THE ROLE OF MICRO FINANCE CREDIT ON PERFORMANCE OF SMALL SCALE INDUSTRY

CASE STUDY OF PRIDE MICRO FINANCE, NATEETE BRANCH

BY

KAUDHA DOREEN

November, 2019

DECLARATION

I declare that this is my original work and it has never been submitted in any University for any award.

Sign ………………………………………..

DATE…………………………………

APPROVAL

This is to certify that this report has been done under my supervision and it is now ready for submission.

DEDICATION

This work is dedicated to my uncle, my Aunt, my parents and my sisters and brothers for all their support.

ACKNOWLEDGEMENT

This work has been successful due to the assistance and cooperation of so many personalities. First I thank the almighty God, whose wisdom, ability and divine provision has enabled me to complete my studies. May his name be glorified forever. Special thanks go to my supervisors and for all the support, guidance, encouragement and important ideas which have made this research have the value it is worth.

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CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background of the study

According to Putzeys (2002), micro finance is defined as the provision of a broad range of financial services such as deposits (savings), loans, payment services, money transfers and insurance to poor and low-income households and their microenterprises. According to her, micro finance goes beyond the access to and the distribution of money. It enters into the deeper issue of how money is used, invested and how savings are done

Employment creation has been the major concern of several governments all over the world, both in developed and developing economies. This employment objective of governments especially in the developing world has become pressing and justified in view of the high levels of poverty affecting their economies. For example, despite the tremendous improvement in the reduction of poverty from 52 % in 1991/1992 to 28.5% in 2006, the phenomenon is still high (GSS, 2006).

The micro and small scale enterprises cover a heterogeneous group of businesses in developing economies, ranging from a single artisan working in a small shop manufacturing handicrafts to sophisticated engineering firms selling in overseas businesss (Fischer and Reuber, 2003). These firms play a pivotal and essential role in the growth and development process by contributing significantly to employment generation and output growth of these countries of which Ghana is not an exception.

Despite the essential roles being played by the micro and small scale enterprises, access to credit for their development has been a problem. Access to credit from the formal and mainstream banking sector is difficult because of the stringent measures such as demand for collateral securities and the need for guarantors coupled with the bureaucratic process of approving loans. Thus the strictly formal process of securing credits inhibits the micro and small scale entrepreneurs from expanding their businesses. It as well prevents starters from starting their businesses. In the view of Duffuor (cited in Bhasin and Akpalu, 2001), as long as the small business sector is neglected, developing economies in particular shall continue to bedevil with the problem of unemployment and shall always remain a dependent economy. This will eventually nullify their poverty reduction goals. This assertion connotes the ever increasing importance of the micro and small scale enterprises especially in the developing countries where unemployment is dominant.

According to Hossain (1988), at low levels of income, the accumulation of investible capital may be difficult. Under such circumstances, loans can help the poor to accumulate capital and investment in employment generating activities. Thus any initiative that seeks to make credit available to both the poor and the rich is said to be pro-poor.

According to Hossain (1988), the international development community has taken a more systemic view of the provision of vital financial services to the poor as a vital tool for the accomplishment of the poverty reduction goals.

1.2 Problem Statement

The development of the small scale industry is viewed as a major means towards the improvement in the standard of living of the population. In spite of this, the small scale industry entrepreneurs are commonly believed to have very limited access to deposits, credit facilities and other financial support services provided by Formal Financial Institutions (FFIs). This is because, on one hand, these small scale businesses cannot provide the necessary collateral security demanded by these formal institutions and on the other hand, the banks find it difficult to recover the high cost involved in dealing with small firms.

According to the National Business Incubator Association (NBIA) (2003), about 80% of new businesses fail within the first five years and this high rate of failure makes it difficult for lenders to assess accurately the viability of the entrepreneurs and the likelihood of repayment. The lack of formal banking facilities limits the development of small scale business industry to a very large extent. The frustrations of accessing credit facilities from formal systems compel the poor and informal business enterprises to resort to different non-banking and informal arrangements to access funds for their operations. It is the thought that microfinance credit could help small scale business industry to grow at high rate.

1.3 Objectives of the study

1.3.1 General objective

The main objective was to assess the role of micro finance credit on performance of small scale industry among Pride micro finance, Nateete branch.

1.3.2 Specific objectives

1. To examine the challenges limiting small scale businesses from utilizing their full potential.
2. To find out the limitations of micro finance credit in developing small scale businesses in Uganda
3. To determine the relationship between micro finance credit and small scale business industry

1.4 Research Questions

1. What are the challenges limiting small scale businesses from utilizing their full potential?
2. What are limitations of micro finance credit in developing small scale businesses in Uganda?

3. What is the relationship between micro finance credit and small scale business industry?

1.5 Scope of the study

Geographical scope

The study was conducted at pride microfinance limited, Nateete branch, which is located along Kampala-Masaka road after Nateete round about.

Content scope

The study consider edthat challenges limiting small scale businesses from utilizing their full potential, role of micro finance credit in developing small scale businesses in Uganda, and relationship between micro finance credit and small scale business industry.

Time scope

The study was conducted with in a period of 6 months that is being effective from April 2019 and ends in October 2019.

1.6 Significance of the study

The study will enable a researcher to gain more skills in research which will be applied in future for similar activities.

The study might be of importance to the Government of Uganda in identifying the importance of Microfinance credit towards small scale industry development; this will help government to know the loop holes and challenges faced by Microfinance credit in developing small scale industry.

The study might act as a reference for other researchers that might conduct studies on Microfinance credit towards small scale industry development, the study will avail information to these researchers hence acting as a reference.

