16.6% were post teen adults, 30% were the independent category from age 26-35 years, the largest proportion of 43.3% were middle aged adults and 10% were senior adults including retirees as shown in the table 1 below.

Table 1: Tulibumu VSLA respondent characteristics

Variable	Frequency (n = 30)	Percentage (%)
Gender		
Male	12	40
Female	18	60
Education Level		
None	2	6.6
Primary	8	26.6
Secondary	15	50
Post-Secondary	5	16.6
Nature of Employment		
Self Employed	17	56.6
Formal Employed	13	43.3
VSLA member age(years)		
18 – 25	5	16.6
26 – 35	9	30
36 – 50	13	43.3
Above 50	3	10

Additionally from the survey results of Twesinge Mukama VSLA (Table 2), we can see that: 37.1% of the member population were males and 62.9% were females; 14.3% of the population lacked basic primary Education implying they were illiterates and we used local language interpretation to obtain data from them, 25.7% had acquired primary education up to Primary 7, the largest population of 48.6% had attained secondary education and 11.4% acquired post-secondary education implying they had attained tertiary and Bachelor Graduates certification; 60% were self employed engaging in small scale productions and sales, 40% were formal employed and their incomes depended on their salaries earned.; age representation of the respondents was 22.9% were post teen adults, 28.6% were the independent category from age 26-35 years, the largest proportion of 40% were middle aged adults and 8.5% were senior adults including retirees

Table 2: Twesinge Mukama VSLA respondents` characteristics

Variable	Frequency (n = 35)	%
Gender		
Male	13	37.1
Female	22	62.9
Education Level		
None	5	14.3
Primary	9	25.7
Secondary	17	48.6
Post-Secondary	4	11.4
Nature of Employment		
Self Employed	21	60
Formal Employed	14	40
VSLA member age(years)		
18 – 25	8	22.9
26 – 35	10	28.6
36 – 50	14	40
Above 50	3	8.5

From the survey results of God is Able VSLA (Table 3), we can see that: 39.4% of the member population were males and 60.6% were females; 9.1% of the population lacked basic primary Education implying they were illiterates and we used local language interpretation to obtain data from them, 30.3.6% had acquired primary education up to Primary 7, the largest population of 51.5% had attained secondary education and 9.1% acquired post-secondary education implying they had attained tertiary and Bachelor Graduates certification; 54.5% were self employed engaging in small scale productions and sales, 45.5% were formal employed and their incomes depended on their salaries earned.; age representation of the respondents was 15.1% were post teen adults, 36.4% were the independent category from age 26-35 years, the largest proportion of 39.4% were middle aged adults and 9.1% were senior adults including retirees.

Table 3: God is Able VSLA respondents` characteristics

Variable	Frequency (n = 33)	%
Gender		
Male	13	39.4
Female	20	60.6
Education Level		
None	3	9.1
Primary	10	30.3
Secondary	17	51.5
Post-Secondary	3	9.1
Nature of Employment		
Self Employed	18	54.5
Formal Employed	15	45.5
VSLA member age(years)		
18 – 25	5	15.1
26 – 35	12	36.4
36 – 50	13	39.4
Above 50	3	9.1

4.2 Challenges faced by the VSLAs during their operations

These financial organizations face a number of challenges which when provided solutions will boost financial inclusion and development of the common man especially in developing urban centers. The major challenges faced by these organizations include financial loan management, lack of real time access to financial records, limited government support, and local traditional means of record keeping. The following figure expresses these as percentages.

