MICROFINANCE SERVICES AND THE GROWTH OF SMALL AND MEDIUM ENTERPRISES: A CASE STUDY OF KATWE SMALL SCALE INDUSTRIES DEVELOPMENT ASSOCIATION (KASSIDA) IN KAMPALA CENTRAL DIVISION KAMPALA DISTRICT

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR OF COMMERCE OF MAKERE UNIVERSITY

JULY, 2012
DECLARATION

I Nakato Mwajuma, declare that this is my original report, it has never been submitted to any University or higher institution of learning for award of a Bachelor's degree of commerce (external) of Makerere University.

Signed

………………………………

Date……………………………………

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This is to certify that Mwajuma Nakato carried out this study about the micro-finance services and its impact on the growth of small and medium enterprises a case of KASSIDA. This study has been under my supervision and her research is now ready for submission for the award of Bachelor of Commerce of Makerere University.

SIGNED

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PASTOR. YOEL SHALOM

SUPERVISOR
DEDICATION

This study is dedicated to my beloved brother Hajj Ismail Sematimba and family. It is further dedicated to entire staff and management of Makerere University and students community in particular as well as the business community of KASSIDA.
I thank the Almighty God for enabling me to compile this report. I wish to extend my sincere gratitude to my parents (Father and Mother) for their financial and spiritual support to reach this success.

It is also my pleasure to acknowledge my Supervisor PASTOR. YOEL SHALOM for his endeavors and guidance, technical advice and support to successfully carry out the study and compile this report.

I thank the entire Academic staff and the management of Makerere University for the good cooperation and academic guidance.

Special appreciations to my friends and relatives for their commitment in extending both financial and spiritual support and encouragements they have given me throughout the course.
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The study was about micro-finance services and growth of small and medium enterprises in KASSIDA. Given the role played by Micro-finance Services in the growth of SMEs in Uganda, delivery of Micro-finance services remains poor, growth of SMEs have continued to decline for several factors like high interest rates on loans.

The study was guided by four set objectives: To find out Micro-finance services used by Microfinance Institutions, To identify the rate of growth of Small and Medium enterprises in KASSIDA, To establish the relationship between Micro Finance services and the growth of SMEs, To find out the challenges faced by Small and Medium Enterprises in KASSIDA. Purpose of the study was to examine whether micro-finance services have a significant effect on the growth of SMEs in KASSIDA Organization.

The methods in used in obtaining primary data included: self-administered questionnaire, interviews aided by interview guide, secondary data was also used and obtained through secondary data sources; Reports, Education journal, Text books among others. Descriptive data analysis was used to analyze data obtained from the field.

Major services provided by MFIs were micro-credit services (loan provision), savings among others. The services were highly accessible but service delivery by MFIs was poor. Small enterprises experienced high growth rate contrary to medium enterprises, micro-finance services contributed to growth of SMEs. There was a significant relationship between micro-finance services and growth of SMEs correlation results (0.551).

MFIs provided mostly micro-credit services and savings, micro-finance services provided for the growth of SMEs, micro-finance services had a strong positive relationship with growth of SMEs.

Improving and enhancing the effectiveness of service delivery by MFIs, need to promote balanced growth rate between Small and medium enterprises, enhance strong linkages between growth of SMEs and service delivery.
CHAPTER ONE

INTRODUCTION TO THE STUDY

1.0 Introduction

The study is about Microfinance Services and growth of Small and Medium enterprises with a case of Katwe Small Scale Industries Business Association. The chapter provides for the Background of the Study, Problem Statement, purpose of the Study objectives of the study, Research questions, scope of the study, the conceptual framework and the significance of the study as explained:

1.1 Background of Study

Microfinance services have become significantly important globally and more preferably at national levels in developing countries. A Microfinance institution (MFI) is an organization that provides financial services in terms of loans, funds at a given interest rates. For example the modern microfinance movement started in the 1970s when pilot programs in Bangladesh, Bolivia, and other countries began to provide small loans to groups of vulnerable women to invest in economic activities.

According to Ledger wood (2002) the term microfinance refers to the provision of financial services to low income client including self-employed. Integrated Microfinance Bank (IMFB 2007) was of the opinion that microfinance is the supply of loans, savings and other basic financial services to the poor. Everyone needs a diverse range of financial instruments to run their business, build asset, stabilize consumption and shield themselves against risks. Financial services needed by the poor include working capital loans, consumer credit, savings pension insurance and money transfer services.

Jamil (2008) explained that microfinance is the entire flexible structures and processes by which financial services are delivered to micro entrepreneurs as well as the poor and low income population on a sustainable basis. Africa remains one of the least developed, and the most under-banked continent. This is not a coincidence, and reflects the importance of banking as an engine for economic development. Interest in microfinance has soared in the recent decade and the instrument is now seen as one of the most promising tools to tackle poverty in the developing
The fascination with microfinance derives from the fact that the provision of financial services can contribute to poverty reduction and pass the test of sustainability at the same time. For donors, microfinance is especially attractive as it can be delivered in an institutional and financially sustainable manner that permits them to withdraw after making relatively modest investments. However, microfinance has sometimes disappointed its supporters.

Uganda is generally seen as the country with the most vibrant and successful microfinance industry in Africa. Some MFIs have experienced strong growth and are now reaching a considerable number of clients, with three serving between 25,000 and 45,000 clients. A number of microfinance providers are close to financial sustainability or have already surpassed it. A series of impact studies conducted in Uganda in the past years have demonstrated that the provision of microfinance services contributes to reduce client vulnerability to economic risks, results in strengthening linkages of clients and their households to the agricultural sector, and enables clients to acquire valued skills.

According to Waswa Balunywa (2010) explained that “Small scale enterprises worldwide have been recognized as engines of growth and development” (Harper, 1984; et al, 1997; Ba-el and Felsenstein, 1990) and in many countries there has been some considerable effort to support them so as to create the necessary employment opportunities, incomes and productive capacity. Besides the evidence available about the role of small enterprises some of the reasons for them were being preferred as follows: ease of formation, capital requirements, flexibility, mobility and a variety of other factors. Seen from a global perspective, small businesses have a specific niche in global economic affairs. The global market is dominated by world class competitors in the form of multinationals and for the developing countries; small business appears to be the way to compete.

For developing countries, small-scale enterprises would generally mean enterprises with less than 50 workers and medium size enterprises would usually mean those that have 50-99 workers. In Uganda, a small-scale enterprise is an enterprise or a firm employing less than 5 but with a maximum of 50 employees, with the value of assets, excluding land, building and working capital of less than Ug.shs 50 million (US$ 30,000), and the annual income turnover of between Ugshs.10-50 million (US$6,000-30,000). A Medium sized enterprise is considered a firm, which
Kasekende Louise & Henry Opondo (2003), explains that in Uganda, a small-scale enterprise is an enterprise or a firm employing less than 5 but with a maximum of 50 employees, with the value of assets, excluding land, building and working capital of less than Ug.shs 50 million (US$30,000), and the annual income turnover of between Ugshs.10-50 million (US$6,000-30,000). A Medium sized enterprise is considered a firm, which employs between 50-100 workers. Other characteristics have not been fully developed.

It is also reported by the Ministry of Planning and Economic Development (1992) that over 80% of Uganda's manufacturing output is by small enterprises. The sector also employs up to 2.6 million people in Uganda (Uganda Investment Authority, 1996. Katwe Small Scale Industries Business Association continues to face various outstanding challenges coupled with lack of information and poor accessibility to micro-finance services. Against this background, the microfinance services have no significant contribution to the growth of small and medium enterprises.

1.2 Statement of the Problem
Given the significant role played by Micro-finance services in the growth of small and medium enterprises in Uganda, the Microfinance service delivery in KASSIDA remains poor. The growth of small and medium enterprises have also continued to decline due to several factors according to the study carried out. Kakooza Charles T, (2006) explained that the high interest rates on loans, world economic crisis, low level of managerial skills among other factors. It is not yet clear whether micro-finance services have significant effect on the growth of small and medium enterprises. The study became inevitable to investigate the micro-finance services and its impact on the growth of enterprises.

1.3 Purpose of the Study
The main purpose of this study is to examine whether Microfinance services has a significant effect on the growth of Small and Medium Enterprises in Katwe Small Scale Industries Business Association Kampala Central Division.
1.4.1 General Objectives
The main aim of the study is to examine the relationship between sensitization about microfinance service and the growth of small and medium enterprises.

1.4.2 Specific Objectives
The specific research objectives included:

   a) To find out Micro-finance services used by Microfinance Institutions
   b) To identify the rate of growth of Small and Medium enterprises in KASSIDA.
   c) To establish the relationship between Micro Finance services and the growth of small and medium enterprises in KASSIDA.
   d) To find out the challenges faced by Small and Medium Enterprises in KASSIDA.

1.5 Research Questions
The research was set to answer the following key research questions:

   a) What services are given by Microfinance Institutions to the business community
   b) What is the growth rate of Small and Medium Enterprises?
   c) Of what is the effect Microfinance Services on the growth of small and medium enterprises?
   d) What are the challenges faced by Small and Medium enterprises?

1.6 Scope of the Study
This section explains the geographical, content and the time scope of the study as indicated:

1.6.1 Geographical Scope
The study was limited to geographical boundaries of Katwe Small Scale Industries Business Association, an umbrella Organization for local Engineering Artisans. It located in Katwe in Kampala Central Division.
to study findings and the secondary data review. The content will mainly focus on Micro-Finance Services in KASSIDA, the growth rate results of small and medium enterprises, microfinance services on small and medium enterprises and the challenges faced by small and medium enterprises. Above all the relationship between Micro-Finance Services and growth of small scale Industries Business Association. The content will further explore the secondary data from the textbooks, Reports among others.

