

**SAVINGS AND CREDIT CO-OPERATIVE ORGANISATIONS AND PERFORMANCE
OF SMALL SCALE BUSINESSES IN UGANDA**

**CASE STUDY: ADJUMANI TOWN COUNCIL SAVINGS AND CREDIT CO-
OPERATIVES IN ADJUMANI DISTRICT**

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2012- B021-10319

UGANDA MARTYRS UNIVERSITY

APRIL, 2015

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**AN UNDERGRADUATE DISSERTATION PRESENTED TO THE FACULTY OF
BUSINESS ADMINISTRATION AND MANAGEMENT IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR IN
BUSINESS ADMINISTRATION AND MANAGEMENT OF UGANDA MARTYRS
UNIVERSITY**

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DEDICATION

I dedicate this research work to my sponsor and brother Mr. Amoko Robert for his tireless efforts towards my educational path. To my family members especially my mother Cecinta Ayuru, father Severino Modi, brothers Wani John Bosco, Ojjaki Denis, Vuciri Joseph, Mori Ceaser, Edema Patrick, my sisters Jua Grace, Keji Christine, Andrua Joyce, Chandia Rose and my dear Uncle Casimiro Kenyi Mananyu and Igga Emilio Alimas Dumo in whose efforts am able to reach this level.

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LIST OF ACRONYMS

AGM	Annual General Meeting
AMFIU	Association of Micro-Finance Institutions in Uganda
ASCAs	Accumulating Savings and Credit Associations
ATC	Adjumani Town Council
BAM	Business Administration and Management
BoU	Bank of Uganda
CCS	Cooperative Credit Scheme
CGAP	Consultative Group to Assist the Poorest
D.V	Dependent variable
GDP	Gross Domestic Product
GoU	Government of Uganda
I.V	Independent Variable
MDIs	Micro-Credit Deposit Taking Institutions
MoFPED	Ministry of Finance, Planning and Economic Development
MSMEs	Micro, Small and Medium size Enterprises
NGOs	Non-Government Organizations

ROSCAs	Rotating Savings and Credit Associations
SACCOs	Savings and Credit cooperative Organizations
SASRA	Sacco Societies Regulatory Authority
SMEs	Small and Medium Scale Enterprises
SPSS	Statistical Package for Social Scientists
Std	Standard
UBOS	Uganda Bureau of Statistics
UCA	Uganda Cooperative Alliance
UCSCU	Uganda Credit and Savings Cooperative Union
UIA	Uganda Investment Authority
URA	Uganda Revenue Authority
VSLAs	Village Savings and Loans Associations
WOCCU	World Council of Credit Unions

ABSTRACT

The study examines SACCOs and the performance of small scale businesses in Uganda a case study of ATC SACCO in Adjumani district. The dimensions of the independent variable of the study included loan size, interest rates and savings while the dimensions of the dependent variable of the study included sales, liquidity and asset base. The specific objectives of the study were to establish the relationship between loan size and performance of small scale businesses, to establish the relationship between interest rates and performance of small scale businesses and to establish the relationship between savings and performance of small scale businesses.

The study used a case study design. Quantitative approach was adopted for the study. A scientific model for determining sample size developed by Morgan and Krejcie (1970) was used to determine the sample size which was 172. Stratified and purposive sampling techniques were used in this study. Questionnaires were used for data collection.

The study findings revealed that loan size advanced to small scale businesses is sufficient enough, interest rates charge by SACCOs are appropriate and does not influence the operations of small scale businesses and savings by the clients enable them to access funds in form of credit from the SACCO and increases capital accumulation of the small scale business practitioners as the mean responses on the questionnaires were above average.

The study concludes that there is a relationship between SACCOs and performance of small scale businesses since the services provided by the SACCO inform of loans, interest on loans and savings directly influences the operation of small scale businesses in the area. It can be suggested that savings and credit cooperatives should conduct training and sensitization for its clients especially those operating small scale businesses for purposes of client's satisfaction.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

The study aims at studying the role of SACCO's on the performance of small scale businesses in Uganda. The major dimensions of SACCO include loan size, the interest rates and the level of savings by the members. The dimension of the performance of small scale businesses include; the level of profits, the level of sales/turnover and the level of assets. The key writers on SACCO's include; Ondieki et al. (2013), Galor (2010), Ukhevi (2013), Bwama and Mwcokujonga (2013) among others. The key writers on the performance of small scale businesses include; Tushabomwe (2006), Saleh and Ndubisi (2006), Martey et al (2013) among others. Most of these writers have ignored the relevance of SACCOs towards improving the performance of Small Scale businesses and therefore the need to investigate the role of SACCOs on the performance of small scale businesses in Uganda to fill the knowledge gap which has been left by the previous researchers. This study also established the relationship between savings and borrowings/ loans to be issued and whether high interest rates reduces borrowings or increases savings.

1.1 Background to the study

Lingesiya (2012) who studied the performance of small scale businesses in Sri-Lanka stated that small scale businesses in Sri-Lanka play crucial role in contributing to overall industrial production, employment generation and poverty reduction in the country. However, in the study he carried out on identifying factors to indicate performance of small scale industries, he found out that customer satisfaction with managing change, growth in business and income level,

growth in turnover and growth in number of employees are the major indicators of business performance especially small scale businesses. However, most of these factors are negatively implied in Sri-Lanka for example the number of employees are low, there is less turnover and less customer satisfaction hence implying poor performance of small scale industries in Sri-Lanka which he attributed to increasing number of competition locally and globally, inadequate funding from government and financial institutions.

Just like the studies in overseas, the performance of small scale businesses in the sub Saharan region is also poor. According to Martey et al (2013), the small scale businesses in Accra metropolitan area in Ghana faces a number of constraints and hence implying their poor performance. Him and his colleagues identified the major constraints for this poor performance and among them include the high cost of borrowing, lack of credit facilities, high rental and utilities charges, low demand for products, high cost of transportation, high cost of inputs, unfavorable business laws and difficulty in debt collection. Martey and his colleagues also went ahead to establish the major determinants of performance of small scale enterprises which includes business ownership status, initial capital invested in business, annual cost incurred, number of employees, number of years of experience among others.

In Uganda just like in the sub-Saharan region and the world at large, the performance of small scale businesses is not good. According to Tushabomwe (2006), the small scale businesses in Uganda are unable to sustain themselves for long. He based his argument on number of factors that causes the small scale businesses to fail which are both internal and external factors. The external factors he identified include; taxation, load shedding, inadequate operating capital, poor market and high rent charges. The internal factors include; wrong pricing of products, negative cash flows in many enterprises (high cash outflow compared to cash inflows), poor record

keeping, inadequate control of inventory, lack of proper planning and conflicts among partners. These factors entail the poor performance of small scale businesses in Uganda.

According to MoFPED (2008) the performance of MSMEs (Micro, Small and Medium enterprises) has been fluctuating from time to time hence implying poor performance of MSMEs in the country. The ministry identified difficulty in accessing appropriate technology, skills, education, finances, business information and land as the major constraints to small scale businesses. Their study also identified factors affecting performance of MSMEs which include the availability of electricity, cost of financing the businesses and the cost of transportation of products to market place, from producers and raw materials from suppliers. The ministry therefore suggested two measures to improve the poor performance of MSMEs which include; strong public-private partnership with government and business associations and the establishment of MSMEs authority as a powerful single point administrative structure.

1.2 Statement of the problem

Small scale businesses in Uganda play a significant role as they employ 81% of the active population (UBOS 2013). Almost $\frac{3}{4}$ of the Ugandan population are engaged in entrepreneurial activities particularly Micro and Small scale Enterprises (MSE's) and there are only few medium and large enterprises (Nuwagaba and Nzewi, 2013). Furthermore, small scale enterprises contribute to the GDP of the country (Sekitoleko, 2010) and also ensuring the development of indigenous skill and technology, promotion of entrepreneurship and innovativeness and elevating poverty (Oyat, 2012).

However, Ugandan small scale enterprises still perform poorly as a result of a combination of factors ranging from internal to external factors (UBOS, 2012). Compared to large enterprises, small scale enterprises are less efficient and incur high cost per unit of revenue. They use labour intensive technologies to compensate for lack of technical capacity in order to perform well (Nuwagaba and Nzewi, 2013). Factors contributing to the unimpressive performance of Ugandan small scale enterprises as mentioned in different studies are difficulty in accessing appropriate technology, skills, education and limited capital (MoFPED, 2008). Other authors mention high taxation, load shedding, wrong pricing, inadequate operating capital, poor record keeping, lack of proper planning and inventory control (Tushabomwe, 2006).

Given small scale business's lack of access to external finance, their decisions to upgrade their equipment and machinery by making new investments are further constrained by limited internal sources of financing. Several papers indicate the factors that affect performance of small scale businesses such as proper risk management (Mwanja, 2011), cost of borrowing (Obwokor, 2011) and impact of taxes on performance of small scale businesses (Odongo, 2011). Despite all the efforts by the government of Uganda such as fostering a favorable environment for private sector growth, comprehensive business licensing reforms among others (MoFPED, 2013), the performance of small scale business is still poor.

Given the roles played by these small scale businesses, a study that specifically addresses access to finance to these enterprises is very important. This therefore puzzles the demand to investigate further the mechanism that can ensure easy and timely accessibility of these finances to small scale enterprises especially in micro finance institutions such as SACCO's that can easily fund the operations of small scale enterprises yet it has been ignored by other authors and thus need to investigate the role of SACCO's and the performance of small scale businesses in Uganda.

1.3 Broad objective

The study is aimed at establishing the relationship between SACCO and the performance of small scale businesses.

1.4 Specific objectives

- i. To establish the relationship between loan size and the performance of small scale businesses.
- ii. To assess the relationship between interest rates and the performance of small scale businesses.
- iii. To establish the relationship between savings by members and the performance of small scale businesses.