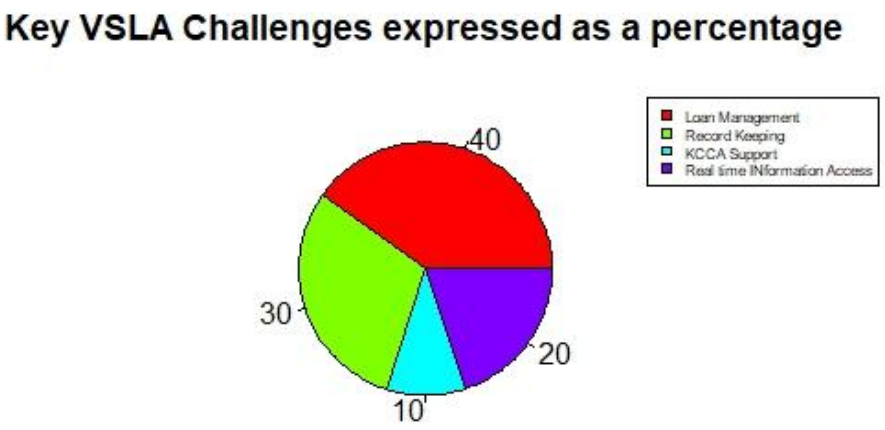

Figure 1: Various VSLAs challenges

4.3 Government intervention in VSLAs Operations

The Government of the Republic of Uganda through KCCA is mandated and responsible to support, track and monitor these local financial organizations. Despite this constitutional responsibility, the data we extracted from our survey particularly the TRO at the different KCCA divisions in Kampala City illustrates the government invention in the VSLAs operations as follows. The illustration considers four variables: VSLAs registered, VSLAs tracked and monitored, VSLAs supported financially, VSLAs that received financial literacy training.

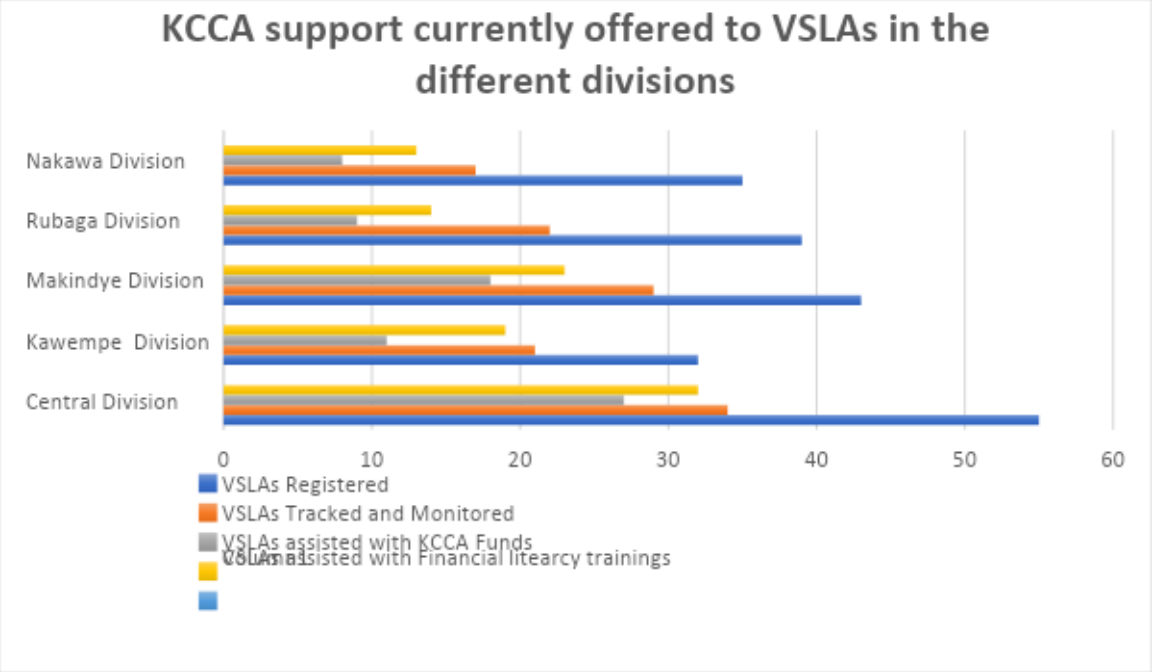

Figure 2: KCCA intervention in VSLA regulation and support

CHAPTER FIVE

ANALYSIS AND INTERPRETATION

5.1 Socio-economic characteristics analysis and interpretation.

Depending on the data extracted from tables 1, 2 and 3 that represent the socio-economic characteristics of the VSLA respondent population, there are outstanding unique trends of the sample population namely;

1. VSLA member population is majorly the female proportion.
   This is a good representation since boosting finances of the female gender and its inclusion in financial operation will increase the economic development of the urban center population.