The study might be useful in showing the challenges faced by small scale business, and it will also aid in soliciting the possible solutions to overcome these challenges.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This subsection operationalises the terms/concepts which are used in the study along with scholarly literatures from various experts.

2.1 Small and Medium Enterprises (SMEs)

The term SMEs has been severally defined by institutions, regions and based on number of people employed, sales or assets (Mensah, 2004). According to the World Bank, a venture employing up to 300 people with US$15 million in annual revenue, and US$15 million in assets is an SME. But to the Inter-American Development Bank, an SME is a business employing up to 100 employees and earning not more than US$3 million in revenue (Dalberg Global Development Advisors, 2011). Furthermore, European Union defines SMEs as a venture that employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro. Small and medium enterprises are thus defined as firms with 10 to 250 employees, as and more than 10 million euro turnover or annual balance sheet total (Akorsu and Agyapong, 2012).

The UNIDO defines SMEs in terms of number of employees by giving different classifications for industrialized and developing countries. The definition for industrialized countries is given as follows; a) Large - firms with 500 or more workers; b) Medium - firms with 100-499 workers; c) Small - firms with 99 or less workers and the classification given for developing countries is as follows; a) Large - firms with 100 or more workers; b) Medium - firms with 20-99 workers; c) Small - firms with 5-19 workers; d) Micro - firms with less than 5 workers (UNIDO, 1999). It is clear from the various definitions that there is not a general consensus over what constitutes the SME (Ayyagari et al, 2006). Definitions vary across industries and also across countries. SMEs include a wide range of businesses, which differ in their dynamism, technical advancement and risk attitude. Many are relatively stable in their technology, business and scale, while others are more technically advanced, filling crucial product or service niches. Others can be dynamic but high-risk, high-tech “start-ups” (Mensah, 2004).

In Tanzania, SMEs are those engaging up to four people and in most cases the family members under informal sector with capital investment of up to five million Tanzania shillings; while the Small enterprises are mostly formalized businesses engaging five to forty nine employees or with the capital investment from five to two hundred million Tanzania Shillings (URT, 2003). The SMEs are categorized as shown in the table below according to Tanzanian perspective:

2.1.1 Microfinance credit

This refers to loans, savings, insurance, transfer services and other financial products targeted at low-income clients (Husain, 2008). Microfinance is a general term to describe financial services to low-income individuals or to those who do not have access to typical banking services. Microfinance is also the idea that low-income individuals are capable of lifting themselves out of poverty if given access to financial services. The extent to which microfinance, entrepreneurship and sustainability are interrelated is dependent on the extent to which it addresses the economic development process. Yunus (1994), claims, "If we are looking for one single action which will enable the poor to overcome their poverty, I would go for credit. Money is power." Credit invested in an income-generating enterprise as working capital or for productive assets leads to establishment of a new enterprise or growth of an existing one. Profit from the enterprise provides income, and a general strengthening of income sources.

2.1.2 Credit facilities offered by Micro finance to SMEs

Finance, as one of the driving force is critical to increasing efficiency, improving product quality, and raising the productivity and income of entrepreneurs. Without access to finance, small and medium entrepreneurs will continue to make little investment, have low-return production systems, and be unable to use their resources optimally. On that background the Micro finance is providing different credit facilities like short term credit facilities, medium, and long term credit facilities. The repayment of these facilities ranges from one month to five (5) years.

In fact, SMEs are the emerging private sector and do form the base for private sector - led growth. In recognition of the importance of SME sector, the government has continued to design and implement a number of policies and programs supportive to the development of the sector. In consideration of the important role that SMEs play in the development of the Tanzania economy, the Government has set aside a fund which will be used as a guarantee for the SMEs to secure loans in a number of commercial banks.

Through such avenues, players in the SME sector will have a chance to secure loans from a number of commercial banks for the development of the SMEs sector. Entrepreneurs who qualify for such loans are those whose working capital base ranges between $ 3,891 (Tshs. 5 mil) and $ 15,5642 (Shs. 200mil). Of the 1800 registered SMEs only about 10 percent do access the government - allocated funds. (Tanzania ministry of work and industries document 2002).

SMEs business performance refers to the firm's success in the business, which may have different outcomes. Firm performance is a focal phenomenon in business studies. However, it is also a complex and multidimensional phenomenon (Derban Binner, Mullineux 2005). Performance can be characterized as the firm's ability to create acceptable outcomes and actions. However, performance seems to be conceptualized, operationalized and measured in several ways. Strategically, SMEs performance is often referred to as firm success or failure (Ostgaard and Birley, 1995).

2.2 Importance of Small and Medium Enterprises

SMEs help create bulk of the jobs as well as contribute to the national revenue by way of tax revenue, but also improve upon national income (Abor and Quartey, 2010). Kayanula and Quartey (2000) and Aryeetey (2001) found among others that SMEs are sources of employment generation, help conserve foreign exchange, increase exports through the non-traditional commodities exports as well as contributes to economic growth and development through innovation and creativity. These businesses are also considered by Abor and Quartey (2010) as providing about 85% of employment in the manufacturing sector and are believed to contribute about 75% to countries‟ GDP and also account for 92% of businesses. They have often been described as improving the efficiency of domestic businesss and making productive use of scarce resources, and thus facilitating long-term economic growth in poor countries (Aryeetey and Ahene, 2005). According to Buame (2004), SMEs are very important to an economy because they make more efficient use of resources, act as a source of skill creation, cradle of entrepreneurship, utilises financial resources that are otherwise dormant like family savings, innovative, have a much lower cost per job created, wider geographic spread, wider presence in rural areas, and higher capacity for absorbing labour.

