MICRO FINANCE SERVICES AND THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN UGANDA.

CASE STUDY OF FINCA MICROFINANCE BANK LIMITED IN KAMULI DISTRICT

A Dissertation Submitted to
The Faculty of Business Administration and Management
In Partial Fulfillment of the Requirements for
The Award of the Bachelors Degree in Business Administration
And Management Uganda Martyrs University

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AN UNDERGRADUATE DISSERTATION PRESENTED TO FACULTY OF BUSINESS ADMINSTRATION AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE BACHELORS DEGREE OF BUSINESS ADMINSTRATION AND MANAGEMENT UGANDA MARTYRS UNIVERSITY

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DECLARATION

I Ssekezi Immaculate patience declare that this dissertation has been done in my own efforts under supervision of my supervisor Fr. Ssemwogerere Edward Anslem and that it has never been presented to any other Institution of learning for academic award

DEDICATION

This study is dedicated to my family especially to my Father Mr Kitawu Simon Peter and my Mother Mrs Kitawu Nammuddu Rossette for their continuous support in my education and also to my sister and brother for their encouragement and motivation and thus have made my life successful..

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For all the above and those that I have not specifically mentioned, I request you to accept my sincere gratitude for your support. May God bless you all.

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LIST OF ABBREVIATIONS:

FINCA-	Foundation for International Community Assistance
SMES-	Small and Medium Enterprises.
CUSCA-	Credit Unions and Savings Cooperatives and Association.
MFIS-	Micro Finance Institutions.
VBCF-	Village Bank Capital Fund.
ROSCAs-	Rotary Savings and Credit Associations.
SPSS-	Statistical Package for Social Scientists.

ABSTRACT

The purpose of this study was to examine the effects of micro finance services and the performance of small and medium enterprises in Finca Micro Finance Bank Limited in Kamuli District. Micro finance services were conceptualized into micro loans, micro savings and micro insurance. Performance of small and medium enterprises was conceptualized into sales turnover, liquidity and market share. The research objectives of the study were; to assess the effects of micro loans, micro savings and micro insurance on the performance of small and medium enterprises.

A structured questionnaire was designed and distributed to 90 respondents that were selected from a targeted population of 105 using stratified random sampling. Quantitative data were analyzed by generating descriptive statistics using the Statistical Package For Social Scientists (SPSS) to determine the frequency and the percentage. Content analysis technique was used to analyze qualitative data.

Research findings indicated that there was a significant positive relationship between micro finance services and the performance of small and medium enterprises. The overall independent dimensions of micro finance services which were; micro loans, micro savings and micro insurance accounted for the highest percentages of the respondents that strongly agreed on their positive influence on the performance of small and medium enterprises. The findings also indicated that micro loans were the strongest predictors on the performance of small and medium enterprises and they positively influenced the performance of small and medium enterprises. The researcher recommends that Micro Finance Institutions in general and Finca Micro Finance Bank Limited in particular should devise ways and strategies of improving on the performance of small and medium enterprises very effectively and efficiently to circumvent its adverse effects.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction:

The introduction of the study explained about the Micro Finance Services and the performance of small and medium enterprises in Uganda. It clearly indicated the various microfinance services like; micro loans, micro savings, and micro insurance and their influence on the performance of small and medium enterprises. The study also emphasized on the background of the study, the problem statement, broad objective of the study, the specific objectives of the study, research questions, significance of the study, justification of the study, scope of the study and this was also based on the geographical scope, subject scope, and the time scope. Then there was the conceptual framework which clearly indicated the independent variable as access to microfinance services with its dimensions as; micro loans, micro savings and micro insurance. Then the dependant variable was the performance of small and medium enterprises and its dimensions were; turnover, liquidity, and market share.

1.1 Background of the study:

Wanjeri (2013) explained that the micro financing industry had been recognized as an instrumental tool for poverty alleviation and economic growth. Therefore, socio-economic transformation efforts of low income and poor business growth became possible through accessing microfinance services both semi formal and informal services such as; micro loans, micro insurance, micro savings, micro leasing, money transfer services, and deposit takings. The pivot role of these micro finance services therefore helped to foster the growth and development of small and medium enterprises by providing start- up business expansion capital in form of providing micro loans.

Musoni (2013) explained that the establishment of Micro Finance Banks was geared towards enhancing the provision of diversified micro finance services on a short term or long term and sustainable basis for the small and medium enterprises and low income groups. Micro finance services and products not only consisted of small micro loans, savings, insurance, money transfers. They also involved the provision of working capital, informal and formal appraisal of borrowers and investments, collateral substitutes such as group guarantees or compulsory savings, access to repeated and large loans, streamlined loan disbursement, advice and monitoring procedures of loans.

Atiur (2013), on the other hand stated that the financial inclusion of the microfinance services was a tool for combating poverty and a key element of social inclusion that made business people to contribute towards it, and benefit from the process of social and economic development and advancement. Through increased access to micro savings account and micro insurance services, the small businesses could build financial security, manage risks against adverse shocks in their businesses and even invest in the new business opportunities. Hence this would make the financial inclusion in the microfinance services very essential for inclusive growth, which was necessary for sustainable overall economic growth among small and medium enterprises.

Nahamya (2013) stated that the Micro Finance Industry had played a critical role in providing a range of financial and non financial services which had been through the products or services like, micro loans, micro savings and micro insurance, money transfers, deposit takings, and micro leasing. The provision of such services was expected to contribute to the growth of small and medium enterprises in terms of capital, stock accumulation and increase in employment levels to improve households incomes. However, there has been no adequate empirical evidence available to vindicate the contribution of micro finance services in bridging the growth gap of small and medium enterprises. This problem had been availed to high interest rates charged on micro loans thereby hindering access to micro finance services.

Kwaku (2014) explained that small and medium enterprises had played a significant role on the economic activities. For instance, they had provided income for many low income households especially in the informal sector. Notwithstanding their contributions, small and medium entrepreneurs had faced serious financial challenges which had led to poverty among them. For these enterprises to overcome their financial challenges, Micro Financial Institutions had emerged with the view of providing micro finance services like; micro savings, micro insurance and micro loans and other financial products for these enterprises. Also the Public Micro Credit had been given to small and medium enterprises as the subsidized loans. Unfortunately, the program had collapsed.

On the other hand, he added that small and medium enterprises had performed at a very poor level and that their poor performance had added to the level of poverty, unemployment and the low standards of living among people in the country. Though small and medium enterprises had provided 70% industrial employment and 60% of agricultural sector employment, it could only amount for 10-15% of the total industrial output with a capacity utilization of a little over 30%. Therefore, the limited and insufficient funds had further aggravated and hindered the start off operations of many business endeavors.

Wangui (2014) explained that the performance of small and medium enterprises was viewed as a key driver of economic and social development in the global economy. These enterprises represented a large number of businesses in a country; they generated much wealth and employment and were widely considered to be vital to country `s competitiveness. Most small and medium enterprises were hailed for their pivot role in promoting grassroots economic growth and equitable sustainable development.

Dhamija (2013) explained the performance of small and medium enterprises basing on innovation and economic development. He added that these enterprises have been considered as the backbone of the economy and that their sector has been well recognized due to its significant contribution in socio-economic development. This sector has contributed significantly in higher growth of employment, output, promotion for exports and fostering entrepreneurial development.

On the other hand, small and medium enterprises have had challenges for example; the market conditions for these enterprises have changed after the economic reforms on the marketing sector. Businesses have now engaged in constant pressure to ensure over production of goods and services so as to perform well, deliver quality, and keep their operational costs low. To sustain in today `s market and meet customers` satisfaction, it has become important for the small and medium enterprises to differentiate themselves on the basis of capabilities and competencies. Therefore, they need to compete on the different dimensions such as product design and development, manufacturing costs, distribution costs, communication and innovative ways of marketing. These challenges have called for reorientation of these enterprises so that the demand for high dynamism, flexibility and innovativeness in production of goods and services could be met.

1.2 Problem Statement:

Quaye (2013) stated that Small and Medium Enterprises (SMEs) needed both financial and non-financial services from micro finance institutions to enhance their productivity, profitability, growth and performance. An informal discussion with entrepreneurs in the small and medium enterprises industry revealed that there was great reliance on credit as a tool for business growth and profitability. However, most entrepreneurs owning small and medium enterprises asserted to the fact that they were faced with a challenge of inadequate capital in their businesses and this inhibited their growth and performance.

Similarly, he identified that the small and medium enterprises were commonly believed to have very limited access to deposits, credit facilities and other financial support services provided by Micro Financial Institutions. This was because they could not provide the necessary collateral security demanded by these institutions and also, these banks found it difficult to recover the high costs involved in dealing with these small firms. In addition to this, the associated risks involved in lending to these enterprises made it unattractive for the micro finance banks to deal with them. Statistically, small enterprises were reported to have high failure rates making it difficult for micro finance institutions to assess accurately the viability of their enterprises, then business abilities of the owners to these enterprises, and the likelihood of repayment of micro loans given to them.

Furthermore, Kwaning (2015) explained that small and medium enterprises faced a challenge of accessing finance from micro finance banks because most of the lending schemes were accompanied with loan terms and conditions which they found difficult to comply with. Therefore, they often cited reason for their failure as being inadequate finance as they found it extremely difficult to access loans from these micro finance institutions. The world bank study found out that about 90% of small enterprises surveyed stated that credit was a major constraint to their investment. Access to finance was limited because micro financial institutions perceived small and medium enterprises to have high default rates and risks.

This study was therefore designed to analyze how the micro finance services were influencing the performance of Small and medium enterprises in Uganda and to propose a more effective approach that the Micro Finance Institutions could adopt in order to meet the growth-oriented needs of these enterprises.

1.3 Broad Objectives Of The Study:

The study was to assess the effects of micro finance services on the performance of small and medium enterprises.

1.4 Specific Objectives Of The Study:

To assess the effects of micro loans on the performance of small and medium enterprises.

To assess the effects of micro savings on the performance of small and medium enterprises.

To assess the effects of micro insurance on the performance of small and medium enterprises.

1.5 Research Questions:

What are the effects of micro loans on the performance of small and medium enterprises?

What are the effects of micro savings on the performance of small and medium enterprises?

What are the effects of micro insurance on the performance of small and medium enterprises?

1.6 Significance Of The Study:

The study will significantly identify that the micro insurance services will be regarded as one of the best ways of accessing micro finance services as they will aim at protecting people and their businesses against financial losses through insuring them against risks associated with fire outbreak, or destruction of property, then life insurance. This will help the various enterprises not to be exposed to greater risks which would hinder their production.

The study will indicate that the provision of micro finance services would facilitate in the development and performance of small and medium enterprises. These services will help to build the financial and business management capacity of small and medium enterprises, they will also help to improve their technical skills in production process, as well as to provide the local support services for enterprises with emphasis on the marketing on their products, and promoting quality control on products.

The study will significantly address the issue of micro loans advanced to small scale traders in that these would come with costs that is to say, the interests charged on the principal sum or amount. Therefore, the business people will be under the obligation to pay the principal amount plus the interest so that they could access micro loans as this could be done at the end of agreed duration.

The study will significantly address the point that providing micro financial services for small and medium enterprises will be a powerful tool for poverty reduction, and will enable people to start up small businesses through micro loans, which might increase their incomes and also reduce their vulnerability to economic stress and hindrances like; low productivity.

The study will emphasize that micro finance services like; micro savings will help business people to plan and manage consumption and investments, then to cope up with risks especially through micro insurance services which will emphasize that businesses should be insured against certain business risks.

The study will ensure that the existence of safe and accessible savings services for small-scale enterprises would become a priority for any microfinance development programme. Possible ways for microfinance institutions that will make the saving services available at lower costs include; mobile banking, then through the microfinance officers visiting rural communities on market days, and facilitating groups in collecting and depositing individual voluntary savings.

1.7 Justification of the Study:

The study was intended to identify the various basic micro finance services that were being supplied or provided to the small and medium enterprises. These services comprised of micro savings, micro loans, micro leasing, micro insurance and cash transfers and that they were provided by a variety of micro finance institutions which were broadly divided into Micro finance banks, Non Governmental Organizations like; Credit Unions and Savings Cooperatives and associations, and non financial and informal sources.

The study was to bring about an urgent need for microfinance institutions to improve their ability to provide financial services which included; safe and flexible savings services that small businesses needed and valued. Although the amounts needed were small, these loans, savings and insurance services that micro finance institutions offered, would provide a wide opportunity of setting up new business ventures.

The study was to elaborate more about the micro insurance services in that as many low income people did not have access to adequate risk management tools like insurance services, they could be vulnerable to fall back into poverty in times of hardships like risks. Therefore theses micro insurance services made it possible for people to avoid these risks by insuring them against risks like; property destruction, fire outbreaks among others so that their businesses could continue to expand effectively and efficiently.

The study was also intended to put into consideration that micro loans involved group responsibility. This was in a way that for instance members in a business enterprise had collective responsibility to ensure payment of loans so as to avoid loan defaults in the business.

1.8 Scope of the Study:

The study was focused on assessing the effects of micro finance services on the performance of small and medium enterprises with the particular reference to the Micro Finance Sector in

Uganda. The dimensions of micro finance services were; micro loans, micro savings, and micro insurance and the dimensions of the performance of small and medium enterprises were; turn over, liquidity, and market share. There were also some intervening variables such as; capital, the government policy and the economic environment.

Geographical Scope:

The study was conducted at Finca Micro Finance Bank Limited in Kamuli District which is located along Jinja- Kamuli Road on kitimbo Road. The area had a variety of small and medium enterprises which included; agro business shops, butcheries, mini supermarkets, retail shops, cyber cafes among others.

Subject Scope:

The study covered the micro finance services as the independent variable with the dimensions of micro loans, micro savings, and micro insurance. Then it also covered the performance of small and medium enterprises as the dependent variable with dimensions like; turn over, liquidity and market share. The study also had some intervening variables such as; capital, government policy and the economic environment.