1.5 Research Questions

- i. What is the relationship between loan size and the performance of small scale businesses?
- ii. What is the relationship between interest rates and the performance of small scale businesses?
- iii. What is the relationship between savings by members and the performance of small scale businesses?

1.6 Research Hypothesis

There is a relationship between savings and credits and the performance of small scale businesses in Uganda.

1.7 Significance of the study

The study aims at enhancing the following;

The study will create benchmark for further research in to SACCO funding to other different sectors such as agriculture.

The study will enable the policy makers especially those working in SACCO to improve on the existing loopholes in their policies in order to provide better services to its members.

The study will help the researcher to expand on his knowledge and experience given the fact that he will be directly involved in the study of the SACCO funding and performance of small scale businesses in Uganda.

The study will also be beneficial to the employees of ATC SACCO to acknowledge the different products and services to improve on service delivery to its members.

1.8 Justification of the study

The following reasons prompted the researcher to develop this topic;

The Failure by the past scholars to identify the relevance of SACCO funding towards the performance of small scale businesses in Uganda.

The need to explain clearly the procedures in accessing the SACCO funds that to say how the members access these funds of SACCO.

Need to combine the different literatures on SACCO's and the performance of small scale businesses and relating the variable to one another.

1.9 Scope of the study

1.9.1 Geographical scope

The study is carried out in the northern part of Uganda in Adjumani district at Adjumani Town Council Sub-county. Adjumani district is 219 miles approximately 352.45km from the capital city Kampala.

1.9.2 Content and subject scope

The subject of the study is the role of Savings and Credit Co-operative Organizations and performance of small scale businesses. The dimensions of the study include interest rates, loans size and savings by members as the independent variables and the dependent variables include profits, sales/ turnover and asset base. The study also includes a moderating variable that is to say loan management and government policy but this will not be examined in the study although they are included in the conceptual frame work of this study.

1.9.3 Time scope

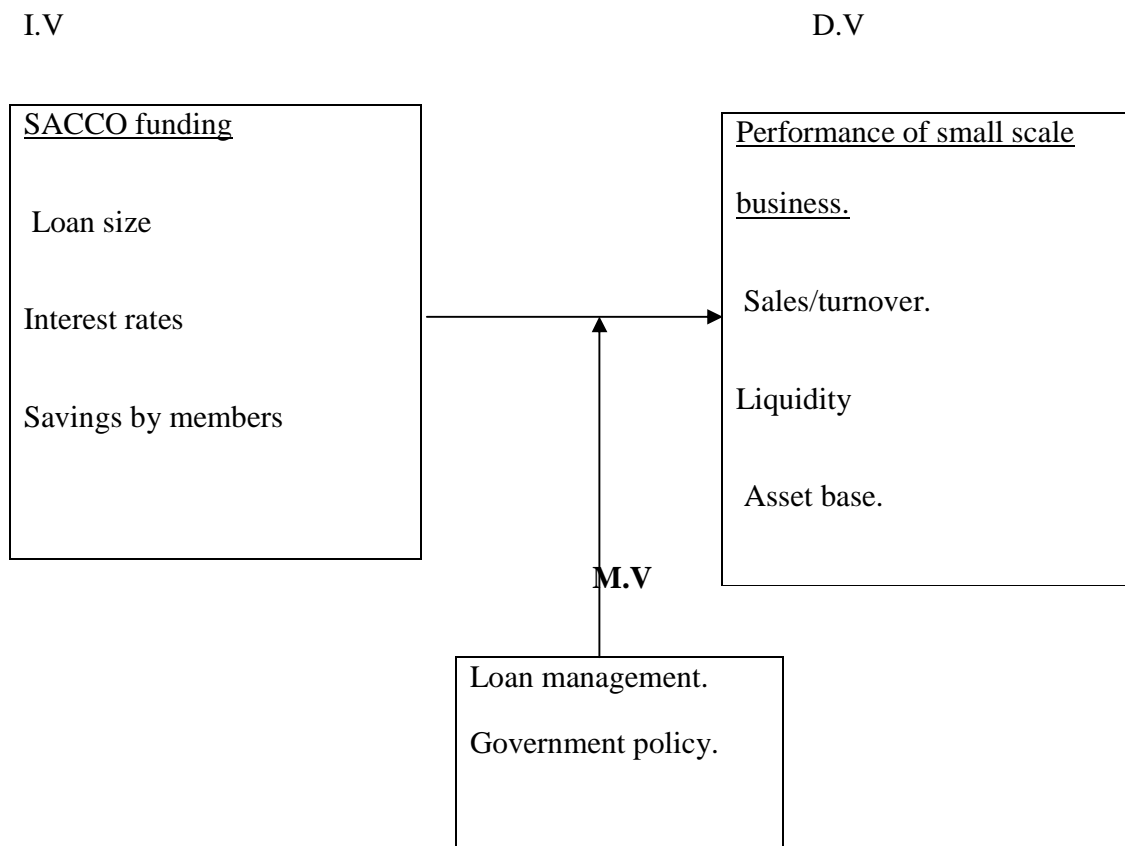
This study took a period of two years that is to say from 2014-2015 as this gave the researcher enough time to collect the necessary data and analyze it.

1.10 Conceptual frame work

Miles and Hurberman (1994) as cited by Vaughan (2008) defined conceptual framework as a visual or written products, one that explains, either graphically or in a narrative form, the main things to be studied- the key factors, concepts or variables- and the presumed relationship among them. William et al, (2001), asserted that a conceptual framework contributes to a research report because it identifies research variables and clarifies relationships among the variables.

He and the colleagues continued and said, linked to the problem statement, the conceptual framework sets the stage for presentation of the specific research question that drives the investigation being reported.

Figure 1.1: conceptual framework



Source: Kyokutamba (2011) as modified by the researcher in this study

Performance of small scale businesses is considered to be a functional outcome of a variety of SACCO facilities which is composed of interest rates, size of loan advanced and saving by the members. These factors can cause both positive and negative environment for the performance of the small scale businesses in term of sales/turnover, liquidity and assets base.

In most cases SACCO funding and performance of small scale businesses are influenced by loan management by both the SACCOs and the members/borrowers and the government policy in terms of funds granted to both the SACCOs and small scale businesses. Therefore performance of small scale businesses is influenced by SACCO funding in terms of the interest rates, loan size and the savings by the members. Low interest rates enable small scale businesses to perform well as this enables them to get high returns on the loan borrowed and hence increase their asset base, sales and improve on their liquidity.

1.11 Operational Definition of key terms

1.11.1 SACCOS

Savings and credit cooperatives (SACCOs) are user - owned financial intermediaries with members who are typically share a common bond base on geographical area, employer, community, or other affiliation and have equal voting rights.

1.11.2 Funding

It refers to providing financial resources to finance a need, program or project. (Ondieki 2011)

1.11.3 Loans

Loan is an arrangement in which a lender gives money or property to a borrower and the borrower agrees to return the property or repay the money usually along with interest at some future point in time.

1.11.4 Interest rate

It is a rate which is charged or paid for the use of money.

1.11.5 Savings

Savings is the amount left over when the cost of a person's consumer expenditure is subtracted from the amount of disposable income that is earned in a given time. It is the money one has saved especially through a bank or a scheme.

1.11.6 Performance

Performance is taken to be the functions of an organization's ability to meet its goals and objectives by exploiting the available resources in an effective and efficient manner.

1.11.7 Small scale business

Small scale business is one that employs less than 50 people but with a maximum of 50 employees, with the value of assets excluding land, building and working capital of less than shs50 million and annual income turnover of between shs 10-50million.

1.11.8 Turnover

It is the annual sales volume net of all discounts and sales taxes. It may also mean the number of times an asset (such as cash, inventory, and raw materials) is replaced or revolves during an accounting period.

1.11.9 Asset base

It is the underlying assets giving value to a company, investment or loan.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section focuses on the relevant and previous literatures on the role of SACCO funding on the performance of small scale businesses in Uganda. It is composed of existing literatures by different scholars from journals, books, dissertations and reports. It covers the dimensions of SACCO funding in relation to the performance of small scale businesses which is arranged according to study objectives as stated in the first section.

2.1 Savings and Credit Co-operatives (SACCOs)

SACCOs are user owned financial intermediaries. They have many names around the world including credit unions, SACCOs, COOPECs. The members typically share a common bond based on geographic area, employer, community or other affiliation. Members have equal rights regardless of how many shares they own (CGAP, 2005) as supported by AMFIU report 2012/2013.

SACCOs in Uganda operate under the national apex of UCSCU as the umbrella body. UCSCU is formed, financed and controlled by SACCOs. The supervisory committee checks both the board and management of UCSCU to ensure that they are running the union well and in the best interest of the SACCOs (UCSCU, 2014). SACCOs are part of the financial system in Uganda which falls under tier IV as grouped by Bank of Uganda. The other participants in this sector includes the tier I (banks), tier II (credit institutions) and tier III (micro finance deposit taking institutions) as classified by Bank of Uganda (Okwee, 2011).

According to the WOCCU (2004), credit unions commonly referred to as SACCOs are member owned not for profit financial co-operatives that provide savings, credit and other financial services to their members. Credit union membership is based on a common bond, linkage shared by savers and borrowers. Credit unions pool their members savings deposit and shares to finance their own loan portfolios rather than rely on loans and fewer fees. They perform three major functions which include collecting savings from its members, giving loans to its members/ borrowers and giving financial and non-financial advice to its members in order to facilitate proper utilization of the borrowed micro loans from the SACCO by its members (Mwakajumilo, 2011).