1.6.3 Time Scope
The study was carried out in set time period of two month as reflected in the research work plan.

1.7 Significance
Nationally, the study provides significant information to the policy makers with in the Government of Uganda that would be relevant to formulating policies to guide the microfinance institutions in providing services to two income clients.

The study findings can be used for future reference for those intending to start and establish the small scale and medium enterprises in the country at large.

The study identifies possible challenges faced with the Small business and medium enterprises: this creates a basis for possible measures to respond to the challenges identified.

The study provides information about the accessibility of available microfinance services for the growth and expansion of the enterprises.

The study is expected to expand and add more information to the existing literature on microfinance services in Uganda for the purpose of future reference.
1. Definition operational terms

Small Enterprises: is any type of business that operates with on small scale, it requires small investment. Small-scale enterprises would generally mean enterprises with less than 50 workers. In this research we shall regard to small business like household accessories, plastics, medical supplies, retail shops among others.

Medium Enterprises: These are business enterprises that have grown slightly higher than the small scale enterprise. They operate at an average scale with an average investment. Medium size enterprises would usually mean those that have 50-99 workers. In this research, this shall be taken to define the medium business like Hardware shops, growing bakeries among others.

Microfinance: A type of banking service that is provided to unemployed or low income individuals or groups who would otherwise have no other means of gaining financial services. Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance.
If I had to do this chapter again I would consider the following objectives;

i. To find out effectiveness of MFIs in providing services

ii. To analyze problems faced by MFIs with business community

iii. To establish the cause of decline in the growth of medium enterprises

Future Researchers are encouraged to undertake the above.
CHAPTER TWO
REVIEW OF RELATED LITERATURE

2.0 Introduction
This chapter provides for the review of related literature extracted from various scholars, individual opinions and report findings. The chapter explores the concept of microfinance, availability of microfinance services, related information on the growth rate of small and medium enterprises, the effect of microfinance services on the growth of small and medium enterprises, challenges faced associated with small and medium enterprises. The chapter also presents the theoretical perspective of microfinance, the research gap as stated below:

2.0.1 Concept of Microfinance
The concept of microfinance is not new. Savings and credit groups that have operated for centuries include the "Susus" of Ghana, "chit funds" in India, "tandas" in Mexico, "arisan" in Indonesia, "Cheetu" in Sri Lanka, "tontines" in West Africa, and "pasanaku" in Bolivia, as well as numerous savings clubs and burial societies found all over the world.

Mbaguta, H. (2002) indicated that "Formal credit and savings institutions for the poor have also been around for decades, providing customers who were traditionally neglected by commercial banks a way to obtain financial services through cooperatives and development finance institutions." One of the earlier and longer-lived micro credit organizations providing small loans to rural poor with no collateral was the Irish Loan Fund system, initiated in the early 1700s by the author and nationalist Jonathan Swift. Swift's idea began slowly but by the 1840s had become a widespread institution of about 300 funds all over Ireland. Their principal purpose was making small loans with interest for short periods. At their peak they were making loans to 20% of all Irish households annually.

Meanwhile, starting in the 1970s, experimental programs in Bangladesh, Brazil, and a few other countries extended tiny loans to groups of poor women to invest in micro-businesses. This type of micro enterprise credit was based on solidarity group lending in which every member of a group guaranteed the repayment of all members. These "micro enterprise lending" programs had an almost exclusive focus on credit for income generating activities (in some cases accompanied
In the early 1900s, various adaptations of these models began to appear in parts of rural Latin America. While the goal of such rural finance interventions was usually defined in terms of modernizing the agricultural sector, they usually had two specific objectives: increased commercialization of the rural sector, by mobilizing "idle" savings and increasing investment through credit, and reducing oppressive feudal relations that were enforced through indebtedness. In most cases, these new banks for the poor were not owned by the poor themselves, as they had been in Europe, but by government agencies or private banks. Over the years, these institutions became inefficient and at times, abusive.

Meanwhile, micro-credit programs throughout the world improved upon the original methodologies and defied conventional wisdom about financing the poor. First, they showed that poor people, especially women, had excellent repayment rates among the better programs, rates that were better than the formal financial sectors of most developing countries. Second, the poor were willing and able to pay interest rates that allowed microfinance institutions (MFIs) to cover their costs.

According to Mokaddem L (2009) explained that "microfinance always existed in Africa, albeit informal. Revolving credit associations, tontines were the first form of microfinance; credit unions rapidly expanded; and today the panorama is quite diverse, with individual lenders, self-managed groups, cooperatives, N.G.Os, regulated MFIs, and even banks, providing a wide range of financial services. However, an overwhelming majority of the economically active population, above all in rural areas, so far remains excluded from the formal financial system; and even those who have access to the system can still not get all the services they need.

Historically, microfinance in Africa has developed in different stages across the region. Financial intermediaries such as cooperatives, rural and postal savings banks pioneered the industry in the 1970s, especially in West and East Africa. In the 1980s and 90s, the sector saw a number of donor-supported credit-only non-governmental organizations (NGOs) develop and sometimes transform into new types of non-bank financial institutions by the end of the 90s. Today West Africa is dominated by credit cooperatives, while regulated non-bank financial institutions stand out in East Africa, and Southern Africa is mainly served by a large. (Mokaddem L, 2009).
According to the Development Initiative Africa Report (2010) stated that Micro Enterprises, small and medium enterprises are defined by basing on three main characteristics; these include number of employees, capital invested and annual turnover. Micro Enterprises are defined as enterprises that employ at least 4 people, with assets worth and annual turnover of 12 million Uganda shillings. Small Enterprises are defined as those enterprises that employ at least 50 people, with annual turnover of 360 million ($34,000) and Medium enterprise is defined as an enterprise that employs over and above 50 people with capital investment of over 360 million and turnover of 360 million.

2.1 Micro-finance Services offered by Micro-Finance Institutions

Auren and Krassowska, (2004) indicated that "the provision of micro-finance services can be facilitated by business development services. These services can help build financial and business management capacity of rural households, improve their technical skills, provide local support services for enterprises with emphasis on marketing, and establish linkages between forest communities and micro-finance services. Business development services should grow with the development of small-scale enterprises and cater to their evolving needs."

Examples of useful business development services for improving access to micro-finance are: training of rural households in funds management, loan application, bookkeeping and accounting; preliminary loan appraisal of small-scale enterprise financial planning; consolidation of small individual proposals into a bankable portfolio of forest-based enterprise plans; and support to micro-finance institutions for monitoring and supervising the implementation of small-scale enterprise activities. Business development services can also help micro-finance institutions to assess risks related to small-scale enterprises. Embedded services such as training to producers and quality control, provided by buyers of commodities, can also positively improve access to micro-finance services by increasing micro-entrepreneurs' skills and the marketability of their products.

Customer Savings Service:

Worldwide micro-finance experience has shown, access to safe and flexible savings services can play a critical role in poor people's strategies for minimizing risks, mitigating income fluctuations, facing unexpected expenditures and emergencies, and building a small asset base over time. In particular, the very poor living in rural areas, who may lack investment
Most poor families do save and often in a non-financial form, for example, small gold items or stockpiling goods, because they frequently lack access to good formal savings facilities. In-kind savings are suboptimal options, because they are subject to fluctuations in commodity prices, and destruction by pests, fire and theft. While micro-finance institutions offer both good loan services and good voluntary savings services, worldwide experience shows that there is usually more demand for savings than for loans. Better availability of safe savings facilities increases self-financing capacity and thus reduces the need to borrow, with its inherent risks. When a poor household needs a relatively large amount of money for an investment purpose, saving is a less risky way to obtain it than taking on a debt with a fixed repayment obligation.

Traditionally, micro-finance mobilization of savings has taken place in the form of compulsory savings under group or individual lending methodologies. Often a percentage of the loan amount is required as mandatory savings and is meant to guarantee group loan repayment. Compulsory savings were also seen as a way to instill savings habits in poorer households. Experience has shown, however, that compulsory saving is not conducive to encouraging clients' saving habits, but rather is considered as one of the requirements for accessing loans. It is the mobilization of voluntary savings, ensuring safety, flexibility and accessibility, which can have the strongest impact on poor people's lives. With the right products and incentives, micro-finance institutions can rapidly mobilize very significant resources.

Ensuring the existence of safe and accessible savings services for forest-based small-scale enterprises should be a priority for any microfinance development programme. Possible ways for microfinance institutions to make the service available at lower costs include mobile banking, microfinance officers visiting rural communities on market days, and facilitating groups in collecting and depositing individual voluntary savings.  

Krassowska, (2004), indicates that mobilizing the savings of small-scale enterprises implies risk, however, and microfinance institutions allowed to do so should clearly show their capacity to mobilize savings safely. Accordingly, they should demonstrate strong governance and professional management, strength and reliability, adequate internal controls, financial
the guarantee that deposits and savings are not used to cover operating expenses and records of strong loan portfolio quality management. In most countries, mobilization of public savings is restricted to banks, where regulations should be in place for effective supervision.

Credit cooperatives are also a very important instrument for mobilizing savings, although generally limited to cooperative members. It is important that sound provisions regulating and supervising cooperatives' operations are in place to prevent governance weaknesses that would ultimately damage depositing members.