SMEs are often found to have some advantages over large firms (Rweyemamu et al., 2003). Large firms have been found often to have undesirable working conditions, such as weaker autonomy, stricter rules and regulations, less flexible scheduling, and a more impersonal working environment (Edmiston, 2007). Also, SMEs are seen to rely on a personalised, tailor-made service. Moreover, they tend to provide quicker services, quality products, fair prices as well as providing both formal and informal after sales service. As Vossen (1998) opined, while large-firm strengths are mostly 1material in nature, small-firm strengths are mostly behavioural. Perhaps the most critical strength is the lack of an entrenched bureaucracy that often characterizes larger firms. An entrenched bureaucracy can lead to long chains of command and subsequent communication inefficiency, inflexibility, and loss of managerial coordination (Edmiston, 2007). Further, SMEs to the extent that they operate in more competitive environments, may have a greater incentive to innovate so as to stay ahead of rivals. Finally, because ownership and management are more likely to be intertwined at smaller firms, the personal rewards of potential innovators are higher. As a related factor, smaller firms may be better able to structure contracts to reward performance (Zenger, 1994). But despite such advantages SMEs continue to face especially financial difficulties because they often start with inadequate capital. So in society where fewer bureaucratic firms exist, and given the significant role of SMEs in job creation if strategies are devised in solving their (SMEs‟) problems, they could contribute more to the development of the society (Mensah, 2004).

2. 3 SMEs Challenges and Implications to SMEs Growth

Business Access

According to Tanzania policy position paper on SMEs (2009) on business access through private and public procurement it was highlighted that; the government being the largest spender in terms of procurement fails to support SMEs in respect of business access from its various public procurements as a result most SMEs participating as suppliers to the government are very limited; hence have failed to penetrate the business and hence slow growth.

Cost Effective System

There is lack of specific affirmative programmes by the government in favour of SMEs which will create a cost effective system of encouraging and promoting SMEs in a wide spectrum of public services (Ngowi, 2006). For example, there is a need to revise the Public Procurement Act of 2004 as to eliminate issues like; a need for bid securities, performance bond or guarantee since SMEs have limited finance capital, management skills and technology.

Low competitiveness ability

Due to the high operating costs such as power (e.g. current power, water rationing) all over the country, limited access to public infrastructure services (e.g. serviceable roads) place a major constraint to indigenous SME survival (Darroch and Clover, 2005), high tax rates which reduce the profit incentive drastically, poor quality products/services due to limited skills in product development, use of outdated production technologies and low economies of scale lead the SMEs unable to compete with large enterprises nationally or internationally.

Limited Access to Finances

Majority of SMEs depend on loans from the banks or financial institutions to finance their activities. Banks are reluctant to give loans to SMEs because they consider them as risky. Stringent loan conditions from the financial institutions during start up and for survival including high interest rate, tax, need for security/guarantee and bureaucracy hinder the easy accessibility of finance capital.

Human Capital

Due to lack of finance SMEs tend to employ cheap and unskilled labour. Quality management is another challenge to SMEs sector as management skill is key growth factor. Sustenance of growth in the SME sector largely depends on the availability of quality human resource available to a firm. This measure is indicative of entrepreneurial management skills available for growth and success of a firm (ILO, 2000).

Business Management Training

According to Bouri (2011) business management training programmes for SMEs should impart a package of skills needed in the current business environment. For start-ups, this includes training in formulating business plans, identifying businesss, hiring skilled workers and complying with government regulations which has a positive relationship with SMEs profitability. For more established SMEs, it might comprise developing skills in businessing and exporting; product development and process improvements; identification and use of new technology, including information and communication technologies (ICT); increasing co-operation among staff and promoting internal teamwork; enhancing networking with suppliers, clients and other firms; and generally improving adaptability and flexibility to respond to changing business conditions and client needs (Oni, 2012).

Upgrading the skills of all types of workers, including managers, is central to firm performance and profitability in knowledge-based economies (Olagunju, 2004). The quality of management is particularly important for small and medium-sized enterprises (SMEs), which must be able to adapt quickly to evolving businesss and changing circumstances, but which often have limited resources. Such constraints also put limits on their ability to engage in training, even though studies indicate that there is a positive correlation between the degree of management training and the bottom-line performance and profitability of an SME. Ayyagari et al., (2006) argue that there is preliminary evidence that formal management training can reduce the failure rates of small firms, which are far more likely to fail than larger firms, particularly in the early years.

Technological change

According to Mbamba (1999) argued the change of technology has posed a great challenge to small businesses. Since the mid 1990s there has been a growing concern about the impact of technological change on the work of micro and small enterprises. Even with change in technology, many small business entrepreneurs appear to be unfamiliar with new technologies. According to his observations, those who seem to be well positioned, they are most often unaware of this technology and if they know, it is not either locally available or not affordable or not situated to local conditions. Foreign SMEs still remain in the forefront in accessing the new technologies.

Tax Policies and Regulations

There is uneven enforcement of tax laws resulting from ad hoc exemptions for some businesses and general lack of transparency. Well established SME, face unfair competition from tax evaders including informal operators (World Bank, 2002), also large businesses pay income taxes on their profit. However, small businesses have to pay taxes whether they make profit or loss. This is the case since for SMEs taxes are set on the basis of type of activity and approximate size rather than income. This may limit their capacity to grow. There are numerous taxes and levies, for example there are twenty seven different taxes and levies that apply to various businesses and one has to know which apply to their particular enterprise. This is just too cumbersome especially for a small business. The tax assessment and collection system is non transparent and unpredictable, giving opportunities for tax officials to exhort bribes from small business operators (Finseth, 1998).