According to the WOCCU historical credit data, Uganda's number of SACCOs has been increasing since 1995. In 2012, there were 2,414 registered SACCOs as compared to 2,112 in 2011 and 2,021 in 2010. By 2011 there were 4,308,902,703 SACCOs in Africa. However, establishing the total number of SACCOs in Uganda has been a challenge due to the varying statistics by the different organizations. WOCCU statistical report indicated that there were 2,414 SACCOs in 2012. Ministry of Trade reported a total number of 2,417 registered SACCOs by 2009 as compared to WOCCU 2,021 by 2009.

2.1.1 The Concept of savings and credit

According to Lord Keynes (1936) a classical economist, personal savings refers to the disposable income (the income after tax) less consumption expenditure. In other words, it is the income that is not spent on consumption. The essence of savings is refraining from spending part of one's income and putting it on one side.

In most societies, people are highly conscious of money and assets and continually strive to maximize them in one way or the other and one of the means to retain money or accumulate wealth is through savings (Mpiira et al., 2014).

Savings are essential to a community's economic development. SACCOs contribute to economic development by helping individuals improve their financial positions through savings and borrowing. As a result, members contribute more to local economy by purchasing more. SACCOs lend only to their members so they keep funds rotating in the communities where the savings originate (WOCCU, 2012). Furthermore, savings is used to finance emergencies, consumption smoothing, and capital accumulation to meet life cycle needs and events, financing opportunities and to finance daily expenditures (Lwoga et al., 1999).

Savings products exist in a wide range of types which include, mandatory share where each member has to purchase one obligatory share in a stated value and the deposit is of a minimum amount which is non-withdraw able, regular savings account which is the primary account offered to the membership and authorization is usually required for a lump sum withdrawals, organizational or group accounts where any association or group is eligible to open any of the accounts as long as their membership is made up of primarily of individuals who meet the eligibility requirements of individual membership, special purpose savings accounts which are for special purposes such as holidays or vacations and usually pay a higher dividend than regular savings accounts since members cannot make withdrawals until a specific date and lastly youth savings accounts which is used to motivate and establish a pattern of savings culture at a younger age to the youths (WOCCU, 2012).

According to Aryeetey (1995) as cited by Absanto and Deogratius (2013), credit refers to an arrangement in which a lender gives money to a borrower and the borrower agrees to repay the money, usually along with interest at some future point(s) in time. Credit schemes provided by SACCOs exist in different forms and they include; Individual Business Loans, Individual personal Loans, Mortgage Loans, School fees Loans, and any other loans approved by the Board (Obwokor, 2011).

According to Evans (2002) as cited in Ogendo et al (2012), many rural micro projects such as restaurants, taxis, salons, handicrafts, shops and kiosk have been started from the loans taken by members. He further says that SACCOs have enabled the savers to acquire the capacity to build low cost, yet high quality housing units and to buy vital household item and put their children through affordable school system and SACCOs have enabled members to put some of their loans in agricultural development thereby increasing productivity in the agricultural sector and enhancing food security.

According to Jazayeri (2012), SACCOs take on a number of risks in their activities especially in saving and lending to their members. He identified credit risks, interest rate risks, borrowing risks, fraud and malfeasance risks, insider loans, liquidity, capital adequacy, and port folio diversification as the major risks SACCOs are involved in. He continued and defined credit risk as the risk arising from loan delinquency arising from the borrower's unwillingness or inability to pay. The risk is particularly serious if the loan security is insufficient or adequate to cover the outstanding amounts. Similarly, Safakli (2007) exposed that according to Basel Committee on Banking Supervision, credit risk is defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms.

Furthermore, Gakure et al (2012) as cited in Magil and Yang(2014) defines credit risk management as a structured approach for managing credits uncertainties through risk assessment, developing strategies to manage it and mitigation of risk using managerial resources. Ross et al (2010) emphasize that in granting credit, a firm should distinguish between customers who will pay and customers who will not pay using the credit policy and use of effective guarantor. Correspondingly, Moti et al (2012) finds that high involvement of credit officers in formulating credit terms and considering good character and repayment history of a borrower before issuing loans influenced positively to loan repayment performance in Kenya.

2.1.2 Functionality of savings and credits

According to WOCCU (2012), savings mobilization is one of the main objectives of SACCO. It is the process of gathering amounts from many people into a pool that can be put to work in the economy through lending. Savings combines smaller amounts so members can make larger purchases than they would otherwise be able to afford and that saving is liquid in that the full value is available almost immediately. The report also stretched that the SACCO benefits because savings are the primary means of securing funds to make loans available to the members. Furthermore, savings generate income to pay for operating expenses, to invest in new services and benefits and to increase capital of the SACCO.

In addition, SACCOs are the most prevalent semi-formal savings device. It offers both the “saving up” (savings account) and “savings down” (loans) swap types (Lwoga et al, 1999). The deposits made by each member contribute to the association’s fund (savings pool) in the form of a fixed minimum sum. This saving pool act as a source of fund from which it can afford relief to its members in need by making loans/ credits to them for productive and provident purposes at

fair and reasonable rates of interest and with easy terms or repayment, continuously educate members on how savings can be made on regular basis and provide services such as financial counseling to enable the members solve their financial problems and the risk of management service to ensure the safety of members savings and loans (Kimeli et al, 2012). This statement is supported by Karuma, 2011 who affirmed that SACCOs receive savings from members in the form of deposits which act as a pool of funds and from this pool they serve credit needs of members through loans. The principle underlying lending by SACCO is that not every member will request for a loan at the same time (Ongore, 2001 as cited by Alecia et al 2014).

Lending to members is based on the principle of zero tolerance for loan defaults (Kivumbi, 2013). Individual savings deposits are typically much smaller than an average loan, requiring multiple deposits to fund a single loan and these savings deposits are converted by the SACCO with an absolute expectation of safety and repayment into credit risky loans to members and besides the loans advanced carry a fixed interest rate for the entire term as opposed to commercial banks (Okwee, 2011).

Similarly, Loans to members are granted for almost any productive purpose but the upper limit cannot presently exceed four times the members deposits and with a maximum repayment period of 48months (Alecia et al, 2014). The security for loans is usually shares and long term deposits although the law by the regulatory body requires only long term deposits to be used as security (SASRA, 2010). However, the circular by the commissioner of co-operatives, 1997 as cited in Alecia et al, 2014 argues that the security for loans is usually composed of the members own savings in addition to two or three guarantors whose considered shares and those of the member must exceed the amount of loan applied for. This is to ensure that incase of default, the loan can be recovered fully from the shares of the member and those of the guarantors.

In addition, the president of the Republic of Uganda Yoweri Kaguta Museveni, in his speech as reported by the New vision 12th may 2014 argued and directed SACCO managers to stop asking for collateral from people seeking for loans/ borrowing from SACCOs stretching that the government started SACCOs to help ordinary people who do not have security to get loans and develop themselves (Turyakira and Mugasha, 2014).

Further still, the requirements for lending to a member vary from one SACCO to the other as there are no uniform requirements nationally. However, according to Mwangi, 2012, the following are the basic lending requirements in most SACCOs and they include the following;

For a member of a Sacco Society to qualify for a Co-operative loan: - a) The Society must have been in existence and active for a period of not less than six months from the date of its registration. b) A member must have completed at least six months membership and contributed not less than UGX 50,000/= in shares/ deposits. c) A member who withdraws from the Society and re- joins later will be treated as a new member for the purpose of this loan policy. d) Savings contribution paid in cash or cheque outside the check- off system shall remain in the Society for at least six months to qualify for any loan. e) Any amount of savings through the check-off system in excess of one third of a member's basic salary shall remain in the Society for a period of six months to qualify for any loan. f) A member applying for a loan should undertake to pledge future salary from any employer towards loan repayment before such a loan is granted by the Society.

Further still, a) all loans shall be restricted to members only and shall be approved by the Credit Committee or as provided herein. No member of the loan approving Committee shall be present when his/her loan application is being considered.

b) Employees of the Society shall be eligible for membership but are not eligible to become members of a Committee or any other sub-committee in the Society. c) An employee who tempers with his/her monthly share contribution and loan repayment is liable for prosecution under Section 94 of the Co-operative Societies Act.

The rate of interest on all loans inclusive of all charges incidental to granting of the loan shall be as approved by the members/delegates at an ADM/AGM or Board.

In addition, a) No members shall leave the common bond by virtue of transfer or retirement, he/she may continue to be a member of that Society or may transfer all his/her shares to the Society which he/she intends to join under the new employer. b) All new applicants for membership must provide written proof from their previous employer and Management Committee of the previous Society that they do not have outstanding liability in the Society and that they are no longer members of same Society. In case a member has any outstanding liability with the previous Society, he shall be required to pledge future income to repay the loan of the previous society and show proof of the same to his/her new society.

Furthermore, a) all applications for loans shall be made on prescribed forms by the Society and shall in each case set out the amount applied for, the purpose of the loan, terms of repayment and type of security provided. The loan application form shall be fully completed and supported by at least one most recent pay slip (or a letter from the employer confirming the applicant's ability to repay the loan comfortably). b) It shall be an offence for an applicant, Society employee or book-keeping Service employee to give false information regarding shares, loans and guarantees.

Loan applications shall be considered in the order in which they are received or as shall be determined by the Board.

The maximum amount of loan granted to a member shall not exceed three times a member's shares but subject to maximum of 5% of the Society's total share capital and reserves. Where total deductions exceed two thirds of a member's basic salary, the loan shall be reduced accordingly.

The Society shall maintain 10% cash reserve of the total members' savings and in accordance with the By-laws at least 50% of the deposit account and shall not be available for granting loans. Such reserves shall be updated monthly.

Lastly, Provided that a member is qualified, an additional loan can be granted by the Credit Committee.

The major procedures one go through before accessing the loan/ credit from a SACCO involves first filling in the application form or the member is assisted to fill the necessary forms, second an internal loans Committee that comprises of selected members of within that particular SACCO consider the loan application, third as soon as the loan is approved or otherwise, information is immediately communicated to the applicant and lastly disbursement of the loan is done as soon as it is approved by the committee. All loans approved are communicated to the Accountant to make necessary arrangements for disbursement. The Accountant prepares a payment voucher and a cheque in the names of the payee member. Cheques in the names of a member are paid or credited directly to the beneficiaries account.