Micro-Credit Service:

According to Thomas et al., (2003) explained that "Micro-credit consists of small loans provided to poor households or micro-enterprises. Micro-credit is normally characterized by standardized loan products with short maturities, limited amounts, fixed repayment schedules and high interest rates. Most micro-finance institutions require potential borrowers to save before applying for a loan in order to demonstrate their intention to develop a long-term banking relationship. When the amount saved reaches a specific level, the lender will consider granting a certain amount as a loan. Although forced savings might be effective in helping to control moral hazard risks, they increase the effective interest rate and restrict potential borrowing.

Small-scale enterprises, especially when engaged in wood forest production, may need financing for larger investments that have prolonged amortization periods. Due to the gestation period, there is normally a significant time lag between the initial expenditures and the time when investment creates a positive cash flow and the enterprise can repay the loan. While presenting the advantage of reducing transaction costs and credit risks, the traditional standardized micro-credit and group lending may not match their cash flow, and may not suit their investment requirements. Small-scale enterprises with intensive capital needs to finance fixed-term investments and that are engaged in higher risk activities are likely to face difficulties in accessing micro-credit that matches their demand, given its shorter maturities, limited amounts and fixed repayment schedules.
Micro-credit is most often extended without traditional collateral requirements. If physical collateral were a requirement for borrowing, most MFI clientele would be unable to participate due to their extreme poverty level. Because borrowers do not have physical capital, MFIs focus on using social collateral, via group lending. Group lending encompasses a variety of methodologies, but all are based on the principle of joint liability. In essence, the group takes over the underwriting, monitoring, and enforcement of loan contracts from the lending institution.

Auren & Krassowska, (2004) further indicates that "for small-scale enterprises in Uganda (within and outside the forest sector), finances and financial management represent one of the greatest constraints to effective operations." Few financial products are available to Ugandans other than bank loans. There are many problems accessing finance in Uganda, due to its relatively underdeveloped financial sector, and this particularly affects sustained investment in long-term ventures such as forestry.

For many small-scale enterprises it is extremely difficult to get a loan, since it involves undertaking effective budgeting and cash flow projections, preparing business plans, maintaining solvency and liquidity, providing collateral, managing accounts and providing accurate financial records for external investors or tax authorities. Furthermore, many of these enterprises operate as one of many parallel business ventures, and their finances tend to flow between them, sometimes causing problems of cash flow and liquidity. Small-scale enterprises that cannot get a loan must resort to informal lending at very high interest rates or rely on personal connections.

Biryabarema, E. (1998), reports that Microfinance institutions typically provide short-term loans for small amounts of capital, while small-scale enterprises often need longer-term and larger loans. There is often a lack of cooperation between banks and forest sector. A better appreciation of the specific and long-term nature of forestry investment is necessary for banks to understand operating requirements for small-scale enterprises. While there may be interest in investing in tree planting, for example, there is generally insufficient widespread ability to invest in a sector that yields only long-term benefits. A saw log production fund is being established, overcoming the problem of access to long-term finance for small- to medium-scale plantation development.
The fund will be operated as an independent entity through a management agent or bank, and will provide a mix of grants and credits targeting small to medium-sized private investors and organized groups.

In a modern financial sector there are products such as asset leasing and venture capital. In Uganda, no such services yet exist, and government regulations do not allow or recognize the modern concept of leasing. If leasing were clarified and made more available, it would provide opportunities for small-scale enterprises to commence or expand operations. However, a Financial Institutions Bill (2003) is being discussed that further clarifies taxation and obligations of all parties under leasing agreements. Equity facilities provide much-needed finance to small- and medium-scale enterprises worldwide. In Uganda, equity financing is limited, largely due to the loss of social capital stemming from years of civil unrest, which has resulted in general mistrust between lenders and receivers of credit beyond close family ties. Krassowska (2004).

MFIs provide similar products and services to their customers as formal sector financial institutions. The scale and method of delivery differ, but the fundamental services of savings, loans, and insurance are the same. Notwithstanding, to date most efforts to formalize microfinance have focused on enterprise lending (loans for enterprise formation and development) which remain by far today the dominant product offered by MFIs (Nourse 2001).

Woller (2002) remarked that “increasingly today, MFIs have begun to offer additional products, such as savings, consumption or emergency loans, insurance, and business education.” But Nourse (2001) reviews the context and rise of micro-finance products and argues there is a need for savings and insurance services for the poor and not just credit products. He goes on to argue that MFIs need to provide tailored lending services for the poor instead of rigid loan products. Supporting this latter assertion of Nourse (2001), Eyiah (2001) develops a model of small construction management contractors and MFIs in developing countries that provides a tailored lending structure for micro enterprise contractors. Similarly, Woller (2002a), Cohen (2002), and Dunn (2002) argue that MFIs need to be more client-focused, including offering a mix of financial products tailored to the varied needs and wants of poor consumers.
During the opening of the 7th Uganda Parliament on June 7, 2005 the President of Uganda informed the Nation that the industrial growth rate in Uganda has averaged at 10.2 percent p.a. since 1986 and the industrial sector employed 3.3 million people by 2004.

That small and medium enterprises (SMEs) have registered a 10 percent growth in the last five years and created 150,000 jobs per annum while large-scale industries add 20,000 jobs p.a. That the cooperative societies have been revived and to date employ up to 80,000 people. However, that 300,000 people join the job market every year. Therefore this was introducing the Bonna Bagaggawale (all get rich or prosperity for all) Programme to enable each household earn at least UShs 20 million per annum through training in modern agro practices, establishment of agro production export villages, among others. The focus here should be on startups and small scale enterprise development.1

The small scale enterprise sector is a major economic sector in most African countries including Uganda. In Uganda's case, it is estimated to contribute: Over 30% of GDP, Over 30% of employment, Over 80% of manufactured output. A recent UNESCO funded study had the following major findings on the SME sector in Uganda: (2005). The majority of SSEs surveyed were sole proprietorships because they are easy to form, are managed by individuals and decisions are easy to make without consultation.

According to Bitature Patrick(2008), Uganda Investment Authority reports that the Ugandan economy is supported mainly by MSMEs contributing about 90% of the private sector production. SMEs are the prime source of new jobs and play a crucial role in income generation, especially for the poor. However MSMEs by the sheer limitation of their size and resources are highly dependant on Business Development Services (BDS) to provide capacity building and support their business growth in areas such as training, advice, information, business planning, marketing, technology, communications and other services. BDS complement credit and micro-finance programmes, and assist small enterprises with growth potential to become medium-sized enterprises.

To increase the quality and efficiency of production capability, one key factor identified is the capacity of the entrepreneurs behind the business operation. In addition, the other critical

1 http://sme.gatsbyuganda.com
Development is a suitable enabling environment for business growth among other things, to policy and regulatory issues, infrastructure, financial and business development services.

2.3 Relationship between Micro-finance Services and Small, Medium Enterprises

Various scholars explain significant relation between the availability of micro-finance alongside the growth of the small scale and medium enterprises worldwide.

From several studies carried out while analyzing four programs in Bolivia, Mosley (2001) shows that assets and income increased commensurate with initial poverty levels, but also that MFI services may increase vulnerability if borrowers over-leverage. Bolnick and Nelson (1990) find that MFI participation had a positive impact on enterprises that were typically small, labor intensive and growing, although the impact was far from uniform across sectors and target variables.

Copestake et al. (2001) find that borrowers who were able to obtain two loans experienced high growth in profits and household income compared to a control sample, but borrowers who never qualified for the second loan were actually worse off due to MFI collection mechanisms. Wydick (1999a) finds that upward class structure mobility increases significantly with access to credit. Using the same Guatemala data set in a subsequent study (2002), Wydick also finds that rapid gains in job creation after initial credit access were followed by prolonged periods of stagnant job creation. Dunn (2001) finds that program clients' enterprises performed better than non-client enterprises in terms of profits, fixed assets, and employment.

Edgcomb (2002), Cook et al. (2001), and Dumas (2001) each use case methodology to analyze MFIs offering integrated business development training. They conclude that business development training significantly improves micro-enterprise performance and micro-entrepreneur empowerment. A final issue meriting mention is provision of equity in lieu of credit for enterprise formation and start-up capital. Pretes and Seibel (2002) discuss several cases of this practice in East Africa. They refer to this service as providing enterprise equity; however, in finance vernacular, this service would most likely be considered a grant.
Small Enterprise Development dedicated to the topic of micro insurance in general, healthcare micro insurance, funeral micro insurance, agricultural micro insurance, and client selection by MFIs. Invest (donate) the equity in such cases receive their returns intrinsically, as they do not receive a financial ownership position in the startup firm (micro-enterprise).

2.4 Challenges faced by Small and Medium Enterprises

Small businesses often face a variety of problems related to their size. A frequent cause of bankruptcy is undercapitalization. This is often a result of poor planning rather than economic conditions - it is common rule of thumb that the entrepreneur should have access to a sum of money at least equal to the projected revenue for the first year of business in addition to his anticipated expenses. For example, if the prospective owner thinks that he will generate $100,000 in revenues in the first year with $150,000 in start-up expenses, then he should have no less than $250,000 available. Failure to provide this level of funding for the company could leave the owner liable for all of the company's debt should he end up in bankruptcy court, under the theory of undercapitalization, Edimiston Kelly (2010).