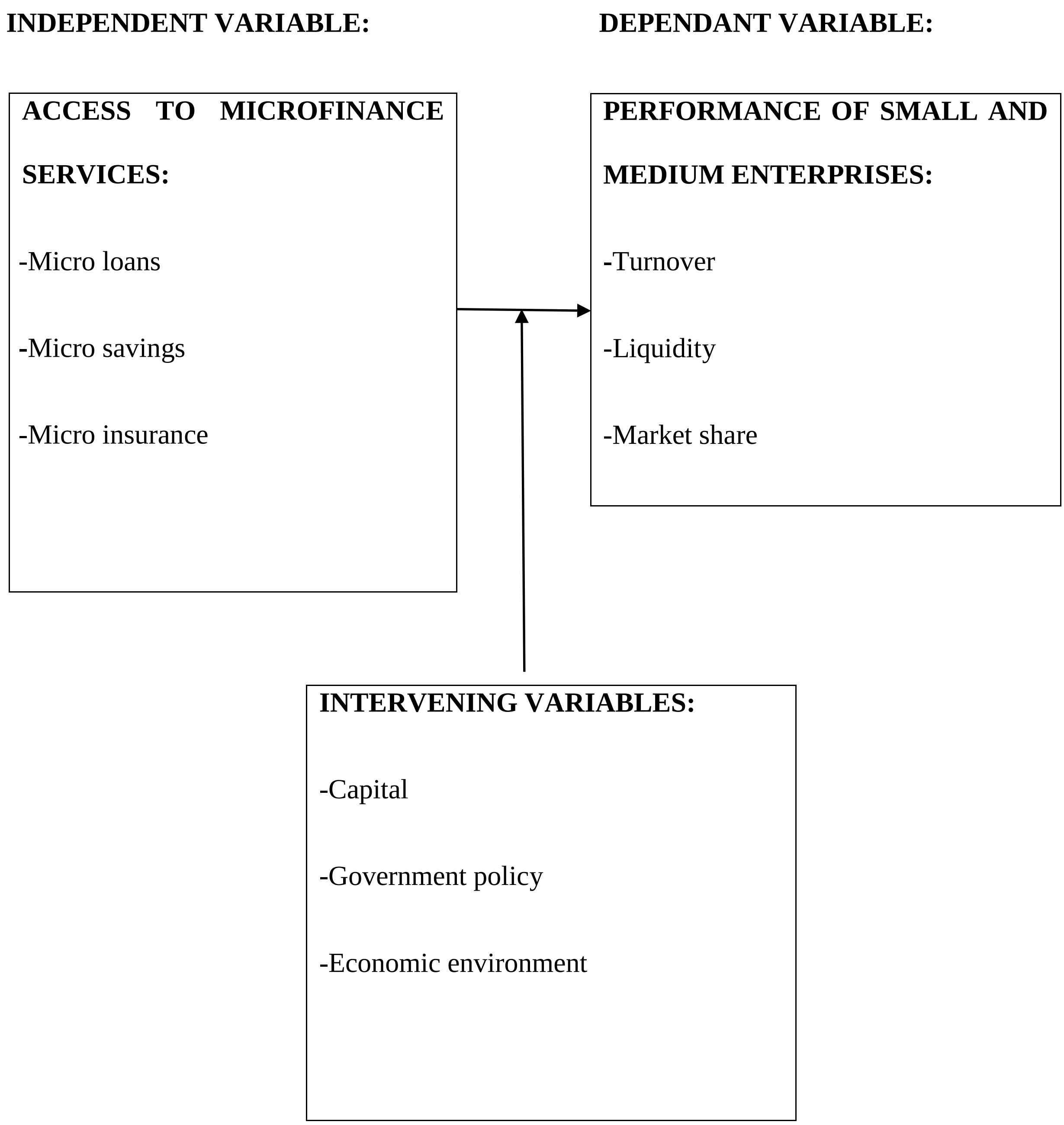
Time Scope:

The study was focusing on the period of 2013-2015. I would concentrate on this period because it would enable me in identifying the various small and medium enterprises within the specified area of Kamuli District and how they are benefiting in accessing micro finance services so as to know whether these financial services were profitable or non profitable to their performance. It would also allow me to carry out extensive research on them about their positive and negative implications they experienced when accessing micro finance services from Finca Micro finance Bank Limited. This period therefore would enable to identify these enterprises' growth, size and their performance in the production sector.

1.9 Conceptual Framework:

With the adoption of Nahamya (2013), the conceptualization of access to microfinance services and the performance of small and medium enterprises consisted of six dimensions, with the three dimensions on the access to micro finance services, including; micro loans, micro savings and micro insurance. Then also three dimensions on the performance of small and medium enterprises including; turnover, liquidity, and other intervening variables of; capital, government policy and economic environment.

Adopted and modified from Bhagwan (2014), sourced out the various independent variables, dependent variables, intervening variables and their dimensions as follows;



The effects of micro loans, micro savings and micro insurance on business growth was as follows:

Eseoghene (2013), explained that the relationship between micro loans, micro savings and micro insurance was based on their influence and impact to the economic growth and development.

Micro loan services led to the expansion of micro enterprises, diversification of economic activities, reduced the reliance on expensive informal sources like the commercial banks. They also improved the profitability of business investments.

Micro saving services from the micro finance institutions brought about generation of more incomes which helped the business people to purchase productive goods and services for their businesses, enabled entrepreneurs to take advantage of profitable investment opportunities as well as promote greater capacity for self- investments, they led to the adoption of better technology and also investing in it. They also reduced the need to borrow from money lenders at high interest rates.

Micro Insurance Service brought about more savings in financial assets. This was in a way that these insurance services helped to reduce risks and potential losses, reduced the distress of selling of assets and also reduced the impact of external shocks. This in the end promoted increase in the business investments.

Bhagwan (2015), explained that the integration of micro financial services demanded by the business people like; micro-insurance, micro-savings and micro-loans reduced the transaction costs and alleviated information asymmetries. Transaction costs were reduced because business clients' needed that all their financial services be taken care of under one roof, that is to say, under one microfinance institution. Moreover, when a client had, say regular savings, or a loan with regular repayments, some information was learnt about the client. This alleviated information problems making it feasible to offer other products such as micro-insurance.

The effects of the dependant dimensions of turnover, liquidity, and market share with the performance of small and medium enterprises was as follows:

Linkedlin (2015), stated that the higher working capital turnover ratio indicated efficient utilization of working capital. A firm or a business had to repay its fixed liabilities out of its working capital. Also, a lower working capital turnover ratio showed that the firm had to face the shortage of working capital to meet its day-to-day business activities unsatisfactorily.

He also explained that the term liquidity meant the extent of quick convertibility of assets into money for paying obligation of short-term nature. Accordingly, liquidity ratios were useful in obtaining an indication of a firm's ability to meet its current liabilities, but they did not reveal how effectively the cash resources could be managed. To measure the liquidity of a firm or a business enterprise, the following ratios were commonly used: current ratio, quick ratio or acid test or Liquid Ratio, then, absolute liquid ratio or cash position ratio. Current Ratio established the relationship between current assets and current liabilities. It attempted to measure the ability of a firm to meet its current obligations so as to improve on the performance of small and medium enterprises.

Bourdieu (2015), elaborated that the Market share was said to be a key indicator of market competitiveness, that is, how well a firm was doing against its competitors. This idea, supplemented by changes in sales revenue, helped the business managers evaluate both primary and selective demands in their market. That is, it enabled them to judge not only total market growth or decline but also trends in customers' selections among competitors. Generally, sales growth resulting from primary demand (total market growth) was less costly and more profitable than that achieved by capturing market share from competitors.

Kennan (2015), explained how to find the market share by the sales revenue in that the market share measured how much of a given market segment a particular business had accounted for. He stated that a business person could measure the market share by volume or sales revenues. Therefore, knowing the market share of a business could tell a business person how much of the market he or she controlled and how much of the sales went to their rivals so as to encourage the performance of small and medium enterprises.

The influence of these intervening variables; capital, government policy and the economic environment and the performance of small and medium enterprises as well as the micro finance services.

Gallagher (2015) explained that capital was an important factor to the growth and development of small businesses and therefore without it, businesses couldn't really accomplish anything beyond the day to day operations.

Myer (2015) stated that capital was a necessary factor of production and economic growth among businesses and therefore all businesses had to have capital in order to purchase assets and maintain their operations. Business capital came in two main forms, debt and equity. In case of debt capital, the cost was the interest rate that the firm or the business had to pay in order to borrow funds. For equity capital, the cost was the returns that had to be paid to investors in form of dividends and capital gains. Since the amount of capital available for businesses was often limited, it was allocated among various businesses on the basis of prices. Firms with the most profitable investment opportunities were willing and able to pay the most for capital, so they tended to attract it away from inefficient firms or those businesses whose products were not on a high demand in the market sector which hindered their growth and development.

Kanishka (2015) stated that favorable government policy such as reducing on taxes levied on business enterprises and giving subsidizes to them helped to promote high productivity in businesses. In addition to this, the lowering of taxes by government from11 percent to 9 percent allowed small businesses to retain more earnings that could be used to reinvest and create jobs. This further encouraged small business growth and performance.

Eestipark (2015) indicated that a stable economic environment characterized by the price stability implied avoiding both prolonged inflation and deflation as they complicated the economic growth because of the general level of price declines of products and services. Price stability contributed to achieving high level of economic activities and employment for businesses. Often, business enterprises found it hard to lower wages, even if the prices of their output declined. This caused an increase in unemployment and increased in the number of bankruptcies.

A stable economic environment comprised of stable prices brought about the following benefits to business growth. It contributed to achieving high levels of economic growth, activities and employment. It helped in improving the transparency of the price mechanism. This allowed business managers to make well-informed consumption and investment decisions and to allocate resources more efficiently. Price stability also reduced inflation risk premium interest rates. This reduced real interest rates and increased incentives to invest. It also helped to avoid unproductive activities to hedge against the negative impact of inflation or deflation.

In conclusion, it can therefore be explained that the chapter one mainly consisted of the introduction of the study, the background of the study, the problem statement which was mainly to identify the intensions of the study about how the Micro finance services had affected the performance of small and medium enterprises and how they were affecting the business people and the reasons for charging them, then the broad objective of the study, the specific objective of the study, research questions, significance and the justification of the study, the scope of the study indicating the geographical scope, the subject scope, and the time scope and then the conceptual framework which elaborated on the independent variable of micro finance services with its dimensions like the micro loans, the micro savings and micro insurance. The dependent variable of the performance of small and medium enterprises had its dimensions as follows; turnover, liquidity and the market share and the intervening variables were as follows; capital, government policy and the economic environment and their influence to the business sector as well as to the micro finance sector.

CHAPETER TWO: LITERATURE REVIEW:

2.0 Introduction:

This chapter examined the literature that was related to microfinance services and the various dimensions of micro loans, micro savings, and micro insurance and then the performance of small and medium enterprises with dimensions of sales turnover, liquidity and market share. The chapter was also related to the review of the literature based on the study objectives.

2.1 Micro Finance Services:

Mahjabeen (2013) stated that micro finance services had been identified as a key element for small and medium enterprises to succeed in their drive to build productive capacity, to create jobs and to contribute to poverty alleviation. Because of access to micro finance services like accessing micro loans, it enabled owners of small businesses to acquire incomes to finance their business activities, build assets and to reduce their vulnerability to external shocks and improve financial sustainability.

In addition to this, micro finance services gave people new opportunities which helped them to get micro loans and secure finances so as to start up small businesses as well as to also equalize other chances for future business opportunities.

Kisaka (2014) explained that the microfinance services provided to micro finance clients could be categorized into four different ways. There were financial intermediation, or provision of financial products and services such as loans or credit, savings, insurance, credit cards and payment system which did require ongoing subsidies. Similarly, the micro finance institutions had the following characteristics; their loans were usually relatively short, less than 12 months in most instances and were generally for working capital with immediate regular weekly or monthly repayments. Then, they were also disbursed quickly after approval, particularly for those seeking repetitive loans.

Uchenna (2014) indicated that the micro finance services such as micro loans, micro insurance and micro savings brought about the following benefits like; accessing micro loans enabled people to acquire incomes for setting up businesses, decreased in the level of inequality among people as both the rich and poor people had access to micro savings and micro insurance services equally and also enhanced private investment among people who were setting up their own businesses as sole proprietors.

Myanmar (2014), elaborated that increasing access to micro financial services was a major goal to the development of peoples' lives. Access to micro loans enabled poor people to acquire incomes which reduced the poverty of grass root communities, brought about economic development because people were able to set up small businesses from which they could earn incomes, then, micro savings enabled people to save a greater percentage for setting up investments, micro insurance protected businesses of people as they could be insured against it.

Mujeri (2015) on the other hand stated that micro finance services such as micro loans, micro savings and micro insurance implied the absence of any obstacles that hindered the use of required financial services. Therefore, low-income families, especially the poor, had multiple and compelling reasons to access these micro finance services to smoothen their income over short-term fluctuations due to less stable employment and earnings. Similarly to that, access to these services was also critical both for investing in productive business activities to enhance their incomes and raise resources that could be used to smooth income in response to short-term earning fluctuations.

On the other hand, he strongly argued that even if micro finance services enabled the poor and the extreme poor to identify and prioritize investment opportunities, develop products and services mix, and identify markets for their products and services however, there was a lack of suitable product structure of the Micro Finance Institutions suitable for the enabling the currently poor and low income earners to access financial services from the formal financial system. The development of appropriate financial products was necessary which was lacking. The high cost of services was another major barrier in accessing them by the poor, for instance micro loans required collateral security which the poor lacked, and then they charged high interest rates on loans which they could not also afford. Although the outreach of the Micro finance Institutions (MFIs) was quite impressive especially in the rural areas, there was an absence of credit bureau which could have helped in identifying overlapping borrowers and their indebtedness. At the same time, there were no effective micro insurance services for the borrowers which could have insured and protected them against any risks incurred in their businesses.

2.1.1 Micro loans:

Massachusetts (2014) stated that the Microloan program provided loans up to $50,000 to help small businesses and certain not for profit making businesses to start up and expand in their activities. The average microloan was about $13,000. The micro finance institutions provided funds to specially designated intermediary lending officers with experience in lending as well as management and technical assistance. These intermediaries administered the Microloan program for eligible borrowers. Each intermediary lender had its own lending and credit requirements. Generally, intermediaries required some type of collateral as well as the personal guarantee of the business owner who wanted to borrow money for further expansion of the business.