2.4 The Roles of Microfinance Institutions in the Development of SMEs

Improving the livelihoods of the poor has become a priority for most governments in the developing world as part of their efforts to increase the levels of human development. In order to achieve such goal the provision of microfinance has been identified as one of the key instruments to enhance the livelihood of low-income households in the developing world (Adongo and Stork, 2005).

According to United Nation Capital Development Fund (2004), micro-finance plays three broad roles in development and these are;

i. It helps very poor households meet basic needs and protects against risks;

ii. It is associated with improvements in household economic welfare; and

iii. It helps to empower women by supporting women's economic participation and thus promotes gender equity.

Available literature on financial services provided by microfinance institutions also indicates that microfinance enables low-income households engage in pre-entrepreneurial activities and micro-enterprises to increase their livelihoods. The benefits of the micro financing to households and micro-enterprises will in turn have positive implications for their macro economy (Adongo and Stork, 2005).

According to the African Development Bank (2003), development practitioners, policy makers, and multilateral and bilateral lenders, recognize that providing efficient microfinance services for the poor especially the rural segment of the population is important for the following reasons.

Microfinance can be a critical element of an effective poverty reduction strategy. Improved access and efficient provision of savings, credit, and insurance facilities in particular can enable the poor to smooth their consumption, manage their risks better, build their assets gradually, develop their microenterprises, enhance their income earning capacity, and enjoy an improved quality of life. Microfinance services can also contribute to the improvement of resource allocation, promotion of businesss, and adoption of better technology; thus, microfinance helps to promote economic growth and development;

ii. Without permanent access to institutional microfinance, most poor households will continue to rely on meager self-finance or informal sources of microfinance, which limits their ability to actively participate in and benefit from the development opportunities;

iii. Microfinance can provide an effective way to assist and empower poor women, who make up a significant proportion of the poor and suffer disproportionately from poverty; and

iv. Microfinance can contribute to the development of the overall financial system through integration of financial businesss.

According to Adongo and Stork (2005), financial services provided by microfinance institutions will enable low-income households engaged in pre-entrepreneurial activities and micro-enterprises to increase their livelihoods. To them, microfinance provides benefits to low-income households through various channels. For instance, the funds transfer facilities provided by microfinance institutions enable low income households to make payments at low costs. These facilities are expected to reduce the inconvenience of having to travel long distances to effect transactions

Wright and et al (1999) is of the view that low-income households typically have irregular income streams and are faced with various lifecycle, structural and crisis risks that are beyond their control and can reduce their income levels below the poverty line. To overcome this, empirical evidence suggests that the savings facilities provided by microfinance institutions are useful in improving the household financial management, which contributes to more efficient inter-temporal decision-making. This protects low-income households against risks ahead of time, as opposed to providing support to cope with shocks after they occur through the provision of credit facilities (CGAP, 2000).

The decrease in vulnerability from unplanned shocks increases the probability that low income households will engage in riskier, higher yielding activities that could increase their incomes. The safe and convenient savings facilities provided by microfinance institutions according to De Soto (2000) enable low-income households to transform their non-financial assets into more liquid, high-yield forms that may eventually serve as collateral for larger loans.

In addition, the use of savings facilities by low-income households enables them to store funds for future use and build credit history. This is of particular importance as many low-income households lack the types of collateral acceptable by commercial banks that are required to access loans from this source of finance. The flexible and convenient credit facilities provided by microfinance institutions enables low-income households to borrow funds to cover emergencies that they cannot meet from their levels of current savings. This can reduce the poverty gap and poverty headcount, even though real income may not increase (Robinson, 2003).

According to Quartey (2000), the savings facilities provided by microfinance institutions enable microenterprises to invest their surplus funds, while obtaining a return on their investments. This enables them to better manage liquidity and could increase their levels of self-financed investment. In addition, individual rights to these savings assets are legally recognised and can be used to meet collateral requirements.

The credit facilities provided by microfinance institutions enable microenterprises to borrow funds to cover various short-term financial needs, particularly the working capital. These needs also include financial costs incurred during pre-start-up training, planning and start-up phases in the micro-enterprise life cycle. Microfinance can also be used to cover the financial costs of further training and to meet other unforeseen circumstances (Robinson, 2003 and Mushendami et al., 2004).

Moreover in the view of Adongo and Stork (2005), microfinance credit facilities enable micro-enterprise owners to use anticipated income for current investment. This reduces the vulnerability of the micro-enterprise to various shocks and stabilizes the income stream for the micro entrepreneur. The reduced vulnerability promotes the sustainability of the micro-enterprise at its existing levels, to the extent that this credit is used to acquire capital (physical or human), which yields a rate of return in excess of the cost of credit. Thus microfinance enhances the income of micro entrepreneurs and increases the chances that they will diversify or expand their activities. The benefit that microfinance provides to low-income households and microenterprises also has positive implications for the overall economy. The provision of savings facilities deepens financial businesss by mobilizing savings that were not previously part of the money supply. This increase in gross savings creates a larger pool of resources that can be channeled to gross domestic investment opportunities, which has positive implications for economic growth.

According to International Centre for Economic Growth (1999), microfinance is instrumental in promoting the sustainability of microenterprises, to the extent that it creates an improvement in the management of their financial activities. This should lead to the strengthening of the domestic production structure, which has positive implications for balanced development across different sectors and regions.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter explains details of how the study was conducted. It present the research design, study area and population, sampling and procedures, data analysis and processing, data collection methods and instruments and the limitations of the study.

3.1 Research design

According to the research objectives and research questions, the study adopted a descriptive analytical discipline that described the main characteristics of data collection. It combined both qualitative and quantitative methods of data collection. It was able to stand out and either reject or accept the role of micro finance on economic empowerment of small scale business in Kampala

3.2 Study population

Research was carried out at Pride Microfinance Nateete branch and the population constituted senior managers, tellers, loan officers, casual employees and some business men and women.