The cheque could also be cashed by the Accountant and the cash disbursed to the member where this arrangement is found to be more practicable. The member must sign all the necessary documents pertaining to the loan disbursements. Disbursements can be done in one lump sum or by installments depending on the purpose of the loan and availability of the funds. Where a loan is disbursed in installments, interest will be calculated only on amounts disbursed from the date of disbursement. (Mwangi, 2012), supported by Nakaye in 2011.

2.1.3 Loan size

A loan is an arrangement in which a lender gives money or property to a borrower and the borrower agrees to return the property or repay the money usually along with interest at some future point(s) in time. Usually there is a predetermined time for repaying a loan and generally the lender has to bear the risk that the borrower may not repay the loan (Tracy, 2009).

According to Akisa (2013), most of the core product of micro finance institutions is micro credit; an extremely small loan to purchase productive assets boosting the micro and small enterprises' revenue allowing repayment over a short period of time in small installments without the guarantee of collaterals. The study further explains that the size of the loan is small in three dimensions, in absolute monetary values as compared to typical business loans, so as to operate in segment where there is no banking competition. The scholar also affirms that the loan may also be in relation to the borrowers' income so that payback is easier and finally in respect to the lenders' portfolio, so that the default of any single borrower has no impact on its financial soundness.

Similarly, Bwama and Mwakijilo (2013) explain that SACCOs lend both to individual and groups bases. This view is supported by Roodman (2011) as cited in Akisa (2013) that group lending has long been a key part of micro credit and that micro credit initially began with the principle of lending to individuals. That the use of group lending was motivated by economies of scale, as the costs associated with monitoring loans and enforcing repayments are significantly lower when credit is distributed to groups rather than individuals. The scholar further stated that many times the loan to one participant in group lending depends upon the successful repayment from another member thus transferring repayment responsibility off from micro credit institutions to loan recipients.

In addition, Maina (2011) stated that in group lending, the financial intermediary reduces the recurrent costs by replacing multiple small loans to individuals by large loan to a group. This enables financial intermediaries to bank with poor loan applicants who would not receive any loan under individual loan contracts due to excessive unit transaction costs. He continued and stated that the most important rationale for group lending is the information and monitoring advantages that member based financial institutions have compared with individual contracts between micro finance institutions' and borrower.

Furthermore, SACCOs offer short term loans and deposit facilities. The size of the loan is limited by the deposits held by a member and secured by guarantor ship. Some SACCOs offer group lending usually for manageable group sizes. Examples of these types of loans are development loans commonly referred to as normal loans.

Short term loans are granted for education and emergency purposes usually for a period not exceeding 12 months at a specified interest rate (varies from one SACCO to another) on a reducing balancing method (cooperative bank, 2008 as cited in Nzaywa, 2013).

In relation to the above, Ondieki and Mugambi (2013) stated that members of SACCOs have different purposes for the loans borrowed. Some borrowers might want a loan for business launching/ startup or boosting of an existing enterprise, others to pay school fees of their children while others for improving their socio-economic status. The upper limit of the loan cannot presently exceed four times the members deposits (Alecia et al., 2014).

2.1.4 Interest rates

Babihuga (2003) considers interest rate as a price charged to a borrower for the loan (money). She goes on to distinguish interest rate from an ordinary price. She writes that “this price is unique because it is really a ratio of two quantities; the total required fee a borrower must pay to a lender to obtain the use of credit for a stipulated period and the amount of credit actually made available to the borrower.”

Similarly, Koegh (2006) affirms that interest is the cost of the loan to the borrower and the income to the lending institution. Interest is the cost of money and small scale enterprise borrowing money should be prepared to pay. He continued and stated that the types of interest rate commonly offered by financial institutions in Uganda include flat rate, declining rate and variable rate and each one of these types has its merits and demerits on the side of the borrower and the lender. The interest rate in this case is the lending rate that SACCOs charge for loans advanced to their members.

Furthermore, Mukoyani (2013) explains that charging prices high enough to cover cost is an essential practice for any business enterprise that intends to continue its operations into foreseeable future. Interest rate therefore must cover operational and financial costs and growth. To achieve the objectives of a sustainable, healthy growing SACCO sector and increase its membership especially the poor in rural areas, then the level of interest rate on loans must be critically examined.

In addition, interest rate is the main source of income for SACCOs. The SASRA rules encourage SACCOs to maximize returns on their assets. One of the principal assets of SACCOs is the loan portfolio. The return on assets, determined mainly by interest charged is used to meet SACCO recurrent costs. The key factors that determine interest rates are; cost of funds, the operating expenses, default risks and level of profits needed to expand the capital base and funds expected for future growth (Waruiru, 2012 as cited in Mukoyani, 2013).

2.2 Performance of small scale businesses

According to Kasekende (2003) as cited in Kyokutamba (2011), a small scale enterprise is an is one employing less than 5 people but with a maximum of 20 employees, with the value of assets, excluding land, building and working capital of less than Ug.shs 50 million (US\$ 30,000), and the annual income turnover of between Ugshs.5-50 million (US\$6,000-30,000) as supported by URA (2011). This study took Uganda's definition of small scale enterprises since this study was taken in Uganda.

According to Armstrong (2005), performance is often defined in output terms- the achievement of quantified objectives. He further stated that performance is a matter of not only what people achieve but how they achieve it.

The oxford dictionary confirms this by including the phrase “carrying out” in its definition of performance; the accomplishment, execution, working out, carrying out of anything ordered or undertaken. Further still, Performance of business refers to the ability of business to meet the required standards, increased market share, improve facilities, ensuring returns on profitability, and total reduction and once this is achieved, a business is believed to be performing effectively (Flolick, 2006 as cited in Mugerwa, 2011).

Similarly, performance means both behavior and results. Behaviors emulate from the performer and transforms performance from abstraction to action. The study further stated that behaviors are also outcomes in their own right; the product of mental physical effort applied to tasks and can be judged apart from results. Therefore the definition of performance leads to the conclusion that when managing performance both inputs (behavior) and outputs (results) need to be considered (Kiprono, 2012).

In addition, Westover (2008) affirms that performance is taken to be function of an organization’s ability to meet its goals and objectives by exploiting the available resources in an efficient and effective way. John (2004) supplements that performance entails effectiveness, which refers to the firm’s ability to serve and produce what the market requires at a particular time and efficiency which means meeting the objectives at the lowest possible cost with the highest possible benefits.

Further still, Campbell (2004) as cited in Kyokutamba (2011) asserts that organizational performance measures must focus attention on what makes, identifies and communicates the drivers of success, support organizational learning and provides a basis for assessment and rewards.

Molina (2007) confirms this by saying that as a firm increases in size in terms of level of stock, sales, level of assets and more skilled employees, economies of scale set in creating a positive impact on performance.

2.2.1 Sales / turnover as a measure of performance of small scale business

Sales/ turnover are the total amount of goods, products or ideas sold within a given time frame, usually 12months. The amount is usually expressed in monetary terms but may also be in total units of stock or products sold (Tracy 2009). In addition, John and Tian (2000) considers sales volume as a good measure of small scale enterprises. They found out that when sales increase, revenue turnover of the firm is high which means the firm is expanding its level of output and thus an indicator of better performance.

In addition Boles et al (2001) observed that a firm can register its better performance if the level of sales is increasing over time to meet the predicted and targeted sales. They further found out that if an enterprises' sales volume is increasing, it means that the productive capacity of the enterprise is expanding and eventually a firm begins to enjoy economies of scale that enables it to produce at reduced cost, sales cheaply and becomes competitive in the industry.

Furthermore, Bagozzi (1999) as cited in Kyokutamba (2011) argued that a firm is said to be performing better if its sales volume is increasing over time. He further stated that in a situation where there is efficient management of the firm, if its sales volume is increasing it is an implication that revenues are also increasing and this enables an enterprise to be liquid and reduces on the capacity of the firm to borrow in order to meet its debt obligations.

2.2.2 Liquidity as a measure of performance of small scale business

According to Maes et al (2000) as cited in Kyokutamba (2011), liquidity relates to the settlement of short term debts. The study further stated that a business will face financial problems if the funds are not available to pay off these debts. Williams (2004) affirms that liquidity is the degree to which debt obligations coming due to next 12 months can be paid from cash or assets that will be turned into cash. Similarly Mugerwa (2011) defines liquidity as the ability of the firm to meet its financial obligations as they fall due, without disrupting the normal ongoing operations of the business. He further stated that liquidity has two parts namely structural liquidity which relates to the balance sheet items especially the assets and liabilities and operational liquidity which deals with the cash flow measures.

According to Katz and Green (2009), liquidity is the measure of how quickly a company can raise money through internal sources by converting assets to cash. Frreira and Vilela (2004) assert that the existence of growth opportunities in firms is an important factor that positively affects cash levels.

2.2.3 Asset base as a measure of performance of small scale business

Asset base is the underlying asset giving value to a company, investment or loan. It is the tangible asset held by a company or individual investor at any point in time. One of the successes of any business venture is the asset base which an enterprise is accumulating over time (Bert 2010). Similarly John and Tian found out that the expansion of an enterprise is measured in terms of the rate at which its assets are growing. John (2006) observed that as long as the physical assets of the business are growing over time, it is an indication that it is growing to enjoy the benefits of economies of scale and to become competitive in the market.

In a related study, Campbell (2004) as cited in Kyokutamba (2011) argues that it is the increase in asset base that indicates that the enterprise's performance is effective and efficient. He further found out that a firm with strong asset base is capable of accessing loans from financial institutions cheaply since such assets can act as collateral security.