In addition to this, the micro loans were useful for the following purposes, for obtaining working capital to purchase inventory or supplies, furniture or fixtures machinery or equipment for the businesses. In addition to that, the loan repayment terms varied according to several factors like, size of the Loan amount, planned use of funds, requirements determined by the intermediary lender, and the needs of the small business borrower. The maximum repayment term allowed for a microloan was six years.

Nkundabanyanga (2007) argued about the short term time deposits mobilized from the Micro Finance Institutions that the small enterprises were liable to repay on a fixed date within 1 month of the statement date. These included compulsory deposit accounts that were held by the Micro Finance Institutions as a condition for the current or future loan or other services such as cash collateral accounts or guarantee deposits.

On the other hand, Hiedhues (2013) indicated that accessing micro loans by small business holders was normally seen as one of the constraints that limited their benefits from having access to credit facilities. This was evidenced through the lending policies that prescribed minimum loan amounts, complicated application procedures and restrictions on credit for specific purposes like; high interest rates of which they couldn't access loans. Therefore, in order for micro finance institutions to provide or enable efficient accessibility of micro loans, they would impose favorable policies and conditions such as; low collateral requirements and low interest rates so that they should not actually limit or stand in the way of poor people and small income holders when accessing micro loans. Otherwise, they could use the loans and repay if effective procedures for disbursements, supervision and repayments had been established.

Diagne (2013), argued that lack of access to micro loans by the poor just below or just above the poverty line had negative consequences for their small businesses and overall welfare whereas access to micro loans further increased their small businesses and enabled consumption smoothing overtime.

Furthermore, Wydrick (2013) stated that the provision of micro loans to the poor served two purposes. First, as borrowed capital was invested in small enterprises, it often resulted in significant short term increase in people's household expenditures and their welfare. Secondly, micro loans encouraged economic growth in the informal sector in that it promoted increase in capitalization of businesses, employment creation and long-term income growth.

Yigrem (2013) emphasized that the portfolio quality or loan repayment in Micro Finance Institutions was the most revealing financial performance. Therefore, loan collection was needed for the success of micro finance institutions. However, the method of collecting loans was not always reliable. There would be the risk of loan delinquency and default. Therefore, it was important to have the assessment of the portfolio quality or loan repayment and its challenges to know the effectiveness and its viability.

Rosengard (2013) stated that the micro loan size was one of the major indicators that measured the depth of the outreach, where the smaller loan size corresponded to the greater depth. The changes in the loan sizes also had important repercussions for the entrepreneurship businesses. Entrepreneurs were claimed to be not only important for economic growth but also for social equity as these micro loans improved the distribution of their income and wealth, improved access to economic opportunities and up warded social mobility which helped to establish the foundation of a market economy.

Khalid (2013) went ahead and argued that the higher loan size meant that microfinance banks had shifted to a more profitable market where people had the ability to repay back these loans. These loans would go to the more established entrepreneurs who had still played an important role in the development of the economy by setting up more business ventures and activities. On the other hand, he stated that the higher loan size meant approaching few poor clients and this led to the drifting of any microfinance mission related to financial sustainability which reduced poverty alleviation and the upward social mobility of the poorer groups of the society.

Mohindra (2013) explained that most Micro Finance Institutions collected obligatory savings from the clients on a weekly or monthly basis before further loans were disbursed. When the loan was disbursed, the net amount received by the client was after the deduction of the first installment. So the first installment for the loan was already taken by the lender as soon as the loan was sanctioned. Clients were allowed to withdraw at the end of the loan term, after a set number of weeks, months, years or even when they terminated their membership.

Similarly, Kingsbury (2014) indicated that the Finca limited programs began as nonprofit institutions rather than regulated commercial finance institutions. Therefore, they could not legally collect the savings of their clients for financing their loan portfolio (as a conventional bank would do). Thus, Finca limited usually financed its start-up programs with grants or soft loans. It estimated that for a typical country program to reach its break-even point, it required three years, a minimum of 7,000 clients, and about $2 million in funding where half was for loan capital and the other half subsidized a declining share of its operating costs over a period of three years. Furthermore, FINCA Limited has financed an increasing share of its program start-up costs from private sector donors (corporations, foundations, and individuals). Once a Finca program reached break-even point, it could continue to grow its portfolio by re-investing its net operating surplus. It also became eligible for it to borrow from local commercial banks for re-lending to its clients. These loans were guaranteed by means of a dollar-denominated letter of credit from FINCA International’s Village Bank Capital Fund (VBCF). Today, some 20% of Finca’s global lending is financed by borrowed capital from host-country commercial banks.

Ledgerwood (1999) added that there were two ways of lending in Micro Finance Institutions which were; individual lending and group lending. Individual lending was defined as the provision of credit to individuals especially the small enterprise managers who were not members of a group that was jointly responsible for loan repayment. Then for group lending, group members mutually guaranteed each others' loans and they were held legally responsible for repayment.

2.1.2 Micro savings:

Kecumatan (2013) stated that micro savings were used as a tool to prepare the borrowers to manage credit. Prospective borrowers made weekly savings deposits, and their credit eligibility was based on their capability to maintain self-discipline in savings. Each borrower saved every week. In addition to this, 5 percent of each loan amount approved was set aside at the time of disbursement for savings.

On the other hand, Voller (2014) argued that deficiency in savings facilities created problems at the three levels which were; one at the individual level, secondly at the level of the financial institutions and thirdly, at the level of the national economy. At the individual level, the lack of appropriate institutional savings facilities forced the individuals to rely upon in-kind savings, such as the savings in form of or upon informal financial intermediaries, such as Rotating Savings and Credit Associations (ROSCAs) or money keepers. These alternative informal savings facilities did not guarantee the combination of security of funds, ready access or liquidity, positive real convenience, which were basic requirements or necessities of a depositor.

Similarly, the micro savings mobilization had been recognized as a major force in the Micro Finance Institutions (MFIs). The importance of this program had been highlighted as few analysts had been sensitized and shaped on how to save their incomes in order to take an in-depth look at the savings mobilization strategies, which were employed by various Micro Finance Institutions and were then compared to the results of each lending institutions.

In addition to that, Robinson (2001) argued that, major obstacles to mobilizing micro savings remained in the minds of the beholders in the formal financial sector. Despite substantial evidence to the contrary, it was still believed that the poor were reluctant to. Thus mobilizing domestic savings in the Micro Finance Institutions had to be important as far as sensitizing small enterprise managers on the saving skills in order to enhance their performance.

Montgomery (2013), states that saving services offered by Micro Finance Institutions had been divided into forced and voluntary savings, with forced savings far exceeding voluntary savings. In a forced savings program, microfinance participants were required to save a minimum amount each week (or another set period of time). These savings ostensibly taught financial discipline and provided the Micro Financial Institutions with additional information about clients. In practice, they served primarily as a form of cash collateral. Rules regulating when and how clients withdrew these savings were typically highly restrictive.

In addition to this, he indicated that the second form of savings was the voluntary savings where many people especially the poor ones did not operate enterprises, but they had to save often in small amounts and to at inconsistent intervals. They were integral to the poor households with external business shocks, emergencies and poor financial business lifecycle events to which they were so vulnerable. Therefore, these micro savings played a crucial role in allowing the poor to take advantage of productive investments opportunities.

2.1.3 Micro Insurance:

Jacquier (2014) explained that micro insurance was recognized as a useful tool in economic development. As many low-income people did not have access to adequate risk-management tools, they were vulnerable to fall back into poverty in times of hardship, for example when the breadwinner of the family dies, or when high hospital bills force families to take out loans with high interest rates. Furthermore, micro insurance made it possible for people to take more risks. When farmers were insured against a bad harvest (resulting from drought), they were in a better position to grow crops which gave high yields in good years, and bad yields in year of drought. However, without the insurance services, they would be inclined to do the opposite, since they had to safeguard a minimal level of income for themselves and their families, crops would be grown which were more drought resistant, but which had a much lower yield in good weather conditions.

Kajaani (2014) indicated that the participation in the formal micro insurance schemes offered yet another option of insuring people' s business property and lives against any damages or risks associated with accidents, fire-out breaks and any other destructions. Just as a large demand for formal savings and loans existed among the poor, there was also believed to exist a large demand for formal insurance. Although micro insurance was in the early stages of development, efforts were being made to formalize and design the process. There were some successful stories like; FINCA Uganda offered its clients health insurance through an AIG subsidiary based in South Africa. But the overall progress was modest so far owing in part to the biggest percentage of people adopting the use of different nature of insurance as compared to savings or loans and to the fact that many Micro Financial Institutions (MFIs) possessed the specialized knowledge of how to set up or run insurance programs.

Overy (2013) argued that the Micro insurance was a financial arrangement to protect low-income people against specific damages in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved. Nevertheless, micro-insurance did not refer to, the size of the risk-carrier, the scope of the risk, the delivery channel, as it could not only be delivered through a variety of different channels, including small community-based schemes, credit unions or other types of microfinance institutions, but also by enormous multi-national insurance companies. Similarly, he identified the micro insurance functions on the concept of risks, regardless of their small unit sizes and activities at the level of different communities.

Micro insurance linked multiple small units into larger structures, created networks that enhanced both insurance functions (through broader risk pools) and supported structures for improved governance (like; training, data banks, research facilities, access to re-insurance). This mechanism was conceived as an autonomous enterprise, independent of permanent external financial lifelines, and its main objective was to pool both risks and resources of whole groups for the purpose of providing financial protection to all members against the financial consequences of mutually determined risks.

The micro insurance services had the following critical features which were to be put into consideration; transactions were to be at a low-cost (and reflected members' willingness to pay), clients were to be of essentially low-net-worth (but not necessarily uniformly poor), the essential role of the network of micro insurance units were to enhance risk management of the members of the entire pool of micro insurance units over and above what each could do when operating as a stand-alone entity.

2.2 Performance of Small and Medium Enterprises:

Ghimire (2013) indicated that the performance of small and medium enterprises was simply defined in terms of output such as profitability or quantified objectives. This meant that their performance had to do with results or achievements in business production which covered achievements of anticipated levels as well as objective review and setting. There were three different levels of performance within the small and medium enterprises and these were;

business performance, organization performance and the financial performance. Similarly, he later argued that the overall performance within a small and medium enterprise depended on appropriate management styles at all three levels of management, namely, lower management, middle management and the top management. Here, the business managers at each level were to take strategic decisions and lay out expansion plans.

Ardjouman (2014) explained about the institutional policies strategies of small and medium enterprise owners of setting up businesses in a central location area that was easily accessible for many people to purchase different items which could increase their profits in businesses and later improve on their performance. Similarly, the policy of setting up businesses within the same area or place was not a good idea as it brought about increased competition with other enterprises leading to a competitive disadvantage in their market economy. Furthermore, marketing of products and services from a central market place could save time and money as well as reducing on other costs and expenses such as the transportation costs. Such policies involved creating programs of orderly urban development that accommodated the target market needs of these enterprises and discouraged scattering to remote areas, as this retarded their growth.

Keningston (2013) elaborated that to ensure a reliable performance measure among small and medium enterprises, there was need to use the key performance indicators because a new pattern of performance measures had been adopted by many enterprises. This was based on identifying what the business did in terms of levels of processes and attaching key performance indicators to those processes. The recording and analysis of these performance indicators would significantly contribute to the achievement of business goals. The main reason for using them included, informing the businesses how well they provided services, how long they took to process customer requests such as their delivery services for the various products requested for, how good was their product delivery performance, and how much time they spent fixing mistakes concerning low quality goods and services.

Lanzora and Leonardo (2015) explained that the small and medium enterprises were seen as the key players for sustaining growth for basically two reasons. First, their growth and performance was often initiated by large firms but overtime, as the economy expanded, much of them depended on increasing the scale of new firms to make them efficient. Secondly, their growth and performance indicated structural transformation in which new firms made goods and services in new innovative ways and the old inefficient ones were also being innovated and recognized in the market economy.

Small and medium enterprises faced many challenges in undertaking their business operations than large organizations. The greatest among their difficulties was access to funds in financing start-up or for expansion of existing businesses. Lending to small businesses or entrepreneurs stayed restricted because formal financial institutions felt reluctant to offer credit and loan facilities to small and medium enterprises due to their high risk nature, small portfolios and high transaction costs of processing micro loans.

Aldaba (2015) argued that the cost of production of the small and medium enterprises was intended to measure the increasing scale of the enterprises' operations and performance. With increasing costs, their production inputs were expected to increase proportionately. Because of this, entrepreneurship skills of innovation and invention of setting up new business ventures were formed. Hence, the costs of production or the greater production scales were associated with higher incomes and revenues. This indicated a potential performance for these enterprises to expand and to be profitable. Hence with more innovation, more production could be realized even without increasing inputs, thus reducing the additional costs of production.

Bernadine (2013) stated that the growth and the performance of the small and medium enterprises contributed to the increased value creation and production of high quality services which increased their incomes and profits. Given their dynamic nature, they were a source of new business ideas and contributed to raising productivity and improving the economic structures thus increased the resilience and sustainability of their economic development.

He further more explained that the small and medium enterprises also generally created more jobs than large enterprises because they tended to be more labor intensive operationally. They were found to employ more than half of the work force in most of the business economies but the proportions varied substantially. They accounted for over 80% of total employment in various economies which was evident that they were already playing an important role in economic activities and employment creation.

In addition to this, Dhamija (2013) also indicated that small and medium enterprises were considered as a major source of employment generation. They had an advantage of cheap labor and flexibility of operations along with indigenizing technology. Though there were many arguments on the overall contribution of these enterprises in the new employment, they were later considered as an important source of employment creation. On the other hand, if these enterprises could adopt multi- strategy transformation initiatives, the probability of achieving their growth objective would increase. In planning a performance improvement program for them, different capabilities had to be given priority depending upon the development stages of the enterprises or firms. Enterprise activities were governed by productive possibilities which were actually a dynamic interaction between the internal and the external environment. This interaction included all the productive possibilities that the business managers could see and take advantage of.