3.3 Sampling Technique

Stratified random sampling method was used to obtain appropriate data for the research; this ensured that each and every member of the population under consideration has an equal chance of being selected. The method rules out bias, simple to use, cheap and flexible to the researcher and does not have bias.

3.4 Sampling size

The researcher selected a sample of 50 respondents from different departments of pride Microfinance Nateete branch and business men and women, senior managers (5), tellers (10), loan officers (10), casual employees (10), and business men and women (15) a total of 70 respondents.

3.5 Methods of data collection

Data was collected using two methods of data collection.

3.5.1 Questionnaire

The study used questionnaires to collect data from respondents in the field and these were designed by the researcher to the respondents because it gives time to the respondents to think and answer questions conveniently and it has a high level of confidentiality.

Questionnaires were both open ended and close ended to be able collect every necessary information.

3.5.2 Interviews

Interviews were conducted mainly during focus group discussions. The researcher involved in a direct conversation with the respondents. Interview method helped the researcher observe the facial expressions of respondents as well as provision of direction and clarification where necessary. It was mostly used to key participants who don't have time for respondents.

Observation

This is a systematic viewing coupled with consideration of the seen phenomenon as they occur in nature with regard to cause and effect mutual relationship. The researcher used this instrument to observe some elements. This method is good for explaining meaning and context and strong on validity and in-depth understanding whereas it is time consuming and it depends on the role of the researcher.

This method was applied because it gives first-hand information directly from the source

3.6 Data sources

Data was got from both primary and secondary sources.

Primary data involved direct extraction of information from the respondents using self-administered questionnaires and interview guide while Secondary data was collected from journals, text books, previous dissertations and internet. These sources helped derive meaningful interpretation of findings.

3.7 Procedures of data collection ethical behaviors

The researcher first got the consent of respondents and names of respondents were not disclosed by not availing the space for the name unless personal details of respondents was sought because it determines the accuracy of information.

3.8 Validity and reliability of research tools

3.8.1 Reliability

The language to be used was simple and questions was easy to understand by the respondents and where necessary the researcher directed and translated questions into local languages to acquire relevant data mostly to business men and women, since the researcher expects some of them to have not studied

3.8.2 Validity

The researcher carried out survey. The researcher asked a series of questions in the pilot study and then pretest the instruments by developing questionnaires and after then adjust the questions according to the results of the pretest study.

3.9 Data processing and analysis

3.9.1 Data processing

Data was checked and edited for more classification into meaningful information. The data was thoroughly checked for purposes of deleting and eliminating errors, ensuring accuracy, uniformity, and consistence, completeness of answers and legibility of the collected data.

3.9.2 Data analysis

The researcher was very careful in identifying the relevant data. The data was analyzed by;

Editing

This ensured that the data collected is accurate, reliable and consistent.

Coding

The researcher proceeded to code the data where open-ended questions are used and responses categorized according to system and appropriate codes given.

3.10 Limitations of the study

Transport cost was challenge during data collection due to limited resources to the economy which involved movements to different areas. However, the researcher managed to pass through this challenge by soliciting funds from different sources such as close friends and relatives who wholeheartedly normally will look forward for my success in education.

Time also was a limiting factor to gather and collect information needed for the report. But with the aid of a time frame and scheduling different activities were conducted in time by the researcher which eased data collection and study presentation in time.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents the background information focusing on the gender of respondents, age bracket, period of work and types of business owned in the business. The study constituted of 50 respondents. These were adults from the selected case study of Small scale businesses in Kampala

4.1 Background information of respondents

The researcher used the help of respondents during the study who gave relevant information. The background information of these respondents was considered and this comprised of their gender, age group, period of work and types of business owned in the business. Responses on these were as shown in tables below;

4.1.1 Gender Distribution of the Respondents

The study sought to ascertain the gender of the respondents that participated in the study and results obtained are summarized in table 4.1 below;

Table 4.1 Gender

Gender	**Frequency**	**Percentage (%)**
Male	27	54
Female	23	46
Total	**50**	**100**

Source: Primary Data, 2019

Table 4.1 above shows that out of the total respondents who participated in the study, 27(54%) of them were male respondents and other 23(46%) were female. This implied that there are more men than females in Small scale businesses.

Age bracket

The sought to ascertain the age of the respondents that participated in the study and results obtained are summarized in table 4.2 below:

Table 4.2 age bracket

Age bracket	**Frequency**	**Percentage (%)**
18-30 yrs	13	26
31-45yrs	27	54
Above 45 yrs	10	20
Total	**50**	**100**

Source: Primary Data, 2019

Table 4.2 above shows that, only 13(26%) were between 18-30 years, 27(54%) of the respondents were between 31-45 years, and 10(20%) were above 45 years. This implied that traders between 31 to 45 years dominate the business.

Work experience

The study also further sought to ascertain the number of years respondents have been working with or in Small scale businesses and results obtained are summarized in table 4.3.

Table 4.3 Work experience

Work experience	**Frequency**	**Percentage (%)**
0-2yrs	-	-
3-5yrs	10	20
6-10yrs	15	30
10-20yrs	20	40
Above 20yrs	5	10
Total	**50**	**100**

Source: Primary Data, 2019

Table 4.3 above shows the number of years respondents have spent working in Small scale businesses. Results obtained show that 10(20%) of them had worked for 0-2 years, majority 20(40%) of them have worked in Small scale businesses for a period 10-20 years, 5(10%) of them have worked for a period above 20 years, 15(30%) of the respondents had served for a period of 6-10 years. This means that most of the respondents had stayed in the business for 10 to 20 years.