2.3 Size of loans and the performance of small scale business

Mwangi and Wanjau (2013) affirm that there is a moderate positive relationship between enterprise growth and access to finance. Thus an increase in access to finance by SACCOs would lead to increase in growth of youth entrepreneurship/ business. This finding was in agreement with Obwokor (2011) who asserts that lack of finance is one of the major constraints to the formation of small scale businesses. Further still, Akisa (2013) states that most of the entrepreneurs depend mainly on micro finance institutions for their working capital and that majority of the entrepreneurs who depend on micro finance institutions for the working capital had their levels of stock doubling as compared to those who rely on different sources of funds for their working capital whose businesses are stagnant.

According to Ondieki and Mugambi (2013), loans granted by SACCOs have considerable impact on the performance of small scale businesses. They found out that SACCO loans are used by small scale businesses practitioners to increase on their stock with the sole objective of minimizing stock outs. They also stated that SACCOs grant relatively similar size of loans in relation to the savings of the members and that medium sized loans do facilitate the growth of small scale businesses since they enable the members to acquire enough operating capital to cover up their business expenses.

In relation to the above finding, Karuma (2011), who found out that SACCOs do offer affordable loans to their clients and that the loans are subsidized loans which do support the low income groups and small scale enterprises by ensuring easy accessibility to finance since members can access loans within limited time that make them develop and manage their businesses with ease.

Similarly Bwama and Mwakujonga (2013) identified that SACCO funds in form of loans are now the predominant form of external financing for small and micro enterprises in most developing countries. This is because most financial institutions especially banks have tight conditions when granting loans to their clients and therefore members of SACCOs do prefer borrowing from their associations since they can meet the conditions required. The two also identified that SACCO funding inform of loans exist in two forms that is to say individual and group loans which do enable the micro and small scale enterprises to increase on their real assets and thereby improving on their performance.

Contrary to the above views, Tushabomwe (2006) identified that the size of loans advanced by micro finance institutions especially SACCOs are insufficient and too small to purchase major assets required to improve on the performance of small scale businesses. His argument is based on the ground that savings by members is not sufficient enough to grant big amount of loans and this therefore leave the SACCOs with no option but to grant the same amount in relation to the savings of members which does not cause a considerable improvement in the performance of small scale businesses. This implies that the small scale business practitioners cannot purchase real assets such as land, buildings among others to expand on the scale of their operation.

Mwangi (2011) argues that Micro businesses tend to have a poor collateral base and therefore get excluded from the credit market. The study continued to assert that even when their asset base is rich, property rights problems reduce the collateral value of such assets. He continues to say that where entrepreneurs can successfully seek out credit from formal sources, they may not bother to borrow because of limited ability to comprehend debt management and costs of borrowings, fear related to potential hidden costs, previously disastrous experiences with financial services, presence surrogates such as savings and credit associations, and cultural norms that discourage borrowing. The mere presence of financial services even within very close proximity does not therefore guarantee the demand for and use of credit. The credit seeking decision is a three-stage process, in the sense that enterprises have first to decide on whether or not they need credit.

Further still, Madaga (2012) asserts that high interest rates on loans to small scale enterprise means that the cost of borrowing is high and thus even if such enterprise make returns there is the likelihood that the returns may just end covering the costs of borrowing. The study further elaborates that sometimes the markets for the SMEs products may be scarce hence even if the loans have been utilized properly, still the little returns goes back to paying the micro finance institution and thus little or no surplus is available for reinvesting in the enterprise's operations.

This therefore implies that there is no universal knowledge and understanding on whether the nature and size of loans advanced by SACCOs do improve on the performance of small scale business in Uganda and hence the need to investigate this further which this study will try to address.

2.4 Interest rates and the performance of small scale businesses

According to Galor (2010), SACCOs charge two different interest rates that is to say, Interest rate on savings by members and interest rates on borrowings/ loans. He asserted that interest rates charged on loans are usually lower as compared to other commercial financial institutions and micro finance institutions. He stated that interest rate is calculated using the total interest paid on the loans granted by the fund must cover the total amount of interest paid to members on their savings as well as the firms operating cost. The lower interest rate charged on loans enable most members to seek services of their respective SACCOs than other financial institutions and that the lower interest rate is favorable to most small scale business practitioners.

Similarly Onwonga and Kabura (2013) identified that SACCOs charge a relatively lower interest rates to its members as compared to other micro finance institutions and banks as well. These lower interest rates especially on loans enable small scale business practitioners to have a competitive advantage over their competitors who do borrow from other financial institutions. The two further explained that lower interest rates of SACCOs on loans enable businesses to expand their scale of operation using the borrowed fund and pay the loans in later time. Therefore most of the small scale business practitioners re-invest such loans in expanding their businesses.

In contrary to the above scholars, Tushabomwe (2006) disagreed with the view that interest rate charged by SACCOs improve on the performance of small scale business. He stated that micro-finance institutions especially SACCOs do charge high interest rate of 2% per month which when calculated for the whole year it is 24% on the loans borrowed which is a little bit higher than that of other micro-finance and commercial banks.

He further stated that micro and small scale business have little assets that they can sell in order to pay the loans borrowed because the interest rates force them to pay more than what they had initially borrowed and this therefore results into limited growth and survival of small scale businesses.

Similarly Mwangi (2011) argues that the issue of high interest rates being charged on borrowers of funds has posed a great problem to owners who can only borrow in small amounts. This has led to either closure or stagnation of their business and those who have not began the business end up not starting one because of lack of lack of capital.

In addition, Makorere (2014) affirms that most of the business ventures were constrained to growth due to high interest rate. He continues and says that interest rate imposed on principal amount seems to be high compared to the market price and yet the grace period is too short compared with the nature of the business with only thirty days to start to pay the first installment from date loan received is not enough and that many small scale business practitioners complains on interest rate saying it is too high and gives them challenges during loan repayments.

This therefore implies that there is no general knowledge on whether the interest rates charged by SACCOs improve on the performance of small scale businesses or retards their growth because most of the scholars have failed to establish a clear relationship between the interest rate charged and performance of small scale businesses which this study will try to address.

2.5 Savings by members and the performance of small scale businesses

According to DAI (2010) as cited in Odokonyero (2012), savings and credit together should result in asset accumulation. The study continues to argue that the group savings support the protection of income and better household management of income and assets across time,

while credit from the group supports increases in income. This was affirmed by Madaga (2012) who says that Savings mobilization has been recognized as a major force in Microfinance. Microfinance institutions plays a significant role in fostering savings amongst the Small scale business which results in considerable benefits both to the small scale business and Micro finance institutions. Savings enables the Small scale business to get further loans as Micro finance institutions use financial statements to see how such a small scale business have been savings. Savings also enables the Micro finance institution to put the small resources from the small scale business and thereafter form amount that can be advanced to small scale enterprise in form of loans.

In relation to the above, Salasala (2013) the main objective of SACCOs is to mobilize savings for the purpose of creating credits to its members at the competitive rates of interest. SACCOs mobilize savings from members in order to create a common pool of funds which are then granted to the members in form of loans at a fairly lower interest. The savings enables households and businesses to store their money in a more secured manner and allows the money to be put to use by lending to individuals or enterprises to finance investment thus encouraging capital accumulation and promoting the private sector development like businesses.

Similarly Mwakajumilo (2011) observed that SACCOs have had a substantial role in the mobilization and allocation of otherwise untapped resources. That rural-based SACCO schemes operate under a saving first arrangement whereby potential borrowers have to pay cash deposit before they can apply to borrow a maximum of twice the amount they have saved with the program. This therefore enables the members who have high savings to access a reasonable amount of loans since loan size is tied to the amount of savings by each member.

He further asserted that outreach in providing services such as loans and savings improve on the performance and growth prospects of enterprises, raise incomes, social welfare and wealth of the poor (improve the standard of living) and hence savings improve on the performance of small scale businesses by providing a secure savings to its members and charge high interest on saving of the members.

In relation to the above findings, Galor (2010) stated that it is a cooperative which encourage its members to save money and enable them to obtain loans that they may require for various purpose from their accumulated savings. This therefore provides an indication of the two main tasks performed by cooperatives. The first task is to enable members to save their money on regular basis, or according to their needs. The members save their money within the frame work of the cooperative while being aware that he/she will receive a suitable return for his effort in form of interest on saving. He further stated that for SACCOs to encourage more savings, it is desirable to pay members interest at a higher rate than that obtainable at any other type of financial institution which will motivate the members to preferably save with his/her own SACCO and thereby increasing savings.

In contrary to the above findings, Muzinduki (2008) disagreed with the view that savings by members improve on the performance of small scale businesses. He stated that some SACCO members are poor and therefore find it difficult to meet the compulsory saving requirements and those who save less get less amount of credit which cannot help in any substantial investments. The poor individuals referred to are those with relatively micro sized businesses as compared to their counter parts within the SACCO. This therefore means that members with low savings are not entitled to large sums of loans and therefore lack enough capital based to improve on the performance of their businesses.

This therefore implies that there is no common understanding as far as savings by members and the performance of small scale business is concerned. This is due to the fact that the previous scholars have failed to establish the relationship between the two of which this study will try to rectify these gap.

2.6 Conclusion

The section covered the different scholars who have tried to establish the relationship between SACCO and the performance of small scale businesses. However, most of the scholars have failed to clearly establish the relationship between the nature and size of loans, interest rates charged by SACCOs and savings by members as dimensions of SACCO and the performance of small scale businesses in Uganda. The researcher therefore has noted this gap with a lot of concern and will try to clearly establish the relationship between SACCO and the performance of small scale businesses and whether the different dimensions improve or retard the growth of small scale businesses in Uganda in this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter deals with the data collection tool were questionnaires. The questionnaires was analyzed by use of SPSS and presented inform of tables and figures. The research is based on a case study and uses descriptive statistics with quantitative approach as the basic approach and the research took a short period of time since cross sectional time dimension is used. The researcher has cited all the articles used in the study, sought for formal introduction letter from the university and ensured confidentiality in the data collected from the respondents as part of the ethical considerations in this study.