Mingaine (2013) indicated that the size of the enterprise was incidental to their growth process, and that it was a coherent administrative unit that the business managers provided administration coordination and authoritative communication to employees via the business activities. However, the growth of an enterprise was limited by the scope of managerial resources, specifically the stability to coordinate capabilities and introduce new people or workers into the enterprise because when these enterprises had many workers, they could ease production of many products and services leading to many products supplied on the market.

On the other hand, he argued that the performance of small and medium enterprises had some external pressures such as stiff competition on the global economy, inefficient technology, and poor infrastructure as some buildings for the businesses were in a poor state which hindered effective performance.

2.2.1 Turnover:

Kennan (2015) stated that the sales turnover, often called inventory turnover, referred to how often the company sold its entire inventory. The more sales the company made, the higher the sales turnover rate. You could measure sales turnover in different time-frames, such as annually or monthly. The higher the turnover rate, the more efficiently the businesses' turns on money spent on purchasing goods into profits. Each day that the business' inventory had been kept in the warehouse was the day that business enterprise could use the money paid for those goods to make a profit elsewhere.

In addition to that, he explained on how to calculate the average inventory in units by adding the daily inventory for each day of the period and dividing by the number of days in the period. Or, if daily inventory amounts were unavailable, they had to use the data available. For example, when there was the process of calculating the annual sales turnover in the business premise and they had monthly inventory amounts, they had to add the monthly inventory amounts and divide by 12 to find the average inventory.

Zeynep (2015) argued that high turnover rates caused harm to a business's ability to retain customers and provide high-quality customer service. Customers could feel more comfortable talking to the same employees and customer service representatives over time. Personal relationships and familiarity could build customer loyalty. Small businesses were better positioned than large competitors to take advantage of this, but if workers were constantly leaving and being replaced by new ones, it limited the ability of the business to form a strong rapport with customers with lowered productivity within a business.

2.2.2 Liquidity:

Swedroe (2013) stated that liquidity was the degree to which an asset or security could be bought or sold in the market without affecting the asset's price. It was characterized by a high level of trading activity and small spreads between the bid and offer. Because was safer to invest in liquid securities than illiquid ones, illiquid assets could have higher expected returns (a risk premium) as compensation for their incremental risks and higher costs of trading. Liquidity has a substantial impact on the valuation and returns of all types of securities, having a positive long-run impact on returns.

Similarly to that, liquidity as measured by stock turnover or trading volume was an economically significant investment style that was just as strong to explain investment returns of small and medium enterprises. When converted into a "less liquid verses more liquid" liquidity factor, liquidity was negatively correlated with the market and size factors, but positively associated with value and momentum factors which brought about a significant factor to the growth and performance of the small and medium enterprises.

Harry (2015) on the hand explained that liquidity was the ability to quickly resell an asset for fair or near-fair value. An investor would want a higher return on an illiquid asset than a liquid one, to compensate for the loss of the option to sell it at any time. Treasury bonds were highly liquid with an active secondary market, while some other debts were less liquid. In the mortgage market, the lowest rates were often issued on loans that could be re-sold as securitized loans. Highly non-traditional loans such as seller financing often carried higher interest rates due to lack of liquidity.

Moffat **(**2015) argued that liquidity was a market's ability to facilitate the purchase or sale of an asset without causing drastic change in the asset's price. Equivalently, an asset's market liquidity was its ability to sell quickly without having to reduce its price very much. Liquidity was also about how big the trade-off was between the speed of the sale and the price it could be sold for. In a liquid market, the trade-off was mild; selling quickly would not reduce the price much. In a relatively illiquid market, selling it quickly would require cutting its price by some amount.

Nevertheless, money or cash was the most liquid asset, because it could be sold for goods and services instantly with no loss of value. There was no waiting for a suitable buyer of the cash. There was also no trade-off between speed and value. It could be used immediately to perform economic actions like buying, selling of products and services or paying debt, and meeting immediate wants and needs.

2.2.3 Market share:

Buzzel (2015) stated that businesses with different market-share levels were compared to financial and operating ratios and measured the relative prices and product quality for the businesses. Consequently, when they could compare businesses with market shares under 10% say, with those having shares over 40%, they were not observing differences in costs and profits within a single industry. Each business contained a diversity of industries, types of products, kinds of customers, and so on.

Nikkei (2015) indicated that gains or losses in market share had significant impacts on a company's stock performance, depending on industry conditions. Market share was essentially the percentage of an industry's total sales that the business earned. Changes in market share had a larger impact on the performance of businesses in cyclical industries where there was low growth.

In contrast, Ralph (2015) argued that changes in market share had less impact on businesses in growing industries. In these industries, the total rate was growing, so the businesses could still be growing their sales even if they were losing market share. For businesses in this situation, their stock performance was more affected by sales growth and margins than other factors. Also competition for market share was brutal. Economic factors played a larger role in the variance of sales, earnings and margins, more than other factors. Margins tended to be low and operations ran at maximum efficiency due to competition. Since sales came at the expense of other businesses, they invested heavily in marketing efforts or even lost traders to attract sales. On the other hand, once they gained greater market share and competitors were ousted, they attempted to raise prices. This strategy could work, or it could backfire, compounding their losses.

Bradley (2015) also explained that market share brought about economies of scale: The most obvious rationale for the high rate of return enjoyed by large-share businesses was that they had achieved economies of scale in procurement, manufacturing, marketing, and other cost components. A business with a 40% share of a given market was simply twice as big as one with 20% of the same market, and it would attain, to a much greater degree, more efficient methods of operation within a particular type of technology to be used in production.

2.3 REVIEW OF LITERATURE BASED ON THE STUDY OF OBJECTIVES:

2.3.1 Micro loans and the Performance of Small and medium enterprises:

Micro loan products were best suited to finance working capital for small and medium enterprises and their trade businesses that could manage high repayment frequencies (daily, weekly or bi-weekly). Loan values were very low, repayment terms were short. These loans were also useful for high turnover traders as they enabled them to grow to larger micro-enterprises but these would then require larger, longer-term and arguably individualized loans to grow further. However, they were not suited for investment with businesses with slower turnover cycles.

Micro Loans benefited the performance of Small and Medium Enterprises in the following ways. The micro loan officers were required to lend 10 percent space for the small and medium enterprises to help them in easily marketing their products, promote business growth and ensure sustainable wealth creation. Loan officers availed loans these enterprises at relatively lower interest rates to increase their savings and the investment opportunities. Small and Medium Enterprises were also entitled to collateral free loan which would go up to shillings 25,000 to them and this improved on their performance effectively.

Micro Loans were used for financing specifically small and medium enterprises depending on the sizes, nature and viability of these enterprises to be financed. Small loan requirements for these enterprises' performance were; credit tenor or the term depending on the repayment capacity, anticipated cash flows, credit amount credit purpose. Micro loans incurred the following benefits on the performance of Small and Medium Enterprises; they provided loan funds for both working and long term investment needs, they were easy to obtain from existing largest Microfinance Institutions. The competitive interest rates were lower and the loan officers were regularly trained to equip borrowers with business skills. The repayment period was up to 24 months to accommodate the pressures and needs of small and medium enterprises performance.

Most small and medium enterprises' financing needed to exceed the micro loans that microfinance institutions provided. Yet larger commercial banks often found it too expensive to lend to these enterprises because the cost of assessing whether an enterprise was creditworthy was high relative to the return banks could earn by lending to them. Many banks also perceived the small and medium enterprises as being too risky and more likely to default on loans. Credit scoring had been used extensively to reduce the cost and time required to process loan applications and to assess the riskiness of loan applicants in order to make small businesses profitable for banks. Credit-scoring system increased lending to small and medium enterprises in emerging markets and improved their businesses' profitability.

2.3.2 Micro Savings and the Performance of Small and Medium Enterprises:

A micro savings account was needed to obtain financing from Micro Finance Institutions. This was because of the costs incurred in terms of high interest which were often prohibitive and other operational costs which were a major constraint of small businesses to obtain adequate financing. The cost of maintaining a savings account influenced the business customers in the selection of the Micro Finance Institutions for their operations and major influences varied depending on the microfinance institutions.

Access to safe and flexible savings services played a critical role in poor people's strategies for minimizing risks, mitigating income fluctuations, facing unexpected expenditures and emergencies, and setting up small businesses over time. In particular, the very poor living in rural areas, who lacked investment opportunities and safe ways of keeping their savings, greatly valued the access of safe savings services.

2.3.3 Micro Insurance and the performance of Small and Medium Enterprises:

The micro insurance license recognized that there could be equipments, assets or products which were suitable for small and medium enterprises to be insured against any risks, but did not fit within the risk criteria and product parameters. The risk analysis suggested that the product limitations above were necessary to limit the underlying risk, thereby allowing dedicated micro- insurers to operate under a lighter regulatory regime. Riskier and more complex products targeted at small and medium enterprises would continue to require the more onerous regulatory regime currently applied to full insurers so as to improve their performance.

Micro insurance provided a safe mechanism against negative events. It was therefore particularly useful for small and medium enterprises where the nature of the activity and the return periods exposed the enterprise to greater risks. Since it was costly to create new distribution channels, micro insurance had greater risks of reaching these enterprises viably when it was integrated into existing Micro Finance Intuitions. If provided at a reasonable cost, micro insurance could be a powerful poverty reduction mechanism with greater expansion potential and profitability of the enterprises' performance.

Micro insurance protected people and their businesses against financial loss by spreading the risk among large number of people in a business. It indicated the amount of a specific potential loss covered by the insurer and the insured person or enterprise had to pay a premium that was directly related to the likelihood of the cost of the particular risk for the business. Micro Insurance traditionally started as loan insurance but it is now expanding to address the needs of small and medium enterprises to cover a variety of insurance products such as health insurance, annuities, endorsement and life insurance, property insurance against damage, destruction and theft of the assets.

Conclusion:

In conclusion, it could therefore be noted that the access to micro finance services such as, micro loans, micro savings and micro insurance provided by micro finance institutions facilitated the performance of small and medium enterprises. For instance the micro loans and credit facilities provided access to capital on small scale and enabled business people to engage in productive economic activities and thus contributed to the development of the economy. In addition to this, micro finance institutions also provided micro savings and micro insurance services to small and medium enterprises to enable them manage their business risks. Micro insurance too, enabled poor people to afford business related insurance payments as well as health micro insurance. The performance of small and medium enterprises was based on some key performance indicators that enabled the small businesses to successfully yield high profits in production.

On the other hand, turnover, liquidity and market share also greatly influenced the performance of small and medium enterprises in that for instance, liquidity was a market's ability to facilitate the purchase or sale of an asset in business without causing drastic change in the assets' prices. Then, the market share brought about economies of scale in a business enterprise leading to effective growth and performance of a business.

CHAPTER THREE

RESEARCH METHODOLOGY:

3.0 Introduction:

This section comprised of approaches to be used to make the study successful. It consisted of the research designs, the study area, study population, sampling procedures, sample size and sampling techniques, to be used during the study then the also the methods of data collection, data analysis, and presentation, quality control, measurement of variables, ethical consideration as well as study limitations.

3.1 Research design:

The study adopted to use the case study as the research design. It also adopted the research study approaches of both qualitative and quantitative methods of data collection. Both the qualitative and quantitative approaches had been selected because they were able to provide a wider range of data for analysis hence more accurate results from the research.

3.2 Area Of Study:

The study was conducted in Kamuli District at Finca Micro Finance Bank Limited on Kitimbo Road in Kamuli Town. It is located approximately 40 kilometers from Kamuli Town which is in the eastern direction from Kampala, the capital city of Uganda.

3.3 Study Population:

Out of 200 people of the total population whom Finca gave out loans, only 105 clients were found to own small and medium enterprises.

3.4 Sampling procedures:

The researcher used Krejice and Morgan theory of determining the sample size from the given study population, where the sample size was determined by the formula stated below; $S=X^2NP\ (1-P)/d^2\ (n-1)\ +X^2P\ (1-P)$. Where S = Sample population size, X^2 was the table value of the chi-square for 1 degree of freedom at the desired confidence level. N was the population size, P was the population portion; d was the degree of accuracy expressed as a proportion. This formula helped the researcher to determine the appropriate sample size.

3.4.1 Sample size:

A sample of 80 people of those who have loans from Finca as well as use them to run their small enterprises were used as respondents in the research. Then also 10 workers from Finca Microfinance Bank Limited in Kamuli were also used in the research and a simple random sampling method was used when collecting data because the population was homogeneous as the element had similar characteristics. Altogether 90 respondents were used in the research

Table 3.4.1: Showing the sample size of small and medium enterprises category

Small and medium Enterprises Category	**Number of enterprises**	**Enterprise Selected**	**Percentage %**
Food and beverages	20	20	**100**
Clothes and related wears	20	15	**75**
Electronics	25	15	**60**
Cyber Cafes	15	10	**67**
Hardware shops	10	10	**100**
Mini supermarkets	20	10	**50**
Finca Microfinance bank	1	10 workers	
Total		**90**	

The population was divided into seven strata and a sample was selected from each strata. One stratum was based on the enterprises dealing in Food and Beverages. The second stratum was of enterprises dealing in clothes and related wear, the third stratum was for enterprises dealing in electronics, the fourth stratum was for enterprises dealing in cyber cafes, fifth stratum was for hardware shops and the sixth stratum was for mini supermarkets and other businesses including small restaurants. The seventh stratum included Finca Micro Finance Bank Limited which consisted of 10 workers.

3.4.2 Sampling Technique:

The researcher used simple random sampling technique where by each person from the study population had a known equal chance of being a subject into the sample and formed a standard unit of inquiry.

3.5 Data Collection Methods And Instruments:

Primary Sources Of Data:

Data from the primary sources primary sources was collected for that particular purpose and it required the use of ordinary method. Collecting primary data involved the use of questionnaires which were distributed to respondents to ensure that the first hand information was collected.

Secondary Sources Of Data:

Within the secondary sources, the researcher used the library books, journals and other literature sources as regards to the topic to obtain the information needed.