In addition to ensuring that the business has enough capital, the small business owner must also be mindful of contribution margin (sales minus variable costs). To break even, the business must be able to reach a level of sales where the contribution margin equals fixed costs. When they first start out, many small business owners under priced their products to a point where even at their maximum capacity, it would be impossible to break even. Cost controls or price increases often resolve this problem. In the United States, some of the largest concerns of small business owners are insurance costs (such as liability and health), rising energy costs, taxes and tax compliance.

In the United Kingdom and Australia, small business owners tend to be more concerned with excessive governmental red tape2. Another problem for many small businesses is termed the 'Entrepreneurial Myth' or E-Myth. The mythic assumption is that an expert in a given technical

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kind of business. Additional business management skills is the capacity of much larger businesses to influence or sometimes determine their chances for success.

Small business bankruptcy:

When small business fails, the owner may file bankruptcy. In most cases this can be handled through a personal bankruptcy filing. Corporations can file bankruptcy, but if it is out of business and valuable corporate assets are likely to be repossessed by secured creditors there is little advantage to going to the expense of a corporate bankruptcy. Many states offer exemptions for small business assets so they can continue to operate during and after personal bankruptcy. However, corporate assets are normally not exempt; hence it may be more difficult to continue operating an incorporated business if the owner files bankruptcy.

According to the study carried out by **Kakooza Charles T(2006)** it was reported that Once businesses are established, they confront competition from other businesses in either similar or related businesses. 112 (84 %) of respondents agreed. As towns expand, the number of entrepreneurs also increases. Therefore, the success of one business often comes at the expense of another. This necessitates advertising and price reductions so as to attract more customers, which in turn lead to a potential reduction of profitability.

High rental charges have impeded the success of many businesses as some charges are pegged to the United States dollar, which in most cases appreciates against the Uganda shilling. One businessperson mentioned that their rent is US$200 for a space of 12 feet by 10 feet. Expansion of towns has led to increased demand for business premises, which means that some small businesses have been pushed away from the busy areas of the town to the periphery. This has increased costs and resulted in poor sales and negative cash flow, thus minimizing the chances for most businesses to succeed.

**Kakooza Charles T (2006)** reported that High transport costs have become one of the problems faced by startup businesses. Lack of oil reserves in the country, coupled with the unstable Ugandan shilling, has made the cost of transport high and unpredictable. Fuel is a factor that propels an increase in costs of production across the board, which has led to failure of many businesses. Communication networks have also been poor, leading to high operation costs.
Lack of information on existing goods and poor access roads in rural areas have constrained businesspersons to buy products that are in easy-to-reach areas where competition is relatively high.

Kakooza Charles T (2006) further identified that Politics can also pose a threat to business success. Building and construction companies complain that tenders are awarded to political favorites who then do not deliver to the required standards. Some businesses operate without paying taxes or are under-assessed, gives them have an advantage over their competitors. Politics influences customers who choose to deal with specific people because they were in the same camp during presidential, parliamentary or local council elections, irrespective of the quality of the services provided.

Gordon Wavamunno, who has built a vast business empire in a wide range of fields (including transport, manufacturing, tourism, motor vehicle distribution, trade, insurance and banking, commercial farming, electronic media and property development), has personally stated that politics and business are like fire and water - they do not exist together amicably. Other challenges involved lack of planning by the entrepreneurs, poor record keeping, Management problems, and lack of information about the available financial services and markets, negative cash flow, wrong pricing.

Kakooza Charles (2006:34) also reported that Power costs were high. East Africa has the most expensive electricity on the continent. $70 is charged per MWH in Kenya, $80 in Tanzania, and $46 in Uganda, yet the international standard is $40. South Africa has even managed $18. The respondents pointed out that, with the privatization of Uganda Electricity Board (UEB), the costs of using electricity have increased and frequent power cuts have prompted the installation of alternative sources of power, which are costly, thus minimizing chances of success. The issue of electricity is paramount if Uganda is to develop into an industrial economy.

Lack of capital is another impediment to businesses in their early stages. Results of the study indicated a significant proportion of the respondents, 64(48%) raised this as a major problem. First, these businesses were started with limited capital. As observed by Snyder, 'do not think that you can get a million-shilling start-up loan for a business. Even if you have 500,000 shillings, you can start small, small.' Secondly, micro businesses lack collaterals such as cars or land titles that can be deposited to get loans from the traditional commercial banks. On the other
The loans provided by microfinance institutions are small, with a short repayment period. This is in line with Mbaguta's assertion that financing suitable for Small Medium Enterprises (SMEs) is still insufficient in Uganda, and this results in limited growth and survival of SMEs.

Factors that have discouraged banks from lending to SMEs. Among them are poorly compiled records and accounts; low levels of technical and management skills; outdated technologies; lack of professionalism and networking; lack of collateral; lack of market outlets due to poor quality and non-standardized products; poor linkages and limited knowledge of business opportunities. In addition, most businesses, such as those dealing in foodstuffs, have been affected by lack of proper storage facilities. This has been a major limitation on business success because most agricultural products require preservation and have an inelastic demand meaning that even if their prices are lowered, quantity demanded can increase in that same proportion to clear the market of surpluses.

Lack of sales has been a predicament during the inception of such businesses. This is because most of these businesses lack the competence of challenging already established businesses. They usually lack a public image and yet publicity is one of the major mechanisms for business triumph. The study also revealed that these business people start enterprises without careful regard to the location of the business; thus less sales and less profits and this delays growth. With the above in mind, what should be done to increase sales?

2.5 Theoretical Perspective on Micro-Finance
According to the United Nations, 2005 was the year of micro-credit. Touted as "the newest darling of the aid community," micro-credit has been promoted as a viable tool for development by influential international organizations such as the World Bank. Despite a proliferation of literature on the benefits of micro-finance, few scholars have discussed the theoretical bases of this recent phenomenon.

Micro-credit does not initially appear as an area in which a bottom-up method of poverty alleviation, micro-credit clashes with the typically a top-down methodology of neo-liberalism. However, micro-credit for micro-enterprise becomes a neo-liberal construct when one views it as the formalizing an informal economy. According to a report on poverty reduction published by the World Bank, private enterprise operating through the market is the main engine of sustained economic growth. By exposing pre-existing informal economic networks, as well as providing the opportunity for the creation of additional formal businesses, neo-liberalism posits that the macroeconomic situation of the state will improve.

With this theoretical spectrum in mind, it is pertinent to examine several cases of micro-lending institutions, their compositions, their clients and their services. In doing so, the theoretical applications of both neo-liberalism and participatory development will become more apparent, as will the ambiguous middle ground in between these polarized ideologies. A case of Bolivia Micro finance in Bolivia is currently home to a wide variety of micro-lending institutions. The Bolivian market was primed for such institutions throughout the 1980s, when dense urban populations and the effective failure of the formal financial sector caused extreme poverty and disillusionment with traditional banking.

Conning et al. (2003) divide the evolution of the Bolivian market for micro-credit into three stages. The first stage began in 1992 with the emergence of commercial bank Banco Solidario (BancoSol). The second stage began three years later, when financial intermediary (Fondo Financiero Privado, henceforth referred to as FFP) Caja Los Andes entered the regulated market, providing substantial competition for BancoSol. The third stage, beginning around 1998 and continuing into the present, has been characterized by a dramatic increase in competition. Smaller micro-lenders have flooded the market, including innumerable unregulated NGOs targeting specific populations. In July 2003, 220 regulated organizations existed to provide micro-credit, compared with the monopoly held by Banco Solidario nine years earlier. Throughout the world, poor people are excluded from formal financial systems. Exclusion ranges from partial exclusion in developed countries to full or nearly full exclusion in lesser developed countries (LDCs). Absent access to formal financial services, the poor have developed a wide variety of informal, community-based financial arrangements to meet their financial needs.
an increasing number of formal sector organizations (non-government, government, and private) have been created for the purpose of meeting those same needs. Microfinance is the term that has come to refer generally to such informal and formal arrangements offering financial services to the poor. Microfinance has existed, although mostly in the shadows and unseen by casual observers, since the rise of formal financial systems, and indeed probably predates them. It has only been within the last four decades.

However, those serious global efforts have been made to formalize financial service provision to the poor. This process began in earnest around the early to mid-1980s and has since gathered an impressive momentum. Today there are thousands of MFIs providing financial services to an estimated 100 - 200 million of the world’s poor (Christen et al., (1995)). What began as a grass-roots “movement” motivated largely by a development paradigm is evolving into a global industry informed increasingly by a commercial/finance paradigm.

Financial services, shattered stereotypes of the poor as not bankable, spawned a variety of lending methodologies demonstrating that it is possible to provide cost-effective financial services to the poor, and mobilized millions of dollars of “social investment” for the poor (Mutua, et al. (1996)). Microfinance Emerged at a time of a Paradigm shift, the Grameen systems started which were characterized with, Peer Lending Mode, Loans for One Year Installments Paid Weekly, Interest Rate of 20%, Repayment = 2% of the Loan per Week, Contribute to the Group Fund = 5% of Loan Amount, Member = Savers + Borrowers. While other Micro Finance models involved Village Banking Models.

Carl Schramm provides a useful review of growth theory in an article for Real Clear Markets. He takes in key mainstream thinkers on economic growth and development including Paul Collier, William Easterly, Deepak Lal, Dani Rodrik, Walt Rostow, Jeffrey Sachs, Robert Solow and Mohammad Yunus. Two points stood out for me. First, the difficulty mainstream economic theory has in explaining economic growth: “Harvard economist Elhanan Helpman published an entire book exploring the “mystery” of economic growth only a few years ago, and even Robert Solow, who won the Nobel Prize for his pioneering growth theory, today says there are
more questions than answers as to the causes of growth. This failure to understand the sources of growth, let alone the world’s, will be a serious handicap as we try to figure out how to renew prosperity in the face of a dramatic global slowdown.