3.1 Research design

The researcher used a case study design. This gives numeric description of a part of the population called the sample on the basis of the data to be collected. Bell (1989) says a case study aims at obtaining information that can be analyzed, patterns extracted and comparisons made for the purpose of clarification and provision of basis for making decision. Quantitative approach was adopted in this study. Quantitative approach is adopted in this research because it will enable the researcher to present data in a descriptive manner and generate a list of figures and tables in the study. Onchangwa, G and Memba, F (2012) also used descriptive statistics with only quantitative approach in their study and were able to get the data required from the respondents.

Cross sectional time dimension has been adopted for this study because the study is expected to take a short period of time and data collection, analysis and reporting is done in a single period and therefore cross sectional time dimension is ideal.

3.2 Study population

The study was heterogeneous covering both the male and female clients and staff members of ATC SACCO and the members and practitioners of small scale businesses. The unit of analysis for the study was small scale business in Adjumani district that are members of Adjumani Town Council SACCO and they borrow funds from the SACCO. The unit of inquiry included the respondents to the research tools for example the owners of the small scale businesses and the staff members of the SACCO. According to the Manager Adjumani Town Council SACCO (2015), the SACCO has a total of 10 staff members and 900 borrowers as it stands. However from the 900 borrowers only 300 members are registered with the SACCO as the practitioner of small scale business and therefore the researcher is interested in only studying the members who are operating small scale business and therefore a total population of 310 shall be used for the study.

3.3 Study area

The study was conducted in Adjumani district located in the northern part of Uganda. It is about 352.45km north from the capital Kampala. The case study is based at Adjumani Town Council SACCO which is next to Adjumani District police station along Adjumani-Moyo road.

Adjumani Town Council SACCO is a service providing organization offering services like savings, credit provision, business management and skill training, safeguarding all kind of documents, advisory services and mobile money services.

The study was based in this area because the researcher wants to interact with the small scale businesses practitioners directly and staff and management team of ATC SACCO. Since Adjumani is the home district of the researcher, this will also help minimize other costs like transport and accommodation.

3.4 Sample size

Scientific model developed by Krejcie and Morgan (1970) for determining sample size was used in this study. Where N is the total population and S is the sample size which will be estimated and read from the table that the two has developed which is composed of population size and their corresponding sample size. A total number of 172 respondents shall respond to the research tools.

Table 3.1: Population and the sample size for the study

Categories	Population(N)	Sample size (S)
Staff members	10	$10 \div 310 \times 172 = 06$
Clients with business	300	$300 \div 310 \times 172 = 166$
TOTAL	310	172

Source: Manager ATC SACCO (2015)

3.5 Sampling techniques

The researcher used both probability and non-probability sampling technique. Stratified random sampling and purposive sampling techniques were used. This is because stratified random sampling will enable the researcher to represent specific groups from the sample proportionally in form of strata while purposive technique will enable the researcher to ensure balance among

the sample sizes since multiple groups will be selected for the study such as the management team and staff members of Adjumani Town Council SACCO, members of the SACCO and the practitioners of small scale business. Purposive sampling also enables the researcher to select specific staff members who are directing involved in issuing out loans to the practitioners of small scale business.

3.6 Data sources

The researcher used both primary and secondary data sources to obtain information. Primary data is obtained directly from the field by subjecting the data collection tools to the respondents which is composed of the employees and practitioners of small scale business. Some of the respondents who were able to interpret and follow the questions in the questionnaires were guided by the researcher to deliver the required information. Secondary data is obtained from available the literatures such as journals, government publications, articles and records of small scale business practitioners and Adjumani Town Council SACCO.

3.7 Methods of data collection

3.7.1 Questionnaires

Closed questionnaires were employed so as to measure the variables of the study and because data is to be collected from a large sample in a short period of time and due to the fact that most of the respondents could read and write.

3.8 Data analysis and presentation

3.8.1 Data analysis

The researcher used SPSS 16.0 to analyze the questionnaires for quantitative data collected.

All filled questionnaires were entered in SPSS software after reviewing them for completeness, adequacy and consistency. Because the questionnaires were administered by the researcher himself, there were no irrelevant data. This was because a researcher would leave a respondent after clarifying on the responses that were not clear. This made the cleaning exercise during the data entry and data cleaning after entry easy. This was followed by data analysis. Kyokutamba (2011) also used SPSS for quantitative data analysis and was able to obtain the required data.

3.8.2 Data presentation

The quantitative data analyzed was presented in form of tables and figures. Kimeli et al (2012) says that quantitative data and qualitative data can be presented in form of figures, tables and graphs as this presentation gives clear understanding of the findings of the study.

3.9 Quality assurance

3.9.1 Validity

The researcher subjected the draft tool such as questionnaires to experts, his fellow students and to the supervisor. Some of the experts include entrepreneurs who have knowledge in business, experts in cooperatives management among others and in this way validity is attained. According to Kiprono (2012), validity deals with how accurate the instrument represent the variables of the study and that If a method is valid then differences in results between individuals or groups or organizations can be taken as representing true differences in the characteristics under study. The study further asserts that the experts looked at every question in the questionnaire and made appropriate recommendations which were taken into improving the instrument.

3.9.2 Reliability

The researcher employed a test and re-test method by collecting the data using the same tools for two consecutive periods so as to achieve reliability in the study. According to Patton (2002) as cited in Moshi (2011), a good research study must pay careful attention on how measurement is being done and therefore test and re-test method should be used in order to ensure reliability in research.

3.10 Measurement of variables

The researcher used Likert model of measuring the variables of the study. The variables of the study were SACCO's and performance of small scale businesses. Bertram (2009) stated that a Likert scale is a psychometric response scale primarily used to obtain participants preferences or degree of agreement with a statement or set of statements. The researcher will use 5 point scale ranging from "strongly disagree" on one end to "strongly agree" on the other with "neither agree nor disagree" in the middle of the scale. This is because the Likert scale is simple to construct, it is likely to produce a highly reliable scale and easy to read and complete for participants. The scale will be given numbers say 1,2,3,4 and 5. The scale will be composed of strongly disagree, disagree, neither agree nor disagree, agree and strongly agree.

3.11 Ethical issues

All the academic sources used in this study were cited as a way of acknowledging that the information herein does not entirely belong to the researcher but other people's articles and publications were as well used.

The researcher got formal permission from the university and granted formal introduction letter from the university introducing him to ATC SACCO as a student of Uganda Martyrs University in need of information from their organization.

Permission was sought from the general manager of ATC SACCO in order to get access to their information. Consent of the members of SACCOs and owners of small scale businesses was first sought before being subject to interviews and giving questionnaires to them. Oral consent was obtained from the respondents before inquiring any data from them as per the study is concerned.

The researcher secured voluntary participation in providing responses to the research tools. A statement requesting the compliance of the respondents was clearly stated on top of each research tool.

Unauthorized people will not have access to the data and word of assurance of confidentiality that the data being accessed shall be kept confidential to the researcher was given to the respondents. The respondents had the freedom to ignore items they wish not to respond to.

3.12 Study limitation

Short time dimension, cross-sectional study was used and this therefore means the research was conducted for a short period and thus the researcher didn't get in depth knowledge about the study.

The research design used may not be appropriate design required for this study and this therefore implies that the data analysis and presentation may not be accurate as well and therefore will lead to wrong conclusion and findings.

The sample size to be studied may be too small which means there are high chances of errors and thus inappropriate conclusions may be reached at by the researcher.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents the findings of the study, the findings relating to the discussion, analysis and presentation as revealed by the field data collected by the researcher. Both primary and secondary data were used. The findings are presented in percentage tables and bar graphs and pie charts. Discussion and analysis of the different responses to some key questions is also done in this chapter and this is done in reference to the study objectives.

4.1 Questionnaire Return Rate

In this study, the sample size is 172 consequently, questionnaires were issued to respondents, out of which 130 questionnaires were returned translating a return rate of 75.6%. The table below show the details of questionnaires dispatched and returned.

Table 4.1: Response rate

Respondents	No. delivered	No. returned	Return rate
Staff members	06	06	100%
Clients operating small scale businesses	166	124	74.7%
TOTAL	172	130	75.6%

Source: primary data, 2015

According to Kothari, (2004) as cited in Akisa, (2013), any response rate more than 70% is sufficient to give reliable analysis of the data presented and therefore the response rate of 75.6% is sufficient enough to give reliable results of the data presented.

4.2 General Background Information

This section presents the general characteristics of the respondents. These include; sex, age brackets, educational level of clients and management staff. These are presented in the subsequent sections.

4.2.1 Background information about clients and practitioners of small scale businesses

The researcher selected both the clients and staff members of the SACCO for this study as indicated in the sample size. Background information relating to clients and practitioners of small scale businesses are presented in the subsequent sections below.

4.2.1.1 Gender Distribution of the clients

The study established the extent to which clients used the services offered by SACCO. Table 4.2 below shows the results.

Table 4.2: Gender Distribution of clients

Gender	Frequency	Percentage
Male	45	36.3
Female	79	63.7
Total	124	100.0

Source: Primary data, 2015

From the table 4.2 above, 36.3% of the respondents who attended SACCO services were male and 63.7% of the respondents who attended SACCO services were female. This implies that most of the people who attend SACCO services and those that operate small scale businesses in the study area were female.

4.2.1.2 Marital status of respondents

The study also established the marital status of the clients who are accessing the services of the SACCO. The purpose of this is to establish whether marital status have influence especially in acquisition of loans, loan repayment, having collaterals to borrow and savings with the SACCO.