3.6 Quality Control:

The study involved the use of reliability and validity. The reliability indicated the extent to which the instrument was without bias, or error free and hence ensured consistent measurement across the various items in the instrument. Ogunyomi (2014) stated that using the reliability test of the study, data was analyzed between employee turnover and the performance of Small and Medium Enterprises as it was not enough to predict the performance of these sample enterprises.

Validity tested the level of ability of a scale to measure the intended concept. Turyakira (2014) indicated that all items in the questionnaire were subjected to exploratory factor analysis to determine the validity among the access to micro finance services and performance of Small and Medium Enterprises.

3.7 Data Management And Processing:

The researcher used the different methods of data management and processing like; questionnaires, interviews, observations, document reviews to obtain the information needed in the study. Questionnaires were the main collection method to be used whereby respondents were given questionnaires to fill in the answers for their own choice of which the researcher would then analyze them as well as the other methods like; interviews, observations, document reviews.

3.8 Data Analysis And Presentation:

Data was analyzed using both descriptive and quantitative approaches.The study involved the presentations in the form of graphs, tables, charts, as well as descriptive methods of statistics, like; mean, mode, medium, variance, standard deviation, as the quantitative approach. Then the study also involved interviews, conversation analysis, themes, verbation, or narration as the qualitative approach.

3.9 Ethical Consideration:

Before carrying out the study, the researcher ensured that all the references or works of other people or authors were used, clearly cited and acknowledged. She sought voluntarily participation from those that participated in the research work and also provision of responses. She asked and got permission from the authority introducing her to the organization she wanted to study about. She collected data from the rightful people that she intended to consult and brought to their notice and then also clearly explained to the respondents the purpose of the study.

3.10 Study Limitation:

The study had a number of study limitations such as; time dimensions or period which the study was conducted was short which constrained the researcher. There was the use of qualitative approach which was also conducted within a short time.

Some of the respondents especially those owning small and medium enterprises were reluctant to fill in the questionnaires of which they ended up by not attempting to answer anything.

The sample size as a larger sample size had limited era as compared to as smaller size which had a big era. A small sample size was given small results and it became difficult to generalize.

Conclusion:

In conclusion, it can therefore be noted the research methodology comprised of the introduction, the research design which was the case study of Finca Micro Finance Bank Limited in Kamuli District. , Then , the study area the study population, the sample size, sampling technique, data sources which were the primary and the secondary sources of data, methods of data collection, data analysis and presentation, quality control, measurement of variables, ethical considerations and the study limitations.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSION OF FINDINGS.

4.0 Introduction:

This chapter presented a detailed discussion, analysis and presentation of findings of the study with particular reference to the responses received, findings of the study tables and figures that were useful to the study. The targeted population was 80 small and medium enterprises as well as the case study area of Finca Micro Finance Bank in Kamuli District which had a targeted number of 10 workers including the manager, assistant manager, 2 credit officers, 1 loans field supervisor, 3 cashiers, and 2 loan assistants of which each of them was issued out with a questionnaire.

Only 70 questionnaires out of the 90 given out were returned. These included 60 small and medium enterprises as well as 10 workers from Finca Micro Finance Limited in Kamuli which represented 77.8% of the population hence the analysis was done using 70 questionnaires received from the respondents.

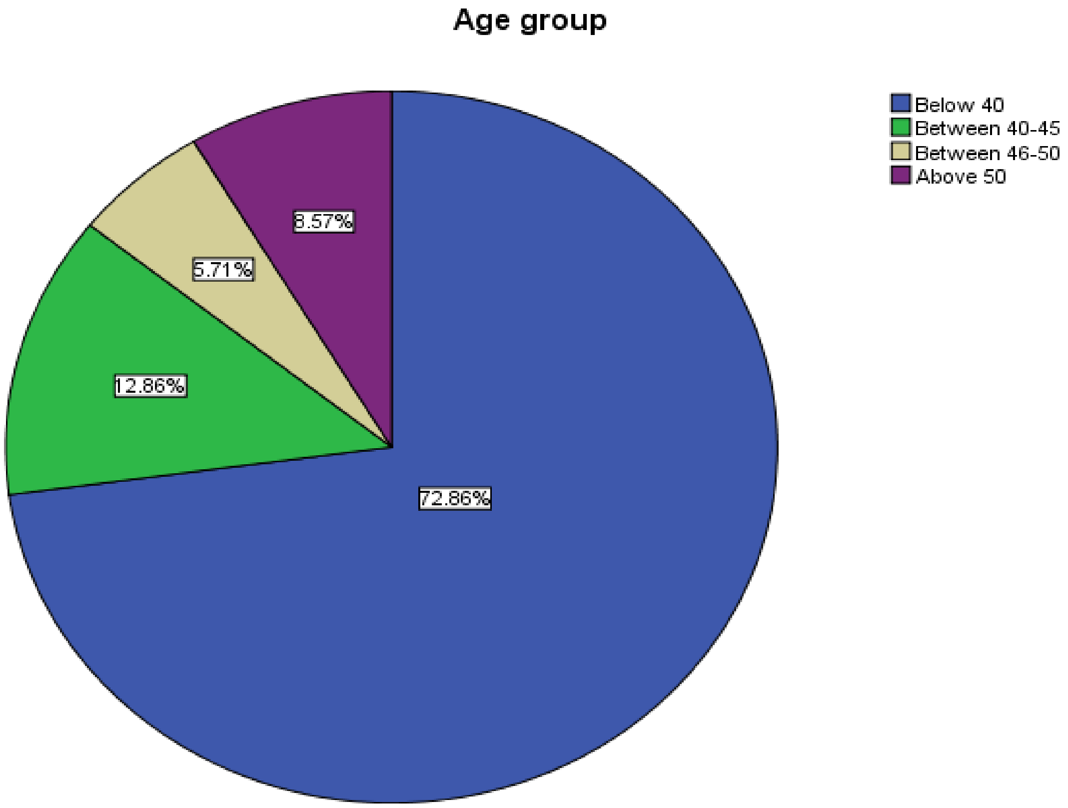
4.1 Demographic descriptions of the respondents.

The respondents were categorized by their age group, gender, how old their enterprises were since incorporation, the time period they had worked for their enterprises, majority ownership of their enterprises in terms of whether foreign or local and also the ethical codes of conduct their enterprises had.

4.1.1 Age Group of the respondents:

The pie chart below showed the age group that the various respondents had. This indicated that 51(72.86%) of the respondents were below 40 years of age. These constituted the majority age group. This showed that most small and medium enterprises were established and set up by young entrepreneurs who had completed studies but due to high unemployment, therefore were able to set up these small and medium enterprises for income benefits. Then 9(12.86%) of the respondents were between 40-45 years, 4(5.71%) were between 46-50 years and these were the least people and then 6(8.57%) were above 50 years.

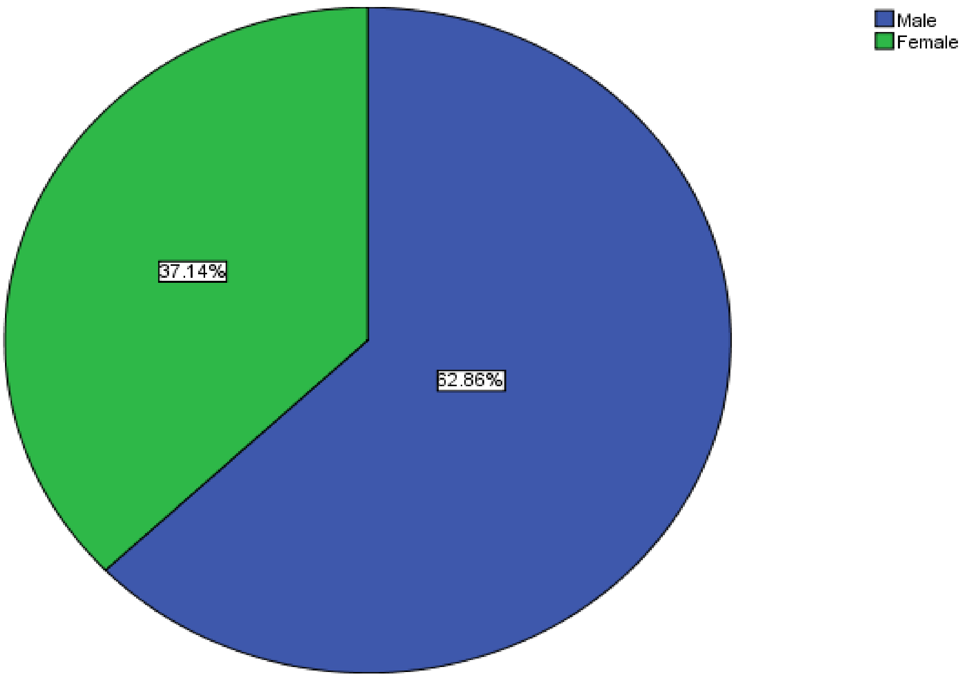
Figure 4.1.1: The pie chart representing age group



4.1.2 Gender Of The Respondents:

The pie chart below showed the gender of the respondents and it indicated that 44(62.86%) were male entrepreneurs owning small and medium enterprises and that they were more as compared to the females. This is because most of their enterprises that they were dealing in required manual labor and putting in a lot of extra time and effort for efficiency of their small enterprises and these included, hardware shops, electronics, mini supermarkets and cyber cafes. Then 26(37.14%) were female owners and these were fewer as compared to male entrepreneurs because women entrepreneurs had difficulties in accessing micro loans from Finca Bank due to high collateral security which they lacked and also the women had social barriers like family responsibilities and roles which required more time for them to concentrate on other than their enterprises and thus making them to be fewer in number as compared to men. Hence they adopted to small businesses like, boutiques dealing in different clothes and related wear, then also they had small restaurants.

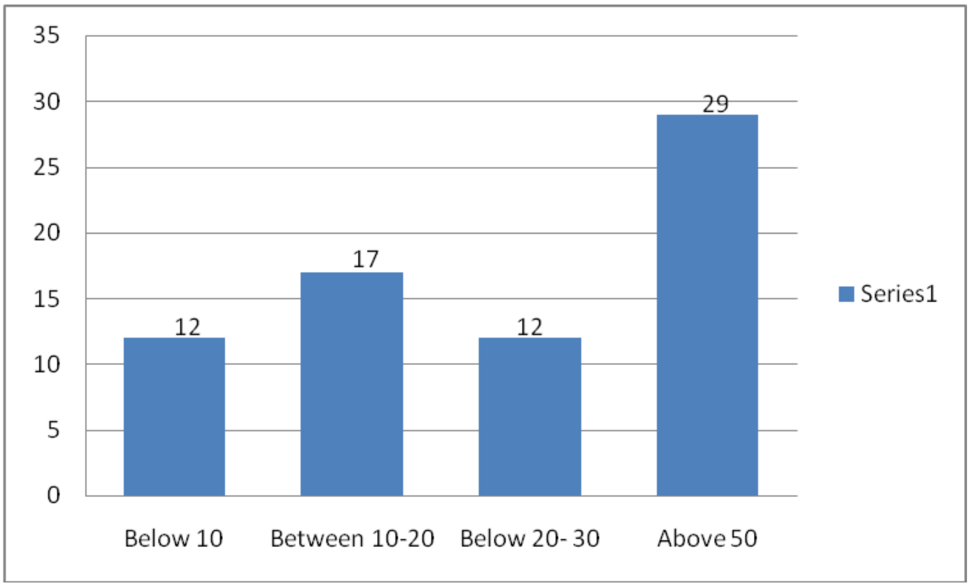
Figure 4.1. 2: A pie chart showing the gender of the respondent



4.1.3 How old is the organization (enterprise) since incorporation:

The bar graph below showed the number of years that the various small and medium enterprises have existed since incorporation. It indicated that 12(17.1%) of the small and medium enterprises were below 10 years of existence and these were mainly for young entrepreneurs who have just completed their studies and therefore still had small capital to expand their businesses. Then 17(24.3%) of the small enterprises were between 10-20 years of existence. 12(17.1%) of the small enterprises were below 20-30 years of age. Then 29(41.4%) of the other small enterprises were above 50 years of age and these comprised of the majority. This was because the owners of these enterprises had already started investing in their small enterprises many years ago of which they had yielded enough profits thus viable for economic growth and development.

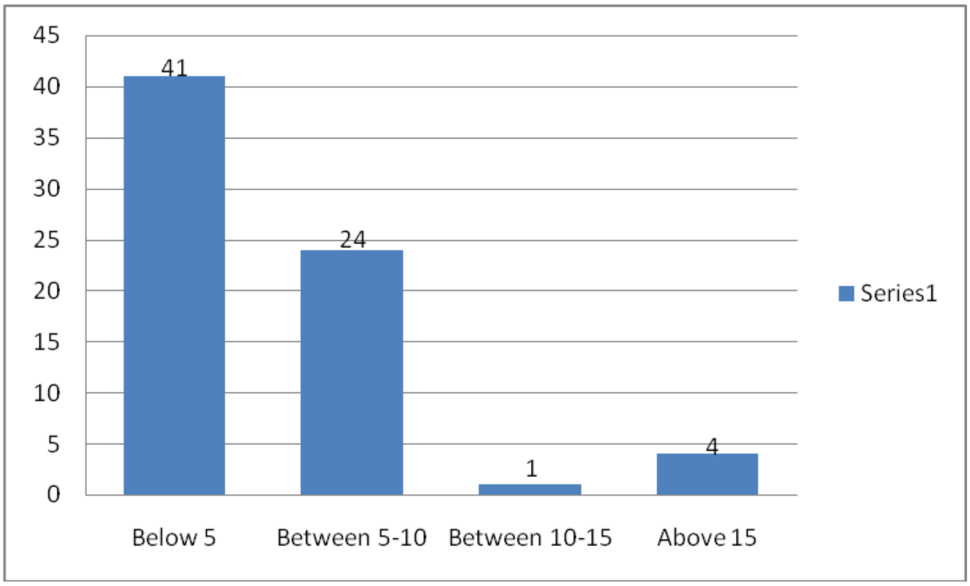
Figure 4.1.3: The bar graph showing the number of years that the various small and medium enterprises have existed since incorporation



4.1.4 How long have you worked for the organization (enterprise)

The bar graph below showed the time period or duration that the various respondents had worked for their enterprises. It indicated that 41(58.6%) of the respondents had worked below 5 years in their enterprises and they were the majority and these were mainly young entrepreneurs who were jobless and therefore adopted to start up small enterprises. 24(34.3%) of the owners of small and medium enterprises had worked in their enterprises between 5-10 years. Then 1(1.4%) had worked between 10-15 years in the enterprise. 4(5.7%) had worked above 15 years in their enterprises. This category of owners of small enterprises had already acquired startup capital and therefore they had already started investing in setting up their small enterprises as early as 15 years and above.