Education Background

Table 4.4 showing Education background

Education level	**Frequency**	**Percentage (%)**
Degree	36	72
Masters	-	-
Diploma	13	26
Certificate	1	2
Total	**50**	**100**

Source: Primary Data, 2019

Table 4.4 above shows that 72% of the total respondents were degree holders, 26% of the respondents diploma holders, and 2% of them were having certificates and this implies that all respondents were educated.

4.2 Roles played by microfinance institutions in small scale business development

This section provides information on the roles played by microfinance in small scale business development and the results are summarized in table 4.5 below;

Table 4.5 Roles played by microfinance institutions in small scale business development

Statement	Strongly agree	Agree	Not Sure	Disagree	Strongly disagree	Total
Microfinance institutions provide easy access to credit/loans as finances to small business owners.	35(70%)	12(24%)	-	3(6%)	-	**50(100%)**
Microfinances charges low interest rates charges of small business owners accessing loans	12(24%)	5(10%)	3(6%)	20(40%)	10(20%)	**50(100%)**
Management of micro finance institutions provides financial literacy programs on how to keep records among others to local traders in business.	33(66%)	15(30%)	-	2(4%)	-	**50(100%)**
Micro finance institutions mobilize and encourage savings among small business owners in the business.	45(90%)	2(4%)	-	-	3(6%)	**50(100%)**
Micro finance institutions sensitize traders on the importance of insurance to their businesses.	14(28%)	30(60%)	2(4%)	4(8%)	-	**50(100%)**

Source; Primary Data, 2019

It was established in table 4.5 that majority of the respondents 35(70%) strongly agreed that microfinance institutions provide easy access to credit/loans as finances to small business owners, 12(24%) agreed and 3(6%) of the respondents disagreed, this implies that microfinance institutions provide easy access to credit/loans as finances to small business owners. Results obtained imply that almost all respondents agreed; this implied that microfinance institutions provide easy access to credit/loans as finances to small business owners

It was established in table 4.5 that 12(24%) of the total respondents strongly agreed that microfinances charges low interest rates charges of small business owners accessing loans, 5(10%) of the total respondents agreed, 3(6%) of the total respondents were not sure, 20(40%) of the total respondents disagreed, 10(20%) of the total respondents strongly disagreed. This implies that microfinances charges low interest rates charges of small business owners accessing loans. Results obtained imply that most of the respondents disagreed; this implied that microfinances do not charge low interest rates charges on small business owners accessing loans.

It was established in table 4.5 that 33(66%) of the total respondents strongly agreed that Management of micro finance institutions provides financial literacy programs on how to keep records among others to local traders in business, 15(30%) of the total respondents agreed, 2(4%) of the total respondents disagreed. Results obtained imply that almost all respondents agreed; this implied that management of micro finance institutions provides financial literacy programs on how to keep records among others to local traders in small scale business.

It was established in table 4.5 that 45(90%) of the total respondents strongly agreed that Micro finance institutions mobilize and encourage savings among small business owners in the small scale business, 2(4%) of the total respondents agreed, 3(6%) of the total respondents strongly disagreed. Results obtained imply that almost all respondents agreed; this implied that micro finance institutions mobilize and encourage savings among small business owners in the small scale business.

It was established in table 4.5 that 14(28%) of the total respondents strongly agreed that micro finance institutions sensitize traders on the importance of insurance to their small scale businesses, 30(60%) of the total respondents agreed, 2(4%) of the total respondents were not sure, 4(8%) of the total respondents disagreed, Results obtained imply that almost all respondents agreed; this implied that micro finance institutions sensitize traders on the importance of insurance to their businesses.

4.3 Importance of small scale business in economic development of the country

This section provides information on the importance of small scale business in economic development of the country and the results are summarized in table 4.6 below;

Table 4.6 Importance of small scale business in economic development of the country

Statement	**Strongly agree**	**Agree**	**Not Sure**	**Disagree**	**Strongly disagree**	**Total**

Small businesses has reduced unemployment in Uganda	45(90%)	5(10%)	-	-	-	**50(100%)**
Small businesses increase the tax revenue collected by the government	15(30%)	35(70%)	-	-	-	**50(100%)**
Small scale business increases resource utilization	16(32%)	28(56%)	4(8%)	2(4%)	-	**50(100%)**
Small business widens tax base and leads to industrial growth	14(28%)	33(66%)	3(6%)	-	-	**50(100%)**

Source; Primary Data, 2019

It was established in table 4.6 that 45(90%) of the total respondents strongly agreed that Small businesses has reduced unemployment in Uganda, 5(10%) of the total respondents agreed, Results obtained imply that all respondents agreed; this implied that small businesses has reduced unemployment in Uganda

It was established in table 4.6 that 15(30%) of the total respondents strongly agreed that Small businesses increase the tax revenue collected by the government, 35(70%) of the total respondents agreed, Results obtained imply that all respondents agreed; this implied that Small businesses increase the tax revenue collected by the government

It was established in table 4.6 that 16(32%) of the total respondents strongly agreed that small scale business increases resource utilization, 28(56%) of the total respondents agreed, 4(8%) of the total respondents were not sure, 2(4%) of the total respondents disagreed, Results obtained imply that all respondents agreed; this implied that Small scale business increases resource utilization

It was established in table 4.6 that 14(28%) of the total respondents strongly agreed that Small business widens tax base and leads to industrial growth, 33(66%) of the total respondents agreed, 3(6%) of the total respondents were not sure. Results obtained imply that all respondents agreed; this implied that small business widens tax base and leads to industrial growth.