Table 4.3: Frequency distribution for marital status of respondents

Marital status	Frequency	Percentage
Single	31	25.0
Married	73	58.9
Student	20	16.1
Total	124	100.0

Source primary data, 2015

From table 4.3 above, 58.9% of the clients were married, 25% of the respondents were single and 16.1% of the respondents were students. This implies that on average, married clients in the study area were seen to be the biggest category of people who attend the SACCO services and are seen as clients with collaterals and have got good repayment records as compared to singles.

4.2.1.3 Age Bracket of Clients of the SACCO

The study also established the different age brackets of the clients of the SACCO who are involved in businesses. Table 4.4 below shows the results.

Table 4.4: Frequency distribution for age groups of clients

Age bracket	Frequency	Percentage
15-20	06	4.8
21-30	33	26.6
31-40	63	50.8
41-above	22	17.7
Total	124	100.0

Source primary data, 2015

From table 4.4 above, 50.8% represented the age bracket of (31-40) years, 26.6% represented the age bracket of (21-30) years, 17.7% represented the age bracket of (41-above) years and 4.8% represented the age bracket of (15-20) years. This signifies that majority of the respondents in the study area were in the dynamic, enterprising, risk taking and working class age of (31-40) years. They have the potential to grow their savings and investment and consequently support themselves, the company and the economy at large.

4.2.1.4 Education Background of the Respondents

The study tried to establish whether there is a link between SACCO services and educational levels. The level of education was included to help the researcher find out the ability of the respondents to interpret information given to them concerning savings. The results are shown in the table below.

Table 4.5: Frequency distribution for educational levels of clients

Education	Frequency	Percentage
PLE	73	58.9
UCE	28	22.6
UACE	17	13.7
Tertiary	06	4.8
Total	124	100.0

Source primary data, 2015

From table 4.5 above, 58.9% of the clients were seen to have stopped their education at primary level, 22.6% of the clients were seen to be in Ordinary or secondary level, 13.7% of the clients were seen to be in Advanced or High level and 4.8% of the clients were seen to be in tertiary level of education. This implies that most of the clients in the study area who accessed SACCO services were falling in the primary level or PLE grouping and thus most of the clients were of a lower level who never taken higher levels of Education.

4.2.1.5 Period of Joining the SACCO

The period of joining the SACCO helped the researcher to know whether the number of members that join the SACCOs is improving overtime or not. The table below shows the results.

Table 4.6: Frequency distribution for period when clients joined the SACCO

Period	Frequency	Percentage
1 year ago	22	17.7
2 years ago	18	14.5
3 years ago	55	44.4
Above 3 years back	29	23.4
Total	124	100.0

Source primary data, 2015

From table 4.6 above, it can be seen that the lowest number of people who joined the SACCO was 14.5% while the highest number of clients to have joined the SACCO was 3years ago which represents 44.4% of the total clients of the SACCO. The reason given was that most people were enlightened about SACCO services during that period and thus the increase. However the number of clients with small scale businesses looks to be gradually increasing with 17.7% over the past one year as compared to two years back 14.5%.

4.2.1.6 Clients operating small scale businesses before joining the SACCO

The study also established the number of clients who were operating small scale business before joining the SACCO and those clients who never had business before joining the SACCO. This is necessary in order to establish how the SACCO is benefiting the clients in terms of business start ups. The results are shown in the table below.

Table 4.7: Frequency distribution for clients with business ventures

Business	Frequency	Percentage
Yes	94	75.8
No	30	24.2
Total	124	100.0

Source primary data, 2015

From table 4.7 above, 75.8% of the clients operated some businesses before joining SACCO while 24.2% argued that they actually had no business before SACCO. This implies that on average many clients in the study area were actually doing business before joining the SACCO.

4.2.1.7 Access to start up capital

The study established the sources of fund that the clients used as start up capital for their businesses. This is to enable the researcher to establish whether the clients are familiar with financial services even before joining the SACCO. The table below shows the results.

Table 4.8: Frequency distribution for sources of capital used by clients

capital	Frequency	Percentage
Friends and family	11	8.9
Personal savings	94	75.8
Borrowings from other financial institutions	19	15.3
Total	124	100.0

Source primary data, 2015

From table 4.8 above, 15.3% of the clients argued that they accessed start-up capital through borrowings from other Financial institutions, 75.8% of the clients argued that they accessed them through personal savings while 8.9% accessed them from friends and family. This therefore implies that most of the clients in the study area have got a good savings culture and are familiar with financial institutions and the services being provided.

4.2.1.8 Type of businesses engaged in by clients

The study also established the type of business engaged in by the clients as this enables the researcher to determine which business is mostly operated by the clients on a small scale. The results are shown in the table below.

Table 4.9: Frequency distribution for types of businesses clients engaged in by clients

Type	Frequency	Percentage
Wholesale	04	3.2
Retail shop	50	40.3
Service provider	27	21.8
Agricultural products	24	19.4
Others	19	15.3
Total	124	100.0

Source primary data, 2015

From table 4.9 above, 21.8% of the clients engaged in service provider businesses such as restaurants, bars, salons, motor cyclists (boda bodas), 40.3% of the clients engaged in retail shop businesses, 3.2% engaged in wholesale businesses, 19.4% of the clients are involved in selling agricultural products such as food crops, livestock, pigs among others while 15.3% engaged in other businesses such as brick laying, grain milling, construction among others. This implies that most of the clients in the study area had their interest in retail businesses before the SACCO services and thus the business types the clients are involved in are typical of a small scale business operator. This finding is in line with Mugerwa (2011) who found out that most of the small scale practitioners actually operate retail shops.

4.2.1.9 Number of People Employed In the Business

The study established the number of employees employed by the clients in their business. This is to enable the researcher to establish whether the findings confer to the definition of small scale businesses. The results are summarized below.

Table 4.10: Frequency distribution for the number of people employed by clients

Number	Frequency	Percentage
1-5	72	58.1
6-10	35	28.2
11-15	15	12.1
16 and above	02	1.6
Total	124	100.0

Source primary data, 2015

From the table 4.10 above, 58.1% of the clients said that they employ between 1-5 people in their business, 28.2% of the businesses employ between 6-10 people in their business while only 15 (12.1%) businesses employ between 11-15 people and only 1.6% of the business employ more than 16 people. This means that small scale businesses employ less people and this finding supports UIA (2015) definition of small scale businesses that it is one that employs from 5-50 people in the enterprise.

4.2.1.10 Period spend in operating the business

The study also established the period the clients spent in carrying out their businesses. This is to enable the researcher to establish the level of experience the clients have in operating businesses.

The table below shows the results.

Table 4.11: Frequency distribution for the period clients spent on business

period	Frequency	Percentage
1-3	57	46.0
4-6	16	12.9
7-10	08	6.5
11 years and above	43	34.7
Total	124	100.0

Source primary data, 2015

From the table 4.11, 46% of the clients have been in business for 1-3 years now, 34.7% have spent more than 11 years in business, while only 12.9% have been operating business for the range of 4-6 years now and only 6.5% have been in business for the last 7-10 years. This implies that most of the clients at least have got experiences in operating these small scale businesses.

4.2.1.11 Annual Turnover in UGX

The study also found out the annual turnover of these small scale businesses. This is to enable the researcher to determine whether the businesses are really small scale in nature. The table below shows the results on this.

Table 4.12: Frequency distribution for the annual turnover of small scale business

Turnover	Frequency	Percentage
1-5million	84	67.7
6-10million	34	27.4
11-20million	06	4.8
Total	124	100.0

Source primary data, 2015

From the table 4.12 it can be seen that 67.7% of the clients realize an annual turnover of between 1-5million, 27.4% realize a turnover of shs 6-7million yearly while only 4.8% of the clients earn more than shs11-20million yearly. This finding supports URA (2011) that a small scale business is one with a turnover of less than 50million shillings.

4.2.1.12 Rating Of the Loan Services Provided By the SACCO

The study also established how the clients found the loan services provided by the SACCO.

Table 4.13: Frequency distribution for rating loan services

Loans	Frequency	Percentage
poor	06	4.8
Good	23	18.5
Very good	27	21.8
Excellent	68	54.8
Total	124	100.0

Source; primary data, 2015

From the table 4.13 above, 54.8% of the clients agreed that the loan services provided by the SACCO is excellent, 21.8% of the clients agreed that the loans of the SACCO is very good, 18.5% said that the SACCO gives a good loan while only 4.8% of the clients stated that the SACCO actually has got a poor loans services. This is in line with Karuma (2013) who found out that SACCOs provide appropriate and excellent loan services.

4.2.2 Background information about staff members of the SACCO

The researcher also issued questionnaires to the staff members and the information concerning gender, period of joining the SACCO, interest rates of the SACCO and criteria for accessing loans are summarized below.

4.2.2.1 Gender Distribution of staff members

The study established the extent to which staff members are involved in the services offered by SACCO. Table 4.14 shows the results.

Table 4.14: Gender distribution of staff members

Gender	Frequency	Percentage
Male	4	66.7
Female	2	33.3
Total	6	100.0

Source primary data, 2015

From the table 4.14 above, 66.7% of the respondents who offered SACCO services were male and 33.3% of the respondents who offered SACCO services were female. This implies that most of the people who offer SACCO services in the study area were male.

4.2.2.2 Period the staff members started working in the SACCO

The study also established the period the staff members joined the SACCO. The purpose of this is to track the labour turnover and whether the SACCO is increasing its number of staff. The table below shows the results.

Table 4.15: Frequency distribution for the period staff members joined the SACCO

Period	Frequency	Percentage
1 year ago	2	33.3
2 years ago	1	16.7
3 years ago	1	16.7
Above 3 years back	2	33.3
Total	06	100.0

Source primary data, 2015

From table 4.15, it can be seen that the SACCO had the same number of staff members who were recruited 4 years back and those ones who were recruited a year ago all standing at 33.3%. While there were also the same staff numbers who joined the SACCO 2 years and 3 years back standing at 16.7%. This implies that most of the staff members in the study area have got experience in providing SACCO products to the clients and that the SACCO has got low staff turnover.