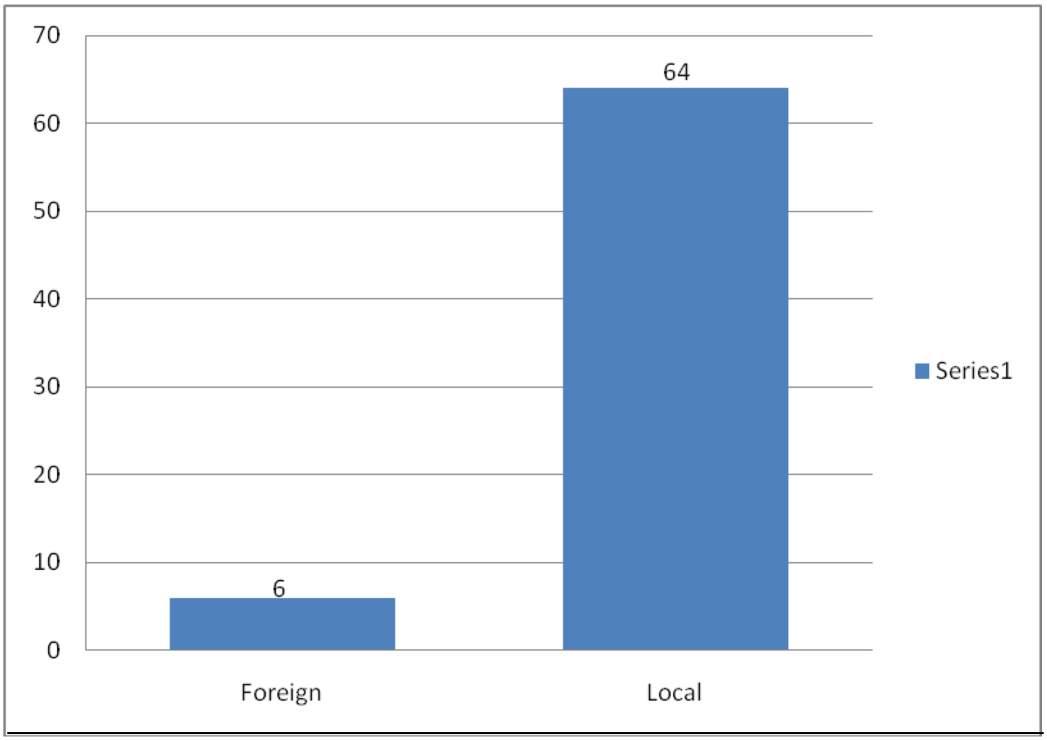
Figure 4.1.4: The bar graph showing the time period or duration that the various respondents had worked for their enterprises



4.1.5 Majority ownership of the organization (enterprise)

The bar graph below showed the majority ownership of the various small and medium enterprises in terms of being foreign or local. This showed that 6(8.57%) of the small and medium enterprises were foreignlly owned and they were the least. This was because such enterprises were owned by Indians living in Kamuli District of which the Indians themselves were fewer in number. Then 64(91.4%) of the small and medium enterprises were owned locally and they comprised of the biggest number of enterprises being owned. This was because such enterprises were basically owned by the local people of Kamuli District who were the majority and thus consisted of the biggest population.

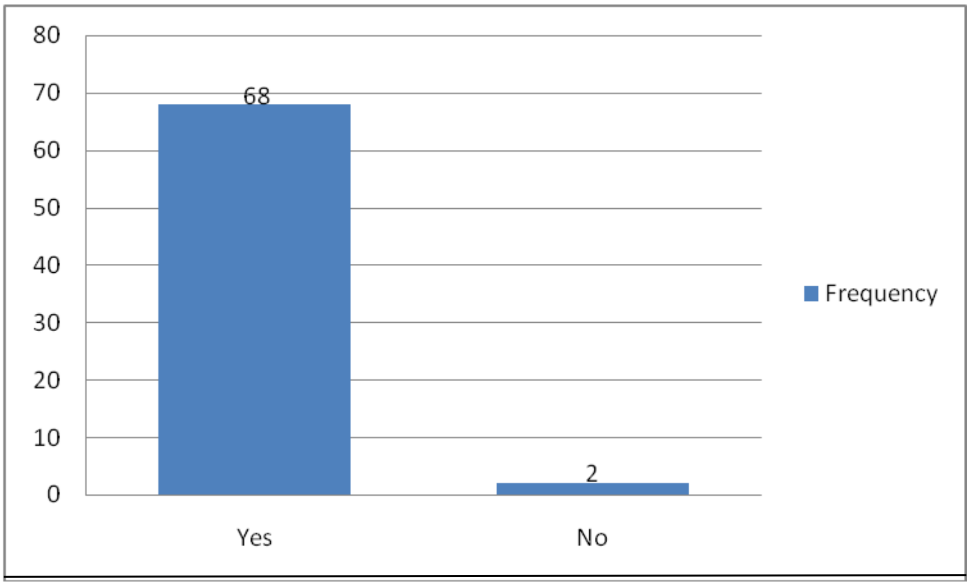
Figure 4.1.5: The bar graph showing the majority ownership of the various small and medium enterprises in terms of being foreign or local



4.1.6 Does the organization (enterprise) have the ethical code of conduct?

The bar graph below showed the rate at which the various enterprises exhibited their ethical codes of conduct. This showed that 68(97.1%) of the small and medium enterprises exhibited the highest good ethical codes of conduct. This is because since majority of these enterprises were being managed by the owners themselves and that they are sole proprietors, therefore they had to ensure smooth running of their enterprises and that they are free from bad practices like, financial risks and losses, poor customer care, inefficient service delivery, supplying of poor quality products to customers among others. Then 2(2.9%) of the small and medium enterprises had unethical codes of conduct. This was because for such enterprises, they specifically lacked good customer care services for their customers as they exhibited impoliteness or rudeness when supplying customers.

Figure 4.1.6: The bar graph showing the rate at which the various enterprises exhibited their ethical codes of conduct



4.2 The effects of micro loans on the performance of small and medium enterprises.

This indicated how the various respondents reacted in that the numbers were presented on scale where 1 represented strongly agree, 2 represented agree, 3 was for not sure, 4 was for disagree, and 5 was for strongly disagree.

Table 4.2: Showing The effects of micro loans on the performance of small and medium enterprises.

No	Micro loans	N 1	N 2	N 3	N 4	N 5
1	Micro loans bring about improvement in the performance of small and medium enterprises.	40(57.1%)	26(37.1%)	0(0.0%)	2(2.9%)	2(2.9%)
2	Micro loans are usually relatively short term, less than twelve months in most instances and are often six months or even less.	32(44.3%)	31(44.3%)	1(1.4%)	5(7.1%)	1(1.4%)
3	Micro loans are used to boost working capital with immediate regular weekly or monthly repayment.	36(51.4%)	25(35.7%)	4(5.7%)	2(2.9%)	3(4.3%)
4	Loan application and disbursement procedures are designed to be helpful to small and medium enterprises or even other low income borrowers.	35(50%)	23(32.9%)	5(7.1%)	6(8.6%)	3(4.3%)
5	Micro loans provide small loans to micro entrepreneurs to invest in their small and medium enterprises and allow them to grow out of poverty.	37(52.9%)	26(37.1%)	6(8.6%)	0(0.0%)	1(1.4%)
6	Access to micro loans further increases productivity of small businesses.	36(51.4%)	36(37.1%)	3(4.3%)	1(1.4%)	4(5.7%)
7	The provision of micro loans serves as borrowed capital for small and medium enterprises to enhance their performance.	35(50)	29(41.4%)	4(5.7%)	1(1.4%)	1(1.4%)

4.2.1 Micro loans bring about improvement in the performance of small and medium enterprises.

From the findings, this indicated that 57.1% strongly agree that micro loans lead to the performance of small enterprises and they were the majority. This is because the micro loans were useful to them in that they used these loans to finance their working capital as well as to purchase their inventory or supplies and to buy improved equipments and machinery necessary for their small enterprises, then 37.1% agreed that these loans benefited them. 2.9% disagreed and still and also 2.9% strongly disagreed. This is because of the harsh loan repayment policies that they found very difficult when paying back this money that they had borrowed and therefore couldn't benefit their businesses.

Mahjabeen (2013) stated that micro loans enabled owners of small businesses to acquire incomes to finance their business investments, build assets and to reduce their vulnerability to external shocks and promote financial sustainability which will bring about improvement in the performance of small and medium enterprises.

4.2.2 Micro loans are usually relatively short term, less than twelve months in most instances and are often six months or even less.

From the findings, this implied that 45.7% strongly agreed that micro loans are usually relatively short term loans, less than twelve months. This meant that they were supposed to repay back these loans in less than twelve months Then 44.3% agreed also that the repayment period of these loans was strictly less than a year. 1.4% were not sure yet of the exact repayment period. Then 7.1% disagreed about the less than twelve months repayment period. Then also 1.4% also strongly disagreed about that period. This is because the maximum repayment period allowed for a micro loan was strictly six months.

Kisaka (2014) stated that micro loans were usually relatively short term loans, less than twelve months in most instances and were generally for working capital with immediate regular weekly or monthly payment period.

4.2.3 Micro loans are used to boost working capital with immediate regular weekly or monthly repayments.

From the findings, this implied that 51.4% strongly agreed and they were the majority meaning that these micro loans were beneficial to them as they were a source of funds to finance their working capital to boost their enterprises. Then 35.7% agreed, 5.7% were not sure, 2.9% disagreed, and then 4.3% strongly disagreed. This means that such respondents found it difficult to use these loans as some of them had acquired very little loans which couldn't boost their working capital.

Massachusetts (2014) stated that micro loans were useful for the following purposes, for obtaining and boosting working capital to purchase inventory or supplies, furniture or fixtures, machinery or equipment which would benefit the small enterprise managers.

4.2.4 Loan application and disbursement procedures are designed to be helpful small and medium enterprises or even other low income borrowers.

From the findings, it indicated that 50% strongly agreed, and then 32.9% agreed, 7.1% were not sure, 8.6% disagreed, and 1.4% strongly disagreed. This indicated that majority of the respondents strongly agreed or agreed indeed that loan application procedures were designed to help small enterprises while others that were not sure, disagreed and strongly disagreed, this implied that the lending policies that prescribed minimum loan amounts, complicated their application procedures and restricted them on credit for specific purposes like; high interest rates of which they couldn't access loans.

Korankye (2014) stated that the loan application and disbursement procedure were designed to be helpful to the small and medium enterprise owners who were in most cases low income borrowers. This was because they were simple to understand, locally provided and quickly accessible with the minimal paperwork.

4.2.5 Micro loans provide small loans to micro entrepreneurs to invest in their small and medium enterprises and allow them to grow out of poverty.

From the findings, it showed that 52.9% strongly agreed, 37.1% agreed, 8.6% were not sure, and 1.4% strongly disagreed. This meant that the majority who strongly agreed as well as agreed too, implied that these micro loans were relatively small and that the loan values were very low, with short repayment terms. Then for those were not sure as well as strongly disagreed, implied that indeed micro loans couldn't mean small loans because to some extent, they could charge high collateral security as well as high interest rates making them to be relatively big loans.

Rosengard (2013) explained that the micro loan size was extremely small in that it was one of the major indicators that measured the depth of the outreach, where the smaller loan size corresponded to the greater depth. Therefore, these small loans improved the distribution and wealth as well as having access to economic opportunities which enabled small business owners to improve on their growth and performance.

4.2.6 Access to micro loans increases further increases productivity of small businesses

From the findings, it clearly indicated that 51.4% strongly agreed, 37.1% agreed, 4.3% were not sure, 1.4% disagreed, and 5.7% strongly disagreed. For the majority that strongly agreed as well as agreed too, this meant that micro loans encouraged economic growth in the small enterprises and promoted increase in capitalization of businesses, employment creation and long-term income growth. Then the others that were not sure, disagreed and strongly disagreed who were the minority, this implied that sometimes it was hard to access these micro loans due to the high interest rates and high collateral security which lowered the productivity of their businesses.

Uchenna (2014) indicated that access to micro loans enabled small business mangers to acquire incomes for setting business investments which increased further productivity.

4.2.7 The provision of micro loans serves as borrowed capital for small and medium enterprises to enhance their performance.

From the findings, it showed that 50% strongly agreed, 41.1% agreed, 5.7% were not sure, 1.4% disagreed, and still 1.4% strongly disagreed. This meant that the majority who had strongly agreed as well as relatively agreed implied that these loans created room for them to borrow money for further expansion of their small business. Then the others, who were not sure, disagreed and strongly disagreed were the minority as they were not contented that micro loans were used as borrowed capital because it was borrowed for a shorter period and thus could not benefit their businesses.

Wydrick (2013) stated micro loans served as borrowed capital for small enterprise managers to invest effectively and also encouraged and promoted increase in capitalization of the small businesses.

4.3 The effects of micro savings on the performance of small and medium enterprises.

This indicated how the various respondents reacted in that the numbers were presented on scale where 1 represented strongly agree, 2 represented agree, 3 was for not sure, 4 was for disagree, and 5 was for strongly disagree.

Table 4.3: Showing the effects of micro savings on the performance of small and medium enterprises.