4.4 Relationship between microfinance services and small scale business empowerment

This section provides information on the relationship between microfinance services and Small Scale Business empowerment and the results are summarized in table 4.7 below;

Table 4.7 Relationship between microfinance services and small scale business empowerment

Statement	Strongly agree	Agree	Not Sure	Disagree	Strongly disagree	Total
Microfinance has strengthened small business survival in Small scale businesses	16(32%)	28(56%)	2(4%)	4(8%)	-	**50(100%)**
Microfinance has increased small business sales volume of Small scale businesses	1(2%)	10(20%)	18(36%)	10(20%)	11(22%)	**50(100%)**
Microfinance has increased small business outlets in Small scale businesses	18(36%)	30(60%)	2(4%)	-	-	**50(100%)**
Microfinance has improved small business management of Small scale businesses .	42(84%)	8(16%)	-	-	-	**50(100%)**
Microfinance has increased capital size Of business Vendors in Small scale businesses	18(36%)	32(64%)	-	-	-	**50(100%)**

Source; Primary Data, 2019

It was established in table 4.7 that 16(32%) of the total respondents strongly agreed that microfinance has strengthened small business survival in Small scale businesses, 28(56%) of the total respondents agreed, 2(4%) of the total respondents were not sure, 4(8%) of the total respondents disagreed, Results obtained imply that all respondents agreed; this implied that microfinance has strengthened small business survival in Small scale businesses.

It was established in table 4.7 that 1(2%) of the total respondents strongly agreed that microfinance has increased small business sales volume of Small scale businesses , 10(20%) of the total respondents agreed,18(36%) of the total respondents were not sure, 10(20%) of the total respondents disagreed, 11(22%) of the total respondents strongly disagreed, Results obtained imply that all respondents agreed; this implied that microfinance has increased small business sales volume of Small scale businesses .

It was established in table 4.7 that 18(36%) of the total respondents strongly agreed that microfinance has increased small business outlets in Small scale businesses, 30(60%) of the total respondents agreed, 2(4%) of the total respondents were not sure, Results obtained imply that all respondents agreed; this implied that microfinance has increased small business outlets in Small scale businesses.

It was established in table 4.7 that 42(84%) of the total respondents strongly agreed that microfinance has improved small business management of Small scale businesses, 8(16%) of the total respondents agreed, Results obtained imply that all respondents agreed.

It was established in table 4.7 that 18(36%) of the total respondents strongly agreed that microfinance has increased capital size Of business Vendors in Small scale businesses , 32(64%) of the total respondents agreed, Results obtained imply that all respondents agreed; this implied that microfinance has increased capital size Of business Vendors in Small scale businesses .

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of findings

The study was about the role of micro finance and economic empowerment of small scale businesses in Small scale businesses guided by the objectives like to assess the roles played by Microfinance Institutions in small business Development, to examine the importance of small business in economic development of the country, and to establish the relationship between microfinance services and small business empowerment.

From the study findings, it was revealed in table 4.5 that majority of the respondents 47(94%) strongly agreed that microfinance institutions provide easy access to credit/loans as finances to small business owners and 3(6%) of the respondents disagreed. Furthermore, From the study findings, it was revealed in table 4.5 most of the respondents 30(60%) disagreed that microfinances charges low interest rates charges of small business owners accessing loans and 17(34%) of the total respondents strongly agreed.

It was revealed in table 4.5 that 33(66%) of the total respondents strongly agreed that Management of micro finance institutions provides financial literacy programs on how to keep records among others to local traders in business, 15(30%) of the total respondents agreed, 2(4%) of the total respondents disagreed,

From the study findings, It was revealed in table 4.5 that 45(90%) of the total respondents strongly agreed that Micro finance institutions mobilize and encourage savings among small business owners in the business as it is in agreement with Steel (1998), 3(6%) of the total respondents strongly disagreed.

From the study findings, It was revealed in table 4.5 that 14(28%) of the total respondents strongly agreed that micro finance institutions sensitize traders on the importance of insurance to their businesses 30(60%) of the total respondents agreed, 2(4%) of the total respondents were not sure, 4(8%) of the total respondents disagreed. From the study findings, It was established in table 4.6 that 45(90%) of the total respondents strongly agreed that Small businesses has reduced unemployment in Uganda, 5(10%) of the total respondents agreed.

From the study findings, It was revealed in table 4.6 that 15(30%) of the total respondents strongly agreed that Small businesses increase the tax revenue collected by the government, 35(70%) of the total respondents

From the study findings, It was revealed in table 4.6 that 16(32%) of the total respondents strongly agreed that small scale business increases resource utilization, 28(56%) of the total respondents agreed, 4(8%) of the total respondents were not sure, 2(4%) of the total respondents disagreed.

From the study findings, It was revealed in table 4.6 that 14(28%) of the total respondents strongly agreed that Small business widens tax base and leads to industrial growth, 33(66%) of the total respondents agreed, 3(6%) of the total respondents were not sure.

From the study findings, It was revealed in table 4.7 that 16(32%) of the total respondents strongly agreed that microfinance has strengthened small business survival in Small scale businesses, 28(56%) of the total respondents agreed, 2(4%) of the total respondents were not sure, 4(8%) of the total respondents disagreed. It also was revealed in table 4.7 that 1(2%) of the total respondents strongly agreed that microfinance has increased small business sales volume of Small scale businesses, 10(20%) of the total respondents agreed, 18(36%) of the total respondents were not sure, 10(20%) of the total respondents disagreed, 11(22%) of the total respondents strongly disagreed.