Second, the anti-growth sentiment at the root of microfinance: Muhammad Yunus, a Ph.D. in economics who won the Nobel Peace Prize, disregards all such evidence in creating a World without Poverty (2008). Having created Grameen Bank, an institution that increased remarkably the welfare of millions of the world’s poorest in Bangladesh through the innovation of microcredit, he appeals for a new world economic order that does not contemplate growth. “The bigger the world economy, the bigger the threat to planet Earth.” For global welfare to increase, he argues, capitalism will have to be reformed through “social businesses” entities that put people above profits.

2.6 Research Gap
Several studies and surveys have been conducted about the microfinance services across the world and more so in developing countries. The existing information focused much on constraints, financial benefits and strategies to establish the microfinance institutions to deliver the services. But this has faced various shortcomings for the fact that the main concerns, goals have not been achieved. However, the available literature from various scholars seem to be inadequate to explain the deeper relationship between the microfinance services and the growth of small and medium enterprises, small studies illustrate the growth rate of small and medium enterprises given the available Micro Finance services. This study is therefore set to minimize the existing gaps through an investigation into Microfinance services and the growth of small and medium enterprises.

The above related literature has mainly introduced the finances academic research and business enterprises to the discipline of microfinance services already that had been established. Many of the tools, models, and frameworks in the existing finance literature can be brought to bear on the problem of limited growth of Small-scale and medium enterprises and later have the potential to significantly move both the theory and practice of micro-finance forward. Micro-finance offers the finance discipline viable to make a significant difference in the growth of small and Medium enterprises in Uganda a case of KASSIDA.
consider the following literature sources;

(i) Financial Annual reports

(ii) News articles

(iii) Education journals

Future Researchers are encouraged to review the above data sources.
CHAPTER THREE
METHODOLOGY

3.0 Introduction
The chapter provides for the data collection methods, instruments, the research design, study area, research population, sample size, sampling procedure, and data collection sources. The chapter also explores the reliability and validity of the instruments, the research procedure, data analysis, ethical considerations as explained:

3.1 Research Design
Research design is a set of advance decisions that make up the master plan specifying the methods and procedures for collecting and analyzing the needed information.

A descriptive research design was used to explain the variables, a research methodology based on an in-depth investigation and it provided for a systematic way of looking at events, collecting data, analyzing information, and reporting the results. Both quantitative and qualitative data was used in this research design.

3.2 Research Population
The study population involved business community (both Men and Women entrepreneurs), staff of some MFIs like pride micro-finance among others. An estimated number of 140 respondents under KASSIDA were put in consideration.

3.3 Sampling
The sample was considered to represent the huge number of business community/entrepreneurs in KASSIDA that was studied.

3.3.0 Sample Size
A total sample of 70 respondents were sampled out of total estimate of 140 business entrepreneurs under the organization of KASSIDA (70/140). This sample size was selected is because it was easier to achieve and generate the required information for this study, easy to manage data collection.
<table>
<thead>
<tr>
<th>Sample Size</th>
<th>MFIs Staff</th>
<th>Business Entrepreneurs</th>
<th>KASSIDA Leaders</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>64</td>
<td>2</td>
<td></td>
<td>n=70</td>
</tr>
</tbody>
</table>

### 3.3.1 Sampling Procedure

Population sampling is the process of taking a subset of subjects that is representative of the entire population. The sample must have sufficient size to warrant statistical analysis. The researcher used both random and purposive sampling technique to sample the respondents, small and medium entrepreneurs were sampled randomly, purposive sampling was used to select some staff members of MFIs, leaders from KASSIDA.

In this study, the considered sample size of 70 respondents were sampled both randomly and purposive sampling. In the distribution therefore, 40 Business owners of Small and 24 Medium enterprises were sampled, 4 Members of staff from the two selected Micro Finance Institutions were sampled and only two local leaders was sampled using purposive sampling technique.

### 3.4 Data Sources

In this study, both primary and secondary data was gathered for comprehensive results to be produced:

#### 3.4.1 Primary Data

Pre-tested self-administered structured questionnaires were used in order to obtain data from the selected number of respondents. Interview guide was also designed to aid process of obtaining the primary field data.

#### 3.4.2 Secondary Data

This was data collected from secondary sources like the text books, news digest, working papers, Reports, internet based research among others.
3.5 Data Collection Methods and Tools

In this study, the research intends to use both the questionnaire and interview methods together with the related instruments to be designed to aid data collections process.

3.5.1 Questionnaire
This is an important method of data collection. Judd (1991) said that a questionnaire is justifiable in data collection mainly because; it enables the researcher to collect large amount of data within a short time period, it also provides opportunity for respondents to give frank, anonymous answers. One set of questionnaire was designed for the business entrepreneurs, it included both open and closed ended set of questions that were answered.

3.5.2 Interview method
This method was used in this study to collect information, this involved conversations between the researcher and the interviewee (respondents). Both key informant and normative interviews were carried out to get information from the selected target respondents. This method was used because it provides for firsthand information and the researcher gets broader explanations on various key issues in the study from the respondents. Such information may not be obtained from the self-administered questionnaire.

3.5.3 Research Instruments
Both the questionnaire and interview guide were used as tools to collect the data.

3.5.4 Interview guide
An interview guide was designed; this included open ended set of questions, this helped the researcher get firsthand information from the respondents after both normative and elite interviews. Elite interview were carried out with staff members of MFIs.

3.5.5 Questionnaire
This was an important tool of data collection. It was used to generate (collect vast information from the respondents). The tool included both open and closed ended set of questions to be distributed to all the subjects. The tool provided space for the respondents to write down the answers freely at their given time.
3.6 Validity and Reliability of the Instruments

The validity of data was checked before processing the results. This helped to establish the reliability of the tools to be used in data collection. This was done by pre-testing the questionnaires using sample of 10 respondents, similarly interview guide was checked by interviewing 3 respondents. This process is aided correction of the mistakes and errors with in the tools of data collections to verify how they are reliable to produce significant information from the field. The reliable data was got and this minimized statistical errors.

3.7 Research Procedure

The study commenced by preparing a Research proposal, submitted in for approval by the supervisor.

Pre-testing of the research instruments was carried out through 10 self-administered questionnaires for purpose to validity and reliability of data.

An introductory letter from the Department was obtained to help the research in the field to avoid expected resistance from the respondents for it introduces the researcher and explains the purpose to seek for help to be accorded to him/her.

Data collection was carried out by the researcher through administering the tools and conducting interviews.

Data Analysis and compilation of the research project Report.

3.8 Data Presentation and Analysis

The data collected from the was organized and sorted out and analyzed using descriptive data analysis. Descriptive statistics were used to describe the main features of a collection of data quantitatively. The results will be computed and generate frequencies, percentages and graphs to illustrate the results. The researcher further used cross tabulation and correlation to generate results.

3.9 Study limitations

The researcher faced various challenges:

The problem of limited time, many of business entrepreneurs had no time to respond adequately to the questions while selling their products. To solve this problem, questionnaires were
Some respondents were also not willing to provide information for they were suspicious of where the information was to be taken. It was then easy to solve this through KASSIDA leaders’ explanations.

The unlimited finance, the researcher needed enough finance to move to and from the field and more so buying necessary requirements to be used, the finance was not enough. However, friends and relatives contributed for this matter.
If I had to do chapter three again I would consider the following data collection methods:

(i) Group focused discussions

(ii) Field Notes

(iii) Structured Interviews

(iv) Semi-structured Interviews

Future Researchers are encouraged to undertake the above.
4.0 Introduction

This chapter provides for the study findings, the interpretation of the findings and presentation. The chapter presents the findings in line with the set objectives:

Study was guided by four objectives:

4.1 To find out Micro-finance services used by Microfinance Institutions

4.1.1 What services are given by Micro-finance Institutions to business community?

4.1.2 Are the Services accessible by the business community of KASSIDA?

4.1.3 What is the degree of micro-finance service delivery by MFIs?

4.1.4 Do you think microfinance services have greatly contributed to the growth of your enterprise?

4.2 To identify the rate of growth of Small and Medium enterprises in KASSIDA.

4.2.1 What is the growth rate of SMEs in KASSIDA?

4.2.2 What factors do you think affect the above mentioned growth rate?

4.3 To establish the relationship between Micro Finance services and the growth of small and medium enterprises in KASSIDA.

4.3.1 What is the relationship between micro-finance services and growth of SMEs?

4.4 To find out the challenges faced by Small and Medium Enterprises in KASSIDA.

4.4.1 What challenges are faced by SMEs in KASIDA Organization?
Descriptive Statistics

The data was entered and cross tabulation was done to describe the characteristics of the sample size.