No	Micro savings	N 1	N 2	N 3	N 4	N 5
1	Micro savings accounts allow business managers to save small amounts of money to enhance growth and performance of small and medium enterprises.	27(38.6%)	31(44.3%)	9(12.9%)	2(2.9%)	1.4%)
2	Micro savings products aim to provide small and medium enterprises with accessible and save avenues to save for future investments.	27(38.6%)	34(48.6%)	6(8.6%)	2(2.9%)	1(1.4%)
3	Micro savings products can include simple accounts to encourage deposits or limit withdrawals in order to help savers of small and medium enterprises.	16(22.9%)	40(57.1%)	9(12.9%)	4(5.7%)	1(1.4%)
4	Micro savings is used as a tool to prepare small and medium enterprises to manage credit to encourage their performance.	25(35.7%)	31(44.3%)	12(17.1%)	1(1.4%)	1(1.4%)
5	Micro savings mobilization program is aimed at sensitizing small enterprises on how to save their incomes in Microfinance Institutions.	22(31.4%)	31(44.3%)	15(21.4%)	2(2.9%)	0(0.0%)
6	Savings services are divided in to forced and voluntary savings.	29(41.4%)	22(31.4%)	11(15.7%)	5(7.1%)	3(4.3%)
7	Micro savings play a crucial role in allowing small and medium enterprises to take advantage of productive investment opportunities.	26(37.1%)	31(44.3%)	10(14.3%)	1(1.4%)	2(2.9%)

4.3.1 Micro savings accounts allow business managers to save small amounts of money to enhance growth and performance of small and medium enterprises.

From the findings, it showed that 38.6% strongly agreed, 44.3% agreed, 12.9% were not sure, 2.9% disagreed, and then 1.4% strongly agreed. For the majority who agreed and strongly agreed, this implied that these savings accounts enabled them to save small amounts of money so as to enhance growth and performance of their small enterprises. Then for those that were not sure, disagreed and strongly disagreed, this meant that the micro savings accounts to a greater extent were inefficient because of the costs incurred in terms of high interest which were often prohibitive and other operational costs which were a major constraint to small enterprise owners to obtain adequate financing of their businesses.

Montgomery (2013) stated that micro finance participants especially small business owners were required to save small amounts at least 5 percent of each loan amount every week.

4.3.2 Micro savings products aim to provide small and medium enterprises with accessible avenues and safe avenues to save for future investments.

From the findings, it clearly indicated that 38.6% strongly agreed, 48.6% agreed, 8.6% were not sure, 2.9% disagreed and 1.4% strongly disagreed. For the majority that strongly agreed and as well as agreed too, this implied that these micro savings products aimed to provide them with accessible and safe avenues so as to save for future investments. For those who were not sure, disagreed or strongly disagreed, this meant that sometimes, they couldn’t access these micro savings products effectively and therefore they could not save.

Kecumatan (2013) stated that micro savings provided accessible and safe avenues in that prospective borrowers made weekly savings deposits.

4.3.3 Micro savings can include simple accounts to encourage deposits or limit withdrawals in order to help savers of small and medium enterprises.

From the findings, this indicated that 22.9% strongly agreed, 57.1% agreed, 12.9% were not sure, 5.7% disagreed, and 1.4% strongly disagreed. For the majority that strongly agreed as well as agreed, this implied that the micro savings were simple accounts which encouraged small business owners to make weekly savings deposits. For the minority that were not sure, disagreed and strongly disagreed, this meant that such savings accounts were not simple for them because they had to incur more costs as a requirement from Finca Microfinance Bank in maintaining their savings accounts which hindered them from saving completely.

Montgomery (2013) stated that micro saving could include simple accounts or no frill accounts where small business owners were required to save simple minimum amounts and at consistent intervals so as to make weekly savings deposits.

4.3.4 Micro savings is used to prepare small and medium enterprises to manage credit to encourage their performance.

From the findings, it showed that 35.7% strongly agreed, 44.3% agreed, 17.1% were not sure, 1.4% disagreed, and also 1.4% strongly disagreed. For the majority that strongly agreed as well as agreed too, this implied that micro savings enabled them to manage efficiently and that their credit eligibility was based on their capacity to maintain self discipline in saving as they were able to save every week. For the minority that were not sure, disagreed, as well as strongly disagreed, this meant that micro savings weren't meant to prepare them to manage credit but only on to guide them on how to save safely.

Kecumatan (2013) stated that micro savings were used as a tool to prepare the borrowers of small and medium enterprises to manage credit and their eligibility was based on their capacity to maintain self- discipline in savings.

4.3.5 Micro savings mobilization program is aimed at sensitizing small enterprises on how to save their incomes in Micro finance Institutions.

From the findings, it indicated that 31.4% strongly agreed, 44.3% agreed, 21.4% were not sure, and 2.9% disagreed. This means that the majority of the respondents strongly agreed, and as well as agreed too. This implied that the importance of this program had been implimated to sensitize small business owners and also to shape them on how to save their incomes in order to take an in-depth look at the savings mobilization strategies. Then for the rest of the respondents that were not sure and as well as disagreed, this implied that to some extent, the program had complicated strategies via savings which were a bit difficult to follow thus couldn't save.

Voller (2014) stated that micro savings mobilization program had been recognized as a major force that sensitized and shaped small enterpreneurs on how to save their incomes.

4.3.6 Savings services are divided into forced and voluntary savings.

From the findings it indicated that 41.4% strongly agreed, 31.4% agreed, 15.7% were not sure, 7.1% disagreed and 4.3% strongly disagreed. This indicated that the majority who strongly agreed and agreed too, implied that saving services offered by Finca Micro Finance bank had been divided into forced and voluntary savings, with forced savings far exceeding voluntary savings. In forced savings, people especially small business managers were forcefully required to save at least a certain amount of money for future investments as opposed to those that were not sure, disagreed and strongly disagreed as they were not informed about the various types of savings services and were not certain of which one would apply for them.

Montgomery (2013) explained that savings services offered by Micro Finance Institutions had been divided into forced and voluntary savings with forced savings far exceeding voluntary savings and that in a forced savings program, microfinance participants were required to save a minimum amount each week or another set period of time while voluntary savings implied, where many people especially the poor ones did not operate enterprises but had to often save.

4.3.7 Micro savings play a crucial role in allowing small and medium enterprises to take advantage of productive investments.

From the findings, it indicated that 37.1% strongly agreed, 44.3% agreed, 4.3% were not sure, 1.4% disagreed, and 2.9% strongly disagreed. The majority strongly agreed, as well as well as agreed too. This implied that indeed, micro savings played a crucial role in allowing small business managers to save big amounts of money for future productive investment. Some respondents were not sure, disagreed while others strongly disagreed and they were the minority. This implied that sometimes they had challenges in accessing these savings accounts of which they couldn’t save for future investments in their businesses.

Uchenma (2014) indicate that access to micro savings enabled owners of small and medium enterprises to save so as to generate income for setting up business and take advantage of productive investment opportunities.

4.4 The effects of micro insurance on the performance of small and medium enterprises.

This indicated how the various respondents reacted in that the numbers were presented on scale where 1 represented strongly agree, 2 represented agree, 3 was for not sure, 4 was for disagree, and 5 was for strongly disagree.

Table 4.4 Showing the effects of micro insurance on the performance of small and medium enterprises.

	Micro Insurance:	N 1	N 2	N 3	N 4	N 5
1	Micro insurance pools risks and helps to provide risk management to small and medium enterprises so as to enhance their performance.	30(42.9%)	31(44.3%)	6(8.6%)	3(4.3%)	0(0.0%)
2	Micro insurance products are designed to mitigate different types of risks involved in small and medium enterprises to encourage their performance.	21(30%)	42(60%)	4(5.7%)	3(4.3%)	0(0.0%)
3	Micro insurance is aimed to protect small and medium enterprises against specific damages in exchange for regular premium payments.	15(21.4%)	46(65.7%)	6(8.6%)	1(1.4%)	2(2.9%)
4	Micro insurance services are aimed at protecting small and medium enterprises against financial losses through insuring them against risks.	16(22.9%)	40(57.1%)	11(15.7%)	2(2.9%)	1(1.4%)
5	The essential role of the network of the micro insurance units is to enhance risk management of small and medium enterprises.	23(32.9%)	37(52.9%)	7(10.0%)	1(1.4%)	2(2.9%)
6	Micro insurance services involve transactions which are at a low cost.	19(27.1%)	30(42.9%)	13(18.6%)	4(5.7%)	4(5.7%)
7	Micro insurance is recognized as a useful tool in economic development for small and medium enterprises' performance and growth.	21(30%)	37(52.9%)	8(11.4%)	1(1.4%)	3(4.3%)

4.4.1 Micro insurance pools risks and helps to provide risk management to small and medium enterprises to encourage their performance.

From the data findings, it showed that 42.9% strongly agreed, 44.3% agreed, 8.6% were not sure and 4.3% disagreed. It was analyzed that the majority of the respondents strongly agreed and others agreed as well. This implied that role of the network of micro insurance units were to enhance risk management of the small enterprises of the entire pool when operating as a stand-alone entity. For the minority that were not sure as well as disagreed, this indicated that micro insurance to a greater extent was not beneficial because sometimes their small enterprises did not fit within the risk criteria and product parameters.

Jacquier (2014) explained that micro insurance was recognized as a useful tool in economic development as small business owners were able to have access to adequate risk-management.

4.4.2. Micro insurance products are designed to mitigate different types of risks involved in small and medium enterprises to encourage their performance.

From the data findings, it was analyzed that 30% strongly agreed, 60% agreed, 5.7% were not sure and 4.3% disagreed. This indicated that the majority strongly agreed, as well as agreed too. This implied the small and medium enterprises owners found it effective and efficient to use these micro insurance products because they were assured of being protected against risks. The others who were not sure as well as disagreed, this indicated that sometimes there were restrictions on depending on the risk premium, and therefore couldn't be insured very well.

Kajaani (2014) indicated that the participation in the formal micro insurance schemes offered yet another option of insuring small enterprises' property against any damages or risks associated with accidents, fire-out breaks and any other destruction.

4.4.3 Micro insurance is aimed to protect small and medium enterprises against specific damages in exchange for regular premium payments.

From the findings, it was analyzed that 21.4% strongly agreed, 65.7% agreed, 8.6% were not sure, 1.4% disagreed and 2.9% strongly disagreed. It implied that the majority agreed as well as strongly agreed too. This implied that micro insurance protected small enterprises against specific damages or risks such as fire outbreaks or any other damages caused by the business. For the minority who were not sure, disagreed as well as strongly disagreed, it implied that these micro insurance services couldn't insure them against financial losses caused in their businesses.

Overy (2013) argued that the Micro insurance was a financial arrangement to protect small business owners against specific damages in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved.

4.4.4 Micro insurance services are aimed at protecting small and medium enterprises against financial losses through insuring them against risks.

From the findings analyzed, this showed that 22.9% strongly agreed, 57.1% agreed, 15.7% were not sure, 2.9% disagreed, and 1.4% strongly disagreed. It was viewed that the majority agreed as well as strongly agreed. This implied that micro insurance services did not only protect small enterprises against fire outbreaks, or accidents caused but also against financial losses. Then for the rest that were not sure, disagreed and also strongly disagreed, it indicated that sometimes they put limitations on being insured against financial losses, thus couldn't be insured against them.

Sawsan and Zeina (2015) explained that by helping small business managers to manage risk, micro insurance could assist them to maintain a sense of financial confidence so as to protect them against financial losses by giving them a financial protection even in the face of significant vulnerability.

4.4.5 The essential role of micro insurance units is to enhance risk management of small and medium enterprises.

From the findings analyzed, this showed that 32.9% strongly agreed, 52.9% agreed, 10% were not sure, 1.4% disagreed, and 2.9% strongly disagreed. It was analyzed that the majority agreed as well as strongly agreed. This implied that the main aim of these insurance services was to pool both risks and resources for the purpose of enhancing risk management and protection for small enterprises.

Then for the minority that were not sure, disagreed as well as strongly disagreed, it implied that these insurance units put into little supervision of managing and assessing their risks thus were inefficient.

Jacquier (2010), explained that Micro insurance linked multiple small units into larger structures, creating networks that enhance both insurance functions (through broader risk pools) and support structures for improved risk management.

4.4.6 Micro insurance services involve transactions which are at a low cost.

This indicated that 27.1% strongly agreed, 42.9% agreed, 18.6% were not sure, 5.7% disagreed, and 5.7% strongly disagreed. This implied that the majority of the respondents agreed as well as strongly agreed too. This meant micro finance institutions aimed at providing small enterprises with micro insurance services which were at a low cost. Then those who were not sure disagreed as well as strongly disagreed were the minority. This also indicated that to some extent, the micro insurance transactions were extremely high and therefore involved high costs which affected small business managers of these enterprises.

Dercon (2010) explained that micro insurance was an insurance service provided by the Micro Finance Institutions at a low transaction costs with low premium as well as low caps or coverage which aimed at insuring specific risks or damages of small and medium enterprises.

4.4.7 Micro insurance is recognized as a useful tool in the economic development for small and medium enterprises' performance and growth.

From the findings analyzed, it was indicated that, 30% strongly agreed, 52.9% agreed, 11.4% were not sure, 1.4% disagreed and then 4.3% strongly disagreed. This implied that the majority of the respondents strongly agreed as well as agreed too. This indicated that micro insurance was an essential tool for the growth and performance of small and medium enterprises. Then also minority were not sure, disagreed as well as strongly disagreed with the idea which showed that to a lesser extent, micro insurance units involved a lot of costs so as to be insured which was ineffective and efficient to the small business managers.

Allen and Overy (2013) stated that Micro insurance was the use of insurance as an economic instrument for the purpose of encouraging economic development of small and medium enterprises.

Conclusion

In this chapter, the researcher had presented and discussed the findings of the study which were obtained basing on the research objectives specified in chapter one. The findings were arrived using the methodology elaborated in chapter three of this report. In the researcher's opinion, the research findings were consistent with theory indicated in the literature review (chapter two).

CHAPTER FIVE:

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS:

5.0 Introduction

This chapter presented the summary of the findings of the study and establishes whether the objectives of the study were fulfilled. The purpose of this study was to assess the effects of micro finance services such as micro loans, micro savings and micro insurance on the performance of small and medium enterprises. The study also presented the conclusions in relation to the objectives, recommendations as well as presenting areas for further study.