2. Majority of the VSLA population have attained secondary education therefore meaning when a cloud-based system is deployed, it will easily be adopted to support these organizations. A good percentage of close to 10% did not attain even primary education therefore they must be considered as the team comes up with the cloud-based system.
3. Self-employed member population is greater than the employed members in the VSLAs therefore illustrating the need for more capital needed for these small-scale business owners to boost their revenues and also more regulation and evaluation needed for the capital present.
4. The independent age category 26-35 and 35-50 occupy the majority of the VSLA population therefore illustrating the need for smooth and better running of these organizations since that's the productive young population that needs to make better financial decisions and are the largest population of the country.

5.2 Challenges faced by VSLAs in their operation analysis and interpretation.

The major challenge faced by the VSLAs in their operations is Loan management in various forms such as Loan defaults, multi loan acquisition by one individual in various VSLAs, lack of proper due diligence performing the loan.

The second major challenge of VSLAs is financial records keeping which occurs in many ways such as poor record entries, inadequate records, lack of e-record system, difficult inventory and tracking of member financial record files, no report generation of VSLA performance monthly, quarterly and annually.

Real time access to VSLA information by the individuals' members is a challenge as well which affects their financial planning and strategies, this is because of the traditional book record keeping which can only be viewed when the VSLA meets.
KCCA support is also a challenge to the VSLAs, KCCA support can take various forms such as issuing of additional capital funds, financial literacy training, recommendations of VSLAs to other government and private financial aiding organizations such as Microfinance Support Centre, Banks and many others.

5.3 Government intervention in VSLAs operations analysis and interpretation.

The number of VSLAs that have been officially registered is greater than the number of the other variables, namely VSLAs tracked and monitored, therefore showing more effort needed by the regulators to follow up on these local organizations.

The number of VSLAs given financial literacy training is less than the number of registered, implying that not all officially registered VSLAs receive this government support therefore explaining the uninformed decisions taken by these VSLAs in their operations.

The number of those VSLAs that received financial funds to boost their operational capital is the least variable among all the four. Therefore, this shows the government is not funding these local financial organizations despite its knowledge that they exist.

6. CONCLUSIONS

VSLAs are important institutions for providing financial services to marginalized communities and must be harnessed to help alleviate poverty in Kampala and Uganda in general.

There is a need to build the internal capacity to meet the challenges that constrains their development. Unfavorable government policies, weak tracking, monitoring and management systems must be addressed. They should cooperate with the government and other development partners for better policy and legislature environment.

Furthermore, in order to succeed to in the new era of globalization (liberalized), the VSLAs in different city divisions need to be people centred, be owned and controlled by members, should have a good leadership and management accountable to its stakeholders, and should be sensitive and responsive to the needs of its stakeholders and to changes in its internal and external environment.

Beside all, VSLAs must adhere to good governance and codes of ethics and it should have flexible and transparent operating policies and systems as well as an in-built mechanism of learning. Also they should be financially viable and sustainable.

7. RECOMMENDATIONS

Organisational change management should be done in the loan processing procedure by establishing a good financial system to track an intended borrower`s credit history in all VSLAs to avoid bad loans and known loan defaulters that cause heavy loss to the rest of the community members.

Analysis, tracking and monitoring process at KCCA should be improved to be cost and time effective inorder for the various VSLAs to get recommendations and support as soon as possible from the authorities.

Proper accountability and documentation of all events that take place in the VSLAs should be considered to foster quick and proper management and harmony of the association.

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