Table 1: Distribution of Respondents by Sex

<table>
<thead>
<tr>
<th>Sex</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>25</td>
<td>35.7</td>
</tr>
<tr>
<td>Female</td>
<td>45</td>
<td>64.2</td>
</tr>
<tr>
<td>Total</td>
<td>n=70</td>
<td>100%</td>
</tr>
</tbody>
</table>

Data Source: Primary 2012

Pie-Chart: Shows the percentage distribution of respondents by sex

From the above chart, female respondents formed the highest percentage (64%) compared to the male with only 36%. No significant difference between the two categories and there was none response recorded.
### Table 2: Distribution of Respondents by Age

<table>
<thead>
<tr>
<th>Age bracket</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-25</td>
<td>10</td>
<td>14.2</td>
</tr>
<tr>
<td>26-30</td>
<td>30</td>
<td>42.8</td>
</tr>
<tr>
<td>35-40</td>
<td>25</td>
<td>35.7</td>
</tr>
<tr>
<td>45 and above</td>
<td>5</td>
<td>7.1</td>
</tr>
<tr>
<td>Total</td>
<td>N=70</td>
<td>100%</td>
</tr>
</tbody>
</table>

Data source: primary field data

**Pie-chat 2: Shows the percentage distribution Respondents by Age**

![Pie chart showing age distribution]

**Data Source: Primary Field data KASSIDA 2012**

From the above illustration indicates that respondents between age 26-30 years were the majority (43%), this was followed by 35-40 years (36%), 20-25 years (14%) and the least was (7%) 45 years and above. The percentage was 100% because all the questionnaires were returned.
Table 3: Shows the distribution of respondents by Education level

<table>
<thead>
<tr>
<th>Level attained</th>
<th>No. of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masters</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Degree</td>
<td>10</td>
<td>14.2</td>
</tr>
<tr>
<td>Diploma</td>
<td>25</td>
<td>35.7</td>
</tr>
<tr>
<td>Secondary</td>
<td>15</td>
<td>21.4</td>
</tr>
<tr>
<td>Primary</td>
<td>9</td>
<td>12.8</td>
</tr>
<tr>
<td>None</td>
<td>6</td>
<td>8.5</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>5.7</td>
</tr>
<tr>
<td>Total</td>
<td>n=70</td>
<td>100%</td>
</tr>
</tbody>
</table>

Data Source: Primary data

Graph 1: illustrates the distribution of Respondents by Education level

Data Source: Primary field data KASSIDA 2012

From the graph above the highest education level of the respondents was Diploma (35%), followed by secondary level of education (12.4%) and primary level 12.8% while other education qualification accounted for 5.7%. The education had a significant effect on the business community in transforming their business enterprise.
Ownership of Enterprises

Table 4: Shows distribution of respondents by business enterprise owning

<table>
<thead>
<tr>
<th>Enterprise owned</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium enterprise</td>
<td>24</td>
<td>34.2</td>
</tr>
<tr>
<td>Small enterprise</td>
<td>40</td>
<td>57.1</td>
</tr>
<tr>
<td>None</td>
<td>6</td>
<td>8.57</td>
</tr>
<tr>
<td>Total</td>
<td>n=70</td>
<td>100%</td>
</tr>
</tbody>
</table>

That graph 2: Shows the distribution of the respondents by ownership of Enterprises

Data source: Primary field data results

According to the graph above, shows that majority owned small enterprises by 57.1% as compared to medium enterprise 34.2%. However, 8.5% did not own any of the above enterprises.
The study findings revealed several services as pointed out by respondents sampled from KASSIDA, the results were obtained through service percentage rating, accessibility and the degree of services delivery ranked by percentage.

4.1.1 Research question 1: What Services are given by MFIs to Business Community?

The respondents were given the questionnaires and identified the services they got from the institutions, an elite interviews were also conducted to identify several services. Such responses were tabulated as shown in table 5.

Table 5: Illustrates the Micro-finance Services provided by MFIs

<table>
<thead>
<tr>
<th>Micro-finance Services</th>
<th>No. of Response</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro-credit (loan provision)</td>
<td>30</td>
<td>42.8</td>
</tr>
<tr>
<td>Savings</td>
<td>20</td>
<td>28.5</td>
</tr>
<tr>
<td>Business Education</td>
<td>5</td>
<td>7.1</td>
</tr>
<tr>
<td>Business management skills</td>
<td>3</td>
<td>4.2</td>
</tr>
<tr>
<td>Others</td>
<td>10</td>
<td>14.2</td>
</tr>
<tr>
<td>None of the above</td>
<td>2</td>
<td>2.8</td>
</tr>
<tr>
<td>Total</td>
<td>n = 70</td>
<td>100%</td>
</tr>
</tbody>
</table>

Data source: Primary field data
From the graph above the micro-credit services was the major financial services provided by MFIs 42.8%, this involved giving loans to the business community to start business, this was followed by savings 28.2%, business education 7.1% but other services provided by MFIs accounted for 14.2%. Other services included Money Transfer Services through Western Union, Death, Disability and Catastrophe Insurance products to loan clients - Offered through Chartis Insurance, The popular microfinance institutions which provided these financial services included Pride Micro Finance Kampala, FINCA Uganda.

4.1.2 Accessibility of the Micro-finance Services in KASSIDA business Entrepreneurs

Question: Are the Services accessible by the business community of KASSIDA?

The business community of KASSIDA was questioned about how accessible are the services, the data findings are stated:

The small and medium business entrepreneurs were further asked to comment on the accessibility of the micro-finance services for their business. All the sampled subjects responded by accepting that they had access to the services or not.
Table 6: Illustrates the accessibility to the Financial Services Response from the Entrepreneurs

<table>
<thead>
<tr>
<th>Response from the Entrepreneurs</th>
<th>No. of response</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>57</td>
<td>81.4</td>
</tr>
<tr>
<td>No</td>
<td>13</td>
<td>18.5</td>
</tr>
<tr>
<td>Total</td>
<td>n=70</td>
<td>100%</td>
</tr>
</tbody>
</table>

Primary data KASSIDA 2012

From the above graph, most yes respondents from KASSIDA (81.4%) overwhelmingly affirmed access to micro-finance services contrary to 18.5% of the respondents. This implies that MFIs were able to provide certain services that would help them develop their business.

4.1.3 Degree of Micro-Finance Service delivery to the Business Community in KASSIDA
Question: What is the degree of micro-finance service delivery by MFIs?

Respondents were asked to comment on whether the service delivery was very high, very low, average or medium.
The study revealed that the delivery of micro-finance services by Micro-finance institutions was at an average rate by 60%.

### Table 7: Shows the degree of Micro-finance Service delivery

<table>
<thead>
<tr>
<th>Service rating</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>12</td>
<td>17.1</td>
</tr>
<tr>
<td>Very low</td>
<td>10</td>
<td>14.2</td>
</tr>
<tr>
<td>Average</td>
<td>41</td>
<td>60</td>
</tr>
<tr>
<td>Medium</td>
<td>6</td>
<td>8.5</td>
</tr>
<tr>
<td>Total</td>
<td>N=70</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Data Source: Primary field data KASSIDA Organization 2012**

**Pie-chart 3: Shows the degree of micro-finance service delivery to business community**

![Pie-chart](image)

**Data Source: KASSIDA organization 2012**

From the pie-chat above, it was expressed out that the delivery of micro-finance services was average by 60% and this was followed by only 17% very high. On average the micro-finance service delivery was credited basing on reasons that there was multiple branches opened across the areas, increased advertisements, some business community members of KASSIDA appreciated that the low interest rates charged by MFIS especially to money lending compared to other related banks. However, low service delivery was based on numerous reasons included:
lack of information access about the services, the strict terms and conditions associated with

4.1.4 Contribution of Micro finance Services to the growth Enterprises

Question: Do you think microfinance services have greatly contributed to the growth your enterprise?

In an investigation carried out, respondents were also asked to comment on the contribution of micro-finance services towards the growth of their enterprises, many of them had owned the enterprise and the study results revealed as analyzed:

Table 8: Showing the contribution of Micro-finance services to the growth of enterprises

<table>
<thead>
<tr>
<th>KASSIDA comments</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Cumulative freq</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>45</td>
<td>64.2</td>
<td>64.2</td>
</tr>
<tr>
<td>No</td>
<td>5</td>
<td>7.1</td>
<td>71.3</td>
</tr>
<tr>
<td>Some how</td>
<td>20</td>
<td>28.5</td>
<td>99.8</td>
</tr>
<tr>
<td>Total</td>
<td>N=70</td>
<td>100%</td>
<td>100</td>
</tr>
</tbody>
</table>

Data Source: Primary data KASSIDA 2012

Pie-chart illustrating the business community comments on the contribution of micro-finance services towards growth of their enterprises
From the pie-chat above, the business entrepreneurs in KASSIDA expressed out that the micro-finance services highly contributed to the growth of small and medium enterprises by 64% contrary to 29% that registered no contribution.

The study further interviewed some subjects, and on this note the interviewed respondents reported that some of their small enterprises had now turned into medium enterprises because of the extended support of these micro-finance institutions and among the appreciated services was the bank loans at a fair interest rates but they were dissatisfied with the terms and condition always attached to these services.

In addition, some business community from KASSIDA presented various reasons in explain why services were contributing to the growth of enterprise for example, one comment from an identified business man Kizito Musa argued:

“I opened up a savings account which helps me to save my money, increase my working capital, I have tried to expand my business of hardware because of good services from MFIs. Other reasons included profits accumulation among others.”
4.2 Objective

Two:

To identify the rate of growth Small and Medium Enterprises

The growth of small enterprise was cross examined as well as Medium enterprises; this growth was analyzed from the responses of business entrepreneurs of KASSIDA organization.

**Question:** What is the growth rate of Small and Medium enterprises?

In providing answers to the above stated questions, respondents were asked about growth rate of the enterprises (SMEs).