5.1 Summary of findings

The summary of the findings of the study were in relation to the research objectives.

5.1.1 The effects of micro loans on the performance of small and medium enterprises.

From the findings on the effects of micro loans on the performance of small and medium enterprises, it was indicated that majority of the respondents strongly agreed on the ways in which micro loans positively led to the performance of small and medium enterprises and these included the following reasons. 57.1% strongly agreed that micro loans brought about improvement in the performance of small and medium enterprises in that they provided small loans to small business managers to invest in their small enterprises. 45.7% strongly agreed that micro loans were usually relatively short term, less than twelve months in most instances. This enabled small enterprise managers to be able to access loans easily to set up their businesses and later pay back loans within the standard time. 51.4% strongly agreed that micro loans were used to boost working capital. This was in the view that these micro loans enabled business owners of small enterprises to obtain funds and be able to purchase inventory, supplies, machinery, and equipments necessary for their businesses. 50% strongly agreed that that loan application and disbursement proceeds were designed to be helpful to small and medium enterprise owners as they were simple to understand, and quickly accessible. Then 52.9% strongly agreed that micro loans provided small loans to micro enterpreneurs to invest in their enterprises. Then 51.4% strongly agreed that access to micro loans increased further productivity of small businesses. 50% strongly agreed that the provision of micro loans served as a borrowed capital for small and medium enterprises to enhance their performance.

5.1.2 The effects of micro savings on the performance of small and medium enterprises.

From the findings on the effects of micro savings on the performance of small and medium enterprises, it was indicated that majority of the respondents agreed on the positive effects that micro savings had contributed on the performance of small and medium enterprises and they implied the following. 44.3% agreed that micro savings accounts allowed business managers to save small amounts of money so as to set up small enterprises, 48.6% agreed that these savings products aimed to provide safe and accessible avenues for future investments, 57.1% agreed that these micro savings could include simple accounts to encourage deposits or limit withdrawals in order to help the small enterprise managers to save effectively, 44.3% agreed that micro savings were used to prepare business managers to manage credit effectively so as to enhance their performance, 44.3% agreed that the micro saving mobilization program was aimed at sensitizing the business owners on how to save appropriately. 31.4% agreed that saving services were divided into forced and voluntary savings which implied that the forced savings were more beneficial because they enabled business managers to save forcefully so as to invest in their businesses other than over spending unnecessarily. 44.3% also agreed that the micro savings played a crucial role in allowing the small enterprise managers to take advantage of productive investment opportunities.

5.1.3 The effects of micro insurance on the performance of small and medium enterprises.

From the findings of the effects of micro insurance on the performance of small and medium enterprises, it was indicated that majority of the respondents agreed on the positive effects and benefits of micro loans towards the performance of small and medium enterprise in the following ways. 44.3% agreed that micro insurance pooled risks and helped to provide risk management to small and medium enterprises so as to enhance their performance, 60% agreed that micro insurance products were designed to mitigate different types of risks involved in small enterprises and this enabled these enterprises to be insured against certain risks. 65.7% agreed that micro insurance was aimed to protect small enterprises against specific damages such as fire outbreaks. 57.1% agreed that micro insurance services were aimed at protecting small enterprises against financial losses through insuring them against risks. 52.9% agreed that the essential role of the network of the micro insurance units was to enhance risk management of small enterprises which implied that these units pooled both risks and resources for the purpose of enhancing risk management of the enterprises. 42.9% agreed that these insurance services involved transactions at a low cost. This implied that the costs had low premium as well as low coverage which aimed at insuring small enterprises against specific risks. 52.9% agreed that micro insurance products were recognized as a useful tool in the economic development for small and medium enterprises' growth and performance.

5.2 Conclusions

It was therefore concluded that the micro loans, micro savings and micro insurance had positive impacts and effects on the growth and performance of small and medium enterprises.

5.2.1 Micro loans and the performance of small and medium enterprises

It was concluded that micro loans had a positive influence on the performance of small and medium enterprises. It was observed that the highest percentage of those that strongly agreed was 57.1% and they were the majority of the respondents. This was because of the following advantages. Micro loans helped to boost their working capital, they also served as borrowed capital for small enterprises so as to enhance their performance, they were relatively short term loans which motivated small business owners to borrow in time so as to repay back efficiently without any difficulties and to the most advantageous effect, also the micro loan application and disbursement procedures that were designed for small business managers became beneficial as they were easy and simple to understand and quickly accessible. Thus these benefits of micro loans improved on the effectiveness and efficiency of small enterprises.

5.2.2 Micro savings and the performance of small and medium enterprises

It was concluded that micro savings had a positive influence on the performance of small and medium enterprises. It was observed that the highest percentage of the respondents that agreed was 57.1% and they were the majority. This was because micro savings had contributed on the performance of small and medium enterprises in the following ways ; micro savings accounts allowed business managers to save small amounts of money so as to set up small enterprises, they also provided safe and accessible avenues for future investments, they included simple accounts to encourage deposits or limit withdrawals in order to help the savers of small enterprises, then they prepared business managers to manage credit effectively and all these benefits improved on the growth and performance of small and medium enterprises.

5.2.3 Micro insurance and the performance of small and medium enterprises

It was concluded that micro insurance had a positive influence on the performance of small and medium enterprises. It was observed that the highest percentage of the respondents that strongly agreed was 65.7% and comprised of the majority. This was because micro insurance had contributed to the performance of small and medium enterprises in the following ways; micro insurance pooled risks and helped to provide risk management to small and medium enterprises so as to enhance their performance, insurance products were designed effectively to mitigate different types of risks involved in small enterprises, also micro insurance protected these enterprises against specific damages through insuring them against risks like; fire outbreaks, as well as protecting them against financial losses all of which these benefits contributed to the growth and performance of small and medium enterprises.

5.3 Recommendations

Micro loans on the performance of small and medium enterprises.

The researcher recommends that in order for Micro Finance Institutions to provide or enable efficient accessibility of micro loans, they should impose favorable policies and conditions such as; low collateral requirements and low interest rates so that they do not actually limit or stand in the way of poor people as well as small income holders of small enterprises especially when accessing micro loans. Otherwise, they can use the loans and repay if effective procedures for disbursements, supervision and repayments has been established.

A longer repayment period should be given from the time the micro loans are given out to the time the borrower starts repaying back the loan. The period of six months is not enough, therefore it should be extended further to at least 10 months. This will give the borrowers of small and medium enterprises the opportunity to at least invest in the loans acquired by setting up more productive investment opportunities.

Massive training and sensitization of how to use micro loans very effectively is highly recommended. This is because of the need to educate the Micro Finance Clients especially the owners of the small and medium enterprises, on how to follow the loan application and disbursement procedures and use their loans effectively.

Diversification of the credit system. The researcher recommends that the credit system should be diversified. This may include setting of different interest rates; time of repayment for the different small and medium enterprises may also be designed.

Micro savings on the performance of small and medium enterprises.

The researcher recommends that Micro Finance Institutions like Finca Micro Finance Bank Limited should adopt a program of Micro Savings Mobilization Program aimed at sensitizing small and medium enterprise owners on how to save their incomes without difficulties especially those who lack investment opportunities as well as safe ways of keeping their savings.

Micro insurance on the performance of small and medium enterprises.

The researcher recommends that Micro Finance Institutions should adopt continuous training of their staff members on issues concerning micro insurance so as to keep their risk management skills up to date. More emphasis should be put on adopting new ways of managing risks among small and medium enterprises.

5.4 Suggestions for further research

The case study of the research (Finca Micro Finance Bank Limited in Kamuli) is a Micro Finance Institution. While its mandate involves providing micro finance services such as micro loans, micro savings and micro insurance, some of the aspects like, loan port folio, loan application and disbursement procedures, then insurance risk premium as well as savings mobilization programs may not have been captured and put into consideration because of the limited scope of its mandate. Thus the researcher suggests that the study should be extended to commercial banks that provide a broader spectrum of financial services, policies and programs.

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APPENDIX 1: RESEARCH QUESTIONNAIRE:

Dear respondent, I am Ssekezi Immaculate Patience, a student at Uganda Martyrs University in the Faculty of Business Administration and Management. I am carrying out this research in partial fulfillment of a degree in Business Administration and Management. The research is about the Micro finance services and the performance of Small And Medium Enterprises. I hereby kindly request you to participate in this research by answering the questions below. All gathered information will be kept confidential. I will be grateful for your participation.

SECTION A:

Name of the business enterprise or organization.

____

Position held by the respondent:

____

For the following questions, tick the most appropriate box:

3. Age group:

a. Below 40 years ☐ c. Between 46-50 years ☐

b. Between 40-45 years ☐ d. Above 50 years ☐

4. Gender of the respondent:

a. MALE: ☐ FEMALE: ☐

5. How old is the organization since incorporation?

a. Below 10 years ☐ b. Below 20-30 years ☐

c. Between 10-20 years ☐ d. Above 30 years ☐

6. How long have you worked for the organization?

a. Below 5 years ☐ b. Between 5-10 years ☐

c. Between 10-15 years ☐ d. Above 15 years ☐

7. Majority ownership of the organization:

a. Foreign ☐ b. Local ☐

8. Does the organization have the ethical code of conduct?

a. YES ☐ b. NO ☐

In section, B, C, and D, the following scale will be to answer the questions:

Strongly Agree	**Agree**	**Not sure**	**Disagree**	**Strongly Disagree**
1	**2**	**3**	**4**	**5**

SECTION B: The effects of Micro Loans and the performance of small and medium enterprises:

	Micro loans	1	2	3	4	5
1.	Micro loans bring about improvement in the performance of small and medium enterprises.					
2.	Micro loans are usually relatively short term, less than twelve months in most instances and are often six months or even less.					
3.	Micro loans are used to boost working capital with immediate regular weekly or monthly repayment.					
4.	Loan application and disbursement procedures are designed to be helpful to small and medium enterprises or even other low income borrowers.					
5.	Micro loans provide small loans to micro entrepreneurs to invest in their small and medium enterprises and allow them to grow out of poverty.					
6.	Access to micro loans further increases productivity of small businesses.					
7.	The provision of micro loans serves as borrowed capital for small and medium enterprises to enhance their performance.					

SECTION C: The effects of Micro savings and the performance of small and medium enterprises:

	Micro savings:	**1**	**2**	**3**	**4**	**5**
1.	Micro savings accounts allow business managers to save small amounts of money to enhance growth and performance of small and medium enterprises.					
2.	Micro savings products aim to provide small and medium enterprises with accessible and save avenues to save for future investments.					
3.	Micro savings products can include simple accounts to encourage deposits or limit withdrawals in order to help savers of small and medium enterprises.					
4.	Micro savings is used as a tool to prepare small and medium enterprises to manage credit to encourage their performance.					
5.	Micro savings mobilization program is aimed at sensitizing small enterprises on how to save their incomes in Microfinance Institutions.					
6.	Savings services are divided in to forced and voluntary savings.					
7.	Micro savings play a crucial role in allowing small and medium enterprises to take advantage of productive investment opportunities.					

SECTION D: The effects of Micro Insurance and the performance of small and medium enterprises:

	Micro Insurance:	**1**	**2**	**3**	**4**	**5**
1.	Micro insurance pools risks and helps to provide risk management to small and medium enterprises so as to enhance their performance.					
2.	Micro insurance products are designed to mitigate different types of risks involved in small and medium enterprises to encourage their performance.					
3.	Micro insurance is aimed to protect small and medium enterprises against specific damages in exchange for regular premium payments.					
4.	Micro insurance services are aimed at protecting small and medium enterprises against financial losses through insuring them against risks.					
5.	The essential role of the network of the micro insurance units is to enhance risk management of small and medium enterprises.					
6.	Micro insurance services involve transactions which are at a low cost.					
7.	Micro insurance is recognized as a useful tool in economic development for small and medium enterprises' performance and growth.					

SECTION E:

1. Why do you think very many small and medium enterprises in Uganda, find it difficult to access micro finance services from Micro Finance Institutions?

   ____

   ____

   ____

   ____

   Hiedhues (2013) suggests that having access to micro loans by small and medium enterprises is normally seen as the major constraints that limits their performance as the evidence is seen through the lending policies that prescribe minimum loan amounts which complicate application procedures and restrict on credit facilities. To what extent is this true?

   ____

   ____

   ____

   ____

   How do micro finance services improve on the performance of small and medium enterprises?

   ____

   ____

   ____

   ____

   Mahjabeen (2013) stated that micro finance services are seen as a key element for small and medium enterprises to succeed in their drive to build productive capacity, create jobs and to contribute to poverty alleviation. How are these services relevant in their performance so as to boost their global economy?

   ____

   ____

   ____

   ____

THANK YOU FOR PARTICIPATING IN THIS RESEARCH:

APPENDIX II: RECOMMENDATION LETTER.

Uganda
Martyrs
University

making a difference

Office of the Dean
Faculty of Business Administration and Management

Your ref.:
Our ref.:

Nkozi, 10th March 2016

To Whom it may Concern

Dear Sir/Madam,

Re: Assistance for Research:

Greetings and best wishes from Uganda Martyrs University.

This is to introduce to you SSEKEZI IMMACULATE PATIENCE who is a student of Uganda Martyrs University. As part of the requirements for the award of the Degree of Bachelor of Business Administration and Management of the University, the student is required to submit a dissertation which may involve a field research on a selected case study such as a firm, governmental or non governmental organization, financial or other institutions.

May I therefore kindly request your assistance in permitting and facilitating the student in this survey. Your support will be greatly appreciated.

Thank you in advance.

UGANDA MARTYRS UNIVERSITY
OFFICE OF THE DEAN
10 MAR 2016
FACULTY OF BUSINESS ADMINISTRATION & MANAGEMENT
SIGN:..........

Yours Sincerely,

Edward Segawa
Associate Dean

Uganda Martyrs University P.O. Box 5498 - Kampala - Uganda
Tel: (+256)038-410603 Fax: (+256) 038-410100 E-mail: bam@umu.ac.ug

APPENDIX III KREJICE AND MORGAN (1970) TABLE

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970