It was revealed in table 4.7 that 18(36%) of the total respondents strongly agreed that microfinance has increased small business outlets in Small scale businesses, 30(60%) of the total respondents agreed, 2(4%) of the total respondents were not sure. It was revealed in table 4.7 that 42(84%) of the total respondents strongly agreed that microfinance has improved small business management of Small scale businesses, 8(16%) of the total respondents agreed.

It was established in table 4.7 that 18(36%) of the total respondents strongly agreed that microfinance has increased capital size of business Vendors in Small scale businesses, 32(64%) of the total respondents agreed.

5.2 Conclusion

Microfinance institutions provide easy access to credit/loans as finances to small business owners, however, microfinances charges high interest rates charges of small business owners accessing loans. Management of micro finance institutions provides financial literacy programs on how to keep records among others to local traders in business, Micro finance institutions mobilize and encourage savings among small business owners in the business

It was observed that micro finance institutions sensitize traders on the importance of insurance to their businesses, it was seen that Small businesses has reduced unemployment in Uganda, Small businesses increase the tax revenue collected by the government and small scale business increases resource utilization, Small business widens tax base and leads to industrial growth

Furthermore, Microfinance has strengthened small business survival in Small scale businesses , they have also increased small business sales volume of Small scale businesses , and microfinance has increased small business outlets in Small scale businesses , microfinance has improved small business management of Small scale businesses and microfinance has increased capital size of business Vendors in Small scale businesses

5.3 Recommendations

The study recommends that microfinance institutions should repackage their products and services to make them more attractive in other to serve the main purpose for which they had been established - poverty alleviation and women empowerment. This should be done by reducing their interest rates, reducing the requirements for collateral and the mode of paying loans by small businesses. This will enable the working poor secure loans from them to run their businesses rather than SBs seeing them as solely for profit making entities.

The study again recommends that MFIs should provide more short term loans to meet emergencies of SBs, provide insurance on loans and businesses and also provide interest on the savings of small businesses. The value of the loan should also be adequate enough to meet the capital requirements of the SBs. The study further recommends that, microfinance institutions should assist SBs to assess their small businesses so that they attest whether their businesses are growing or not this will lure them to become permanent members and also advice other small businesses to partner with microfinance institutions to grow their businesses.

The study recommends that, the problems SBs faced in repayment of microfinance loans such as; short duration for repayment, daily/weekly/monthly repayments, high interest rate, demand of collateral for high amounts, and denial of auxiliary services and their effect on the growth of their small businesses should be looked at, especially those factors which negatively affects the growth of small businesses.

It is also recommended that, operators of MFIs should have separate managers/business advisors to small businesses, to give the proper business advice as how to manage their businesses, the need to separate their business funds from personal money, proper ways of pricing and businessing of products, goods and services. It was also recommended that, SBs should recruit qualified personnel to help manage their businesses.

The study also revealed that MFIs should employ more qualified persons to ensure regular monitoring on the progress of small businesses so that loans collected are put to rightful use and they should offered proper business advice so that their businesses will flourish thereby enabling them to pay loans secured and also improve upon their living conditions. It is also recommended that MFIs should develop proper mechanisms and tools to assess small business growth which partner with them since the use of physical features such as stock level, savings and loan repayment rate may be deceptive.

Suggestion for Future Research

More research should be conducted on how micro finance institutions can reduce their administrative costs in order to reduce interest rates on loans to small businesses.

QUESTIONNAIRE

Dear respondent,

I am a student currently conducting research on the topic entitled "**The role of micro finance credit on performance of small scale industry, case study of pride micro finance, Nateete branch**". I humbly request you to fill in this questionnaire, it's entirely for academic purposes and the information therein will be treated with utmost confidentiality.

PART A: DEMOGRAPHIC CHARACTERISTICS

Please tick in the box with the correct answer of your choice

1. Gender

(a) Male ☐ (b) Female ☐

2. Age

(a) Up to 25 years ☐ (b) 26-30 years ☐ (c) 31-40 years ☐

(d) 41years and above ☐

3. Education background

(a) Degree ☐ (b) Masters ☐ (c) Diploma ☐ (d) Others ☐

If others, please specify……………………………….

SECTION B

You are required to respond to each item in subsequent sections using the following scale by ticking the appropriate option. SA- Strongly Agree, A-Agree, NS- Not Sure, DA-Disagree, SDA-Strongly Disagree.

SECTION B; ROLES PLAYED BY MICROFINANCE INSTITUTIONS IN SMALL BUSINESS DEVELOPMENT.

Statement	SD	A	NS	DA	SDA
Microfinance institutions provide easy access to credit/loans as finances to small business owners.					
Microfinances charges low interest rates charges of small business owners accessing loans					
Management of micro finance institutions provides financial literacy programs on how to keep records among others to local traders in business.					
Micro finance institutions mobilize and encourage savings among small business owners in the business.					
Micro finance institutions sensitize traders on the importance of insurance to their businesses.					

SECTION C; IMPORTANCE OF SMALL BUSINESS IN ECONOMIC DEVELOPMENT OF THE COUNTRY

Statement	SD	A	NS	DA	SDA
Small businesses has reduced unemployment in Uganda					
Small businesses increase the tax revenue collected by the government					
Small scale business increases resource utilization					
Small business widens tax base and leads to industrial growth					

SECTION C: RELATIONSHIP BETWEEN MICROFINANCE SERVICES AND SMALL BUSINESS EMPOWERMENT

Statement	SD	A	NS	DA	SDA
Microfinance has strengthened small business survival in small scale business					
Microfinance has increased small business sales volume of small scale business					
Microfinance has increased small business outlets in small scale business					
Microfinance has improved small business management of small scale business					
Microfinance has increased capital size Of business Vendors in small scale business					

THANK YOU

THE END