**Table 9: Shows growth rate of Small scales Enterprises in KASSIDA**

<table>
<thead>
<tr>
<th>Small Enterprises</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>40</td>
<td>57.1</td>
</tr>
<tr>
<td>Very low</td>
<td>10</td>
<td>14.2</td>
</tr>
<tr>
<td>Average</td>
<td>12</td>
<td>17.1</td>
</tr>
<tr>
<td>Moderate</td>
<td>5</td>
<td>7.1</td>
</tr>
<tr>
<td>Medium</td>
<td>3</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>n=70</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Data Source:** Primary data 2012
From the graph, 57.1% was the highest growth, followed by 17.1% average growth, the growth rate was very low at 14.2%, and medium growth by 4.2%.

Table 10: Shows the growth rate of Medium Enterprises

<table>
<thead>
<tr>
<th>Medium enterprise</th>
<th>No. of response</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>15</td>
<td>21.4</td>
</tr>
<tr>
<td>Very low</td>
<td>40</td>
<td>57.1</td>
</tr>
<tr>
<td>Average</td>
<td>5</td>
<td>7.1</td>
</tr>
<tr>
<td>Moderate</td>
<td>9</td>
<td>12.8</td>
</tr>
<tr>
<td>Medium</td>
<td>1</td>
<td>1.42</td>
</tr>
<tr>
<td>Total</td>
<td>n=70</td>
<td>100%</td>
</tr>
</tbody>
</table>

Data Source: Primary field data

The case of Medium Enterprises, the above graphs indicates 57.1% highest percentage response on very low growth of medium enterprises, high growth was ranked at only 21.4% and average by 7.1% but the enterprises experienced moderate growth by 12.8%.
For this question, respondents were asked to outline some factors that supported or challenged the growth rate pointed out.

The findings revealed factors that affected the growth rate of SMEs as given. Many were asked and provided factors including but not limited to the following: the economic policy, on this business community argued that the current economic policies favour the small scale enterprise majorly as compared to medium enterprise, it was further argued that medium enterprise requires more capital.

Reduction of taxes, the member in KASSIDA also explained about the reduced taxes that has helped the growth of their enterprise. There was also notable increase in volume of sales with their business which was significant factor to enhance their average growth. But on the other hand, this was not the case with medium enterprises, taxes were not favorable hence declined growth rate.

Loan acquisition: the enterprise also increased the in its growth rate especially the small scale enterprises because of they acquire loans easily at low interest rates.

4.2.2 Other factors mentioned in Contribution towards the growth of SMEs
In an investigation made, various respondents were asked to point out other crucial factors which made the growth of their enterprises a success: 90% of the respondents managed to reveal factors like good access to market, good management skills, the good political environment, the good strategic

Partnership factor: 10% of the respondents noted that KASSIDA has done little to mediate the small traders with poor terms and condition given to them by micro-finance institutions. It was however, in the study findings, both small and medium enterprises play a significant role in economic development of the country.
One business trader identified as Namugerwa Josephine a tailor was interviewed and remarked:

"I started this business after taking training in KASSIDA, but on starting it, it was not easy because of so many factors… but I am enlarging slowly because of support from private sector foundation, I have good working environment," said Josephine.

She added that "The politics of some members in KASSIDA has however put our business behind because instead of helping us the little income earners, they instead look for ways of eating the money that may help us." Said Namugerwa, a tailor.

4.3 Objective Three: To establish the relationship between micro-finance services and the growth of SMES in KASSIDA

**Research Question:** What is the relationship between micro-finance services and growth of SMEs? To answer this question, two categorical variables were cross tabulated to test the relationship of the services and its growth rate results. The variables were cross tabulated and the results from the Pearson correlation was used to determine the significant relationship, the results were obtained at correlation significant at the level of 0.01.

**Table 11: Illustrates results of the Correlation between the variables**

<table>
<thead>
<tr>
<th>Correlation</th>
<th>Micro-finance services</th>
<th>Growth of enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro-finance Services</td>
<td>Pearson Correlations</td>
<td></td>
</tr>
<tr>
<td>Sig. (2tailed)</td>
<td>1.000</td>
<td>.551*</td>
</tr>
<tr>
<td>N</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Growth rates</td>
<td>Pearson correlations</td>
<td></td>
</tr>
<tr>
<td>Sig (2tailed)</td>
<td>.551**</td>
<td>1.000</td>
</tr>
<tr>
<td>N</td>
<td>.000</td>
<td>70</td>
</tr>
</tbody>
</table>

**. Correlations is significant at 0.01 level (2tailed)**

N: Total number of response
From the table above, reject the null hypothesis and use H$_1$ which states that there is statistically significant relationship between micro-finance services and the growth of small and medium enterprises. The relationship is strongly positive based on Pearson correlation (.551)

4.4 Objective Four: To find out the challenges faced by small and medium enterprises in KASSIDA

Question: What challenges are faced by SMEs in KASIDA Organization?

Starting the business enterprises was one of the challenging moment to some of the business entrepreneurs under the umbrella of KASSIDA. As a small business owner or professional, you face many challenges not only in the day-to-day management of your business, but in ensuring its long-term viability.

Table 12: Show various complaints from KASSIDA member organization.

<table>
<thead>
<tr>
<th>Complaints</th>
<th>Frequency</th>
<th>Percentage count (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraud among members</td>
<td>11</td>
<td>15.7</td>
</tr>
<tr>
<td>High competition in market</td>
<td>20</td>
<td>28.5</td>
</tr>
<tr>
<td>Lack of clear plans</td>
<td>30</td>
<td>42.8</td>
</tr>
<tr>
<td>Ineffective leadership</td>
<td>3</td>
<td>4.28</td>
</tr>
<tr>
<td>Limited tools and equipment</td>
<td>1</td>
<td>1.4</td>
</tr>
<tr>
<td>Others complaints</td>
<td>5</td>
<td>7.1</td>
</tr>
<tr>
<td>Total</td>
<td>n=70</td>
<td>100%</td>
</tr>
</tbody>
</table>

Data Source: Primary field data 2012
From the pie-chart shows some of the significant complaints raised from the members, the highest challenge was lack of clear plans for the business 43%, this was followed by the high competition in the market for technological produce 29%, fraud among the members by 16%.

4.4.1 Suggested Possible Measures to improved Micro-finance Services

The possible suggestion to solve the above challenges were pointed by the respondents and varied from one respondent to another, majority expressed out the following as their suggestions:

They argued the government for intervention and support their business enterprises with financial support.

They also suggested that both the private sector foundation and Bank of Uganda should ask the MFIs to harmonize the terms and conditions attached to the loans.

In addition, KASSIDA executive was argued to enhance good leadership and continue to support the small enterprises to grow.
They argued that the policy should be drafted to address the challenges faced by the small and medium enterprises.

The Micro-finance institutions were asked to promote other additional services like business education, information accessibility and making awareness about the services available and how they can be used to expand their enterprises.

Reduction of the interest rates: as pointed out, the respondents were much concerned and noted the increasing threat of rise of interest charged on each loan which stands at 23%, they suggested for reduction to 5%.

The need to ease the accessibility of the loans to the business community.

Encouraging good leadership especially in KASSIDA organization.

Provision of additional services, this would attract the business community to use micro-finance services.
If I had to do this chapter again consider the following:

(i) Qualitative information that is purely based on qualitative research

(ii) Interpretive techniques to analyze the study findings.

Future Researchers are encouraged to undertake the above.
CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction
The chapter provides for summary of findings, the discussion of the study findings, study conclusions and recommendations. The chapter also presents services provided by micro-finance institutions, the rate of growth of small and medium enterprises, the relationship between the micro-finance services and growth of small and medium enterprises.

5.1 Summary of findings
Below are the summary of findings in accordance with research objectives;

5.1.1 Research objective one: To find out the micro-finance services provided by MFIs
Results of this objective were obtained, respondents were asked: what services micro-finance institutions provided to the business community? Study findings indicated that major micro-finance services included; micro-credit represented by (30%) highest, followed by savings (20%), other services were represented by (10%). The least services were the business management skills (3%). Findings also showed high accessibility of the services by (81.4%) as indicated in table 2, and the degree of micro-finance service delivery was at its average represented by (60%).

5.1.2 Research Objective two: To identify the rate of growth of SMEs
To obtain the results of this objective, respondents were asked about the growth of the enterprises in the business community of KASSIDA: What is the growth rate of small and medium enterprises in the business community? Findings indicates that small enterprises had the highest growth rate represented by (57.1%) contrary to the growth rate of medium enterprises was only highest at only (21.4%). The performance of medium enterprises continued to be very low as represented by (57.1%) of the response from the business community of KASSIDA. Major factors that affected the above growth rate also included economic policies, reduction in taxes, increased volume sales for small enterprises.
To establish the relationship between micro-finance services and growth of SMEs.

To obtain Study, primary data was entered into SPSS, both independent and dependent variable were cross tabulated and the results from Pearson correlation was used to determine the significant relationship between micro-finance services and growth of SMEs.

The relationship was strongly positive based Pearson correlation results (.551), correlation significant at level of (0.01).

5.1.4 Research Objective four: To find out the Challenges faced by SMEs in KASSIDA

Results obtained through series of questions asked for example; What challenges are faced by SMEs in KASSIDA business community? Study findings indicated that lack of clear plan was among the dominant challenges faced by business community represented by (42.8%), this was followed by high competition in the market (28.5%), and well as fraud among the business community by (15%). However, the suggested measures included; harmonizing the terms and conditions attached to Bank loans.

5.2 Discussions of the Study Findings

5.2.1 Research Objective one: To find out services provided by MFIs

In line with objective number one, it was set to find out the micro-finance services provided by MFIs. The most popularly used institution was FINCA Uganda, Pride-micro-finance by KASSIDA members. The most common services included; micro-credit service (issuing the loans to the clients(entrepreneurs)( 42.8%), this was followed by saving money by opening up savings accounts( 28.5%), other service accounted for (14.2%). The stated services were also in explanation of Thomas et-al (2003) about the micro-credit loans and savings. In my own view, it is generally true that MFIs offer these services but on savings MFIs require the business community to save first before applying for these loans. Few institutions do carry out business education, management skills to the business community yet they are crucial tips.

Evidence from this study showed that there was greater access to the services by( 81.4%) but only (18.5%) expressed their dissatisfaction in accessibility to these services. It is always common in Uganda that some of these services are not extended nearer to the business men
to find the micro-finance institution. In Kampala, these institutions are not evenly distributed. This was attributed to a number of factors that some MFIs have no capacity to open up several branches near by the business centers.

Results from the study indicates that services delivery was only average by 60%, this was therefore the highest measure, this was followed( 17%) high service delivery and( 14%) very low. This suggests that given the access to the services, KASSIDA members with small enterprises still faced challenges in the ways these services were delivered to them, it was not satisfying them. Such a situation can also be attributed to the lengthy processes, huge terms and conditions associated with these services.

5.2.2 Research Objective two: To identify the growth rate of SMEs

The study was set to identify the growth rate of small and medium enterprises in KASSIDA. The major findings indicated that small enterprise experienced high growth by( 57.1%) but its growth was average at only( 17.1%). The medium enterprises on their other hand experienced very low growth ranked at rate of (57.1%), its high growth rate was only at( 21.4%). In this regard, medium enterprises were declining in growth and yet its high growth rate was at a small percentage. The growth of small enterprises provided a clear picture of the statistics released by President of Republic of Uganda by 2004 that SMEs registered average growth of 10% in the last five years.

The results of this study reflects that( 64.2%) confirmed that the above mentioned services contributed to the growth of SMEs contrary to only( 71.3%) that disagreed but ( 28.5%) of respondents argued that somehow it contributed partly. This implied that micro-finance services had a significant contribution towards transforming the enterprises owned by members in KASSIDA. According to Bitature Patrick (2008), also defends same fact that SMEs depend on business development services including micro-finance services to support their business growth.
5.2.3 Research Objective three: To establish the Relationship between micro-finance services and growth of SMES

The study findings were based on set objective to establish the relationship between micro-finance services and growth of SMEs. The results of correlation between the two categorical variables of micro-finance services and growth rate of SMEs were obtained as shown in table 10. Following the significant level at (0.01) and using a Pearson’s correlation co-efficient, it indicated that micro-finance services had a significant relationship with the growth of SMEs (r = .551).

This implies that as micro-finance services are maximized, accessed without difficulties and strings attached, the higher the chances to transform the growth of enterprises among other factors. It should be realized that these services in addition to other factors can steadily contribute to the growth of SMEs.

5.2.4 Research Objective four: To find out the Challenges faced by SMEs in KASSIDA

The set objective 4 to find out the challenges faced by SMEs in KASSIDA organization, the results showed that the challenges and complaints from the entrepreneurs were quite numerous. Most of the SMEs lacked plans for their small enterprises represented by (43%), high competitions in the market (29%), lack of clear plans. Other complaints took (7%) and these included insufficient loans characterized with shorter repayment period, high interest rate, high transport costs and politics.

This implied that for any business to grow, such challenges are inevitable but need to be addressed, competitions in the market is a worldwide issue, other complaints pointed out are also evidenced by Kakooza Charles T (2006) in his study conducted about challenges faced by small enterprises where in reported aspects like politics, high transport, small loans, lack of capital among others. Kakooza (2006) further stressed that once the business is established confronts competition.

However, planning remained among the significant challenge as well the high competition in the market. In my opinion, it is true to most business entrepreneurs did not make business plans for their business, some complained of lack of capital and collateral security, strict terms and
5.6 Study Conclusions

Objective one: To find out the Micro-finance services used by Microfinance Institutions; Multiple financial services were given by MFIs to business community (KASSIDA), this popularly involved micro-credit services (loan provision both short and long terms) among others.

Objective two: To identify the rate of growth of small and medium enterprises; Small enterprises were said to have high growth rate 57.1% as opposed to medium enterprises that experienced a drastic decline in growth.

Objective three: To establish the relationship between micro-finance services and growth of SMEs Significant relationship between micro-finance services and growth of SMEs was evident, this was obtained as per results Pearson Correlation Co-efficient (.551) and set significant level (0.01).

Objective four: To find out the Challenges faced by Small and Medium Enterprises; KASSIDA faced various complex challenges notable among them included: high competition especially in market, increasing interest rate charged on loans, lack of information.

5.7 Recommendations

In regard to study findings of research objective one: There is need to improve and ensure effective delivery of the various micro-finance services provided by micro-finance institutions services: MFIs also need to diversify and make it accessible to the business community of KASSIDA.

Reflecting on study results of objective two: small enterprises experienced high growth rate as opposed to medium enterprises, therefore there is need to promote balanced growth for both small and medium enterprises, enhancing quality services to the business community with medium enterprises.
need for MFIs to support and strengthen the growth of SMEs. MFIs and other financial institutions are encouraged to slow down the interest rates charged on both short and long terms loans to allow the small enterprises be able to grow faster. This strategy is to boost the growth of SMEs.

Research Objective four: notwithstanding the study results of this research objective The government of Uganda through the ministry of finance, planning and economic development should review the policy governing the MFIs to address key challenges faced by the business community. Also monitoring and evaluation of service delivery of MFIs to the business community especially KASSIDA.

5.8 Areas for future Research
Looking at the relationship between Microfinance services and the growth of SMEs, Its contribution and growth rate. Its vital for future studies to strongly examine the factors that influence a decline in small and medium enterprises.

It is also important for future studies to carry out a national survey on the impact of MFIs on the growth of SMEs in Uganda. This broadly provides significant information about the different micro-finance services with significant linkage to the growth of SMEs.
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http://www.investopedia.com/terms/m/microfinance.
APPENDIX I: QUESTIONNAIRE FOR THE RESPONDENT

Am Nakato Mwajuma student from Makerere University, carrying out a study about the micro-finance services and the growth of small and medium enterprises. The purpose of this study is to establish whether micro-finance services have significant effect on the growth of the enterprises. You’re kindly requested to answer this questionnaire briefly, the information will be treated confidential for academic purposes.

Background Information

Sex: Male ☐ Female ☐
Age: (20-25) ☐ (26-30) ☐ (35-40) ☐ (40 and above) ☐
Education level: Masters ☐ Degree ☐ Diploma ☐ Secondary
Primary ☐ None ☐ Others specify………………………………………………

Type of enterprise owned: Small ☐ Medium ☐

Questions

In your own view, what do you understand by micro-finance?
……………………………………………………………………………………………………………………………

1) What services are given by Micro-finance Institutions to business community of KASSIDA?
Savings services
Micro-credit services (loan provision) ☐ Business Management skills
Business Education ☐ None of the above ☐
Other, please specify…………………………………………………………………………………………

2) Are the above mentioned services delivered to the business community effectively and accessible?
Yes ☐ No ☐
State a reason for your answer………………………………………………………………………………

3) What do you comment on the degree of the micro-finance service delivery by MFIs?
Very High ☐ Very low ☐ Average ☐ Medium ☐
State a reason for your answer………………………………………………………………………………
Do you think microfinance services have contributed greatly to the growth of your enterprise?

Yes ☐  No ☐  Some how ☐

If yes, explain:

What has been the growth rate of the following categories of enterprises?

<table>
<thead>
<tr>
<th>Type of enterprise</th>
<th>Growth rating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Very High</td>
</tr>
<tr>
<td>Small</td>
<td>☐</td>
</tr>
<tr>
<td>Medium</td>
<td>☐</td>
</tr>
</tbody>
</table>

5) Outline some factors you think have affected the above growth rate above;

6) What difficulties and challenges has the business community faced with the microfinance services?

7) Suggest possible measures to improve the microfinance services and growth rate of small and medium enterprises.

Thanks for your cooperation
APPENDIX II: AN INTERVIEW GUIDE FOR THE RESPONDENTS

A study about the micro-finance services and growth of small and medium enterprise is being carried out with KASSIDA organization. It is purposely is to evaluate whether micro-finance services have significant effect on the growth of the enterprises. Your humbly invited to a brief interview by responding to the few set questions to provide your views and opinions. Your information is taken confidential for academic purposely.

Background information: (Sex of the respondents, age, education level, and the type of business enterprise you run).

Questions

- Explain briefly what you about the concept of micro-finance?
- As an entrepreneur, what services are given by MFIs that you know in your organization?
- What services do you prefer most and why?
- What do you comment on the degree of service delivery, efficiency and accessibility of such services?
- What is your comment on growth rate on the small and medium enterprises?
- How has the microfinance services contributed to the growth of small and medium enterprises? Probe
- What other factors do you think have affected the growth rate the enterprises among business community in KASSIDA Organization?
- What possible challenges have you faced while using the micro-finance services?
- Suggest possible measures to address the above challenges.

Thanks for this Information and your time spared for this interview