4.2.2.3 Criteria for accessing loans from the SACCO

The staff members of the SACCO were asked whether there was criteria for accessing loans from the SACCO and the results are summarized in the frequency table below.

Table 4.16: Frequency distribution for criteria for loans

Criteria	frequency	percentage
Yes	6	100.0
Total	6	100.0

Source primary data, 2015

From the table above it can be seen that 100% of the staff members agreed that the SACCO has got criterion that are followed when dispatching and accessing loans from the SACCO.

4.2.2.4 Ranking of small scale businesses in the provision of loans by the SACCO

The researcher also subjected the staff members of the SACCO to question regarding how they rank small scale business when providing loans to the clients and the results are summarized in the frequency table below.

Table 4.17: Frequency distribution for ranking SACCO in provision of loans

Priority	Frequency	Percentage
Priority one	04	66.7
Priority two	02	33.3
Total	06	100.0

Source primary data, 2015

From the table 4.17 above it can be seen that 66.7% of the staff members agreed that clients operating small scale businesses are their first priority when dispatching out loans while 33.3% of the staff members had different view that clients operating small scale businesses are ranked second in the provision of loans.

4.2.2.5 Interest rate charged by the SACCO

The researcher also established the interest rates charged on business loans by the SACCO and the results are shown in the frequency table below.

Table 4.18: Frequency distribution for interest rates charged by the SACCO

Interest	frequency	percentage
3%	6	100.0
Total	6	100.0

Source primary data, 2015

From the table above 100% of the staff members unanimously agreed that the SACCO charges an interest rate of 3% per month on the micro business loans granted to the operators of small scale businesses.

4.2.2.6 Loans advanced to clients

The researcher also established whether loans are advanced by the SACCO to its clients and the results is shown in table 4.19.

Table 4.19: Frequency distribution for loans advanced

Loans	Frequency	Percentage
Yes	05	83.3
No	01	16.7
Total	06	100.0

Source primary data, 2015

From table 4.19 above it can be viewed that 83.3% of the respondents agreed that the loans advanced by the SACCO depends on one's savings while 16.7% of the respondents had opposite view that loans advance to clients with small scale businesses do not actually depend on one's savings.

4.3 Quantitative analysis and presentation of study objectives

The analysis of the study objectives are done by use of descriptive statistics. Mean, standard deviation, maximum values and minimum values are used to analyse the information provided by the respondents.

4.3.1 Loan size and the performance of small scale businesses

The average mean for the study was determined using the Likert scale and thus the average is 3.00. The results on the loan size are summarized below.

Table 4.20: Descriptive statistics for loan size and performance of small scale business

Statements	N	Minimum	Maximum	Mean	Std. Deviation
1.the SACCO provides sufficient loans	124	2	5	4.63	.727
2. Access to loans is easy	124	1	5	4.53	.737
3. loan repayment influence Operations	124	1	5	2.02	1.203
4. loans of the SACCO is a necessity	124	2	5	4.23	1.098
5. the SACCO offers different loans	124	3	5	4.77	.527

Source primary data, 2015

4.3.1.1 The SACCO provides sufficient loans

The table 4.20 above shows that majority of the respondents seem to agree with the statement that SACCOs provide sufficient loans for small scale businesses. This can be seen by the mean of 4.63 which is above the average scale of 3.00 although some of the respondents had different views as shown by the standard deviation from the mean of 0.727. This finding supports Karuma (2011), who argues that SACCOs do offer affordable loans to their clients and that the loans are subsidized loans which support low income groups and small scale enterprises.

This is also supported by Ondieki and Mugambi (2013) that SACCOs grant relatively similar size of loans in relation to the savings of the members and that medium sized loans do facilitate the growth of small scale businesses. However Tushabomwe (2006) content that the size of loans

advanced by micro finance institutions especially SACCOs are insufficient and too small to purchase major assets required to improve on the performance of small scale businesses.

4.3.1.2 Access to loans

The table 4.20 above shows that majority of the respondents agreed with the statement that it is easy to obtain loans from SACCOs and this can be seen by the mean of 4.53 which is above the average of 3.00. However some of the respondents had different views as shown by the standard deviation of 0.737. This finding supports Mwangi (2012) who argues that the basic procedures for accessing loans from SACCOs basically depends on the clients ability to fulfill the required eligibility and follow all the necessary procedure from filling forms up to processing the payments.

4.3.1.3 Loan repayment and operations of small scale enterprises

The table 4.20 above shows that most of the respondents had a divergent view on the statement that loan repayment has influence on the operations of their businesses. This can be seen from the mean of 2.02 which is below the average of 3.00 and thus implying that they have disagreed with the statement although some respondents had their own understandings and views as shown by the standard deviation of 1.203. This finding is in contrary to Madaga (2013) who affirms that high interest rates on loans to small scale enterprise means that the cost of borrowing is high and thus even if such enterprise make returns there is the likelihood that the returns may just end covering the costs of borrowing.

4.3.1.4 SACCO loans are a necessity

The table 4.20 above shows that majority of the respondents had responses related to the statement that SACCO loans are necessity to small scale businesses and this can be traced from the mean of 4.23 which is above the average of 3.00 however some respondents had different views as shown by the standard deviation from the mean by 1.09. This finding is in support of Ondieki and Mugambi (2013) who found out that SACCO loans are used by small scale businesses practitioners to increase on their stock with the sole objective of minimizing stock outs and Akisa (2013) also asserted that most of the entrepreneurs depend mainly on micro finance institutions for their working capital.

4.3.1.5 SACCOs offer different loans

The table 4.20 above shows that majority of the respondents seem to agree with the statement that SACCOs offer different types of loans to their clients with a mean of 4.77 although some respondents had different views and this can be seen from the standard deviation of 0.527. This finding is in support of Obwokor (2011), who asserts that Credit schemes provided by SACCOs exist in different forms and they include; Individual Business Loans, Individual personal Loans, asset Loans, salary loans, agricultural loans, School fees Loans, and any other loans approved by the Board.

4.3.2 Interest rates and performance of small scale businesses

There was need to find out how interest rates influence the performance of small scale businesses. Different statements concerning interest rates were subjected to the respondents through the questionnaires and their responses are recorded in the table below.

A mean above 3.00 means that the respondents have agreed with the statement and any mean below 3.00 means that the respondents are in disagreement with the statements.

Table 4.21: Descriptive statistics of interest rates and performance of small scale business

Statements	N	Minimum	Maximum	Mean	Std. Deviation
1.the SACCO charges appropriate interest	124	1	5	3.94	1.357
Rates on loans					
2. Interest rate Influence on operations	124	1	5	2.19	1 .334
3. interest rates influence	124	1	5	4.39	1.124
Borrowings from the SACCO					

Source primary data, 2015

4.3.2.1 SACCO charges appropriate interest rates

The table 4.21 above shows that majority of the respondents agreed on the statement that SACCOs charge appropriate interest rates as shown by the mean (3.94) which is above 3.00 however some of the respondents had different views as shown by the standard deviation (1.357). This finding supports Onwonga and Kabura (2013) that SACCOs charge relatively lower interest rates to its members as compared to other micro finance institutions and banks as well. However in contrary, Tushabomwe (2006) disagreed with the statement that SACCOs charge lower interest rates and he stated that micro-finance institutions especially SACCOs do charge high interest rate of 2% per month which when calculated for the whole year it is 24%

on the loans borrowed which is a little bit higher than that of other micro-finance and commercial banks.

4.3.2.2 Interest rates and small scale business operations

The table 4.21 above shows that the respondents disagreed with the statement that interest rates of SACCOs have got influence on the operations of small scale businesses. This can be viewed from the mean (2.19) which is below the average mean of 3.00. However some respondents seem to have different views as shown by the standard deviation of 1.334 from the mean. This finding is supported by Galor (2010) who concluded that that interest rates charged on loans are usually lower as compared to other commercial financial institutions and micro finance institutions and that that the lower interest rate is favorable to most small scale business practitioners. In contrary however, Mwangi (2011) argues that the issue of high interest rates being charged on borrowers of funds has posed a great problem to owners who can only borrow in small amounts.

4.3.2.3 Interest rates influence borrowings from SACCOs

The table 4.21 above shows that majority of the respondents seem to agree on the statement that interest rate influences borrowing needs from the SACCO. This can be viewed from the mean of 4.39 which is above the average however some of the respondents had different understanding and views as shown by the standard deviation of 1.124 from the mean.

4.3.3 Savings and Performance of Small Scale Businesses

There was need by the researcher to establish whether savings with SACCOs has got a relationship with the performance of small scale businesses and therefore statements were formulated by the researcher in the questionnaires which was then issued to the respondents to

answer. The result on whether savings has an influence on the performance of small scale businesses is summarized in the table below.

Table 4.22: Descriptive statistics of savings and performance of small scale businesses

Statements	N	Minimum	Maximum	Mean	Std. Deviation
1.savings enable clients to obtain loans	124	4	5	4.81	.397
2. borrowings depend on savings	124	2	5	4.66	.649
3. savings enables capital accumulation	124	2	5	4.52	.591
4. the SACCO has many savings products	124	3	5	4.72	.534

Source; primary data, 2015

4.3.3.1 Savings facilitates acquisition of loans from SACCOs

The table 4.22 above shows that majority of the respondents are in agreement with the statement that savings enables clients to obtain loans from SACCOs as shown by the mean of 4.81 which is above the average mean of 3.00 however some respondents had different views as indicated by the standard deviation of 0.397. This finding supports WOCCU (2012) report that savings are the primary means of securing funds to make loans available to the members.

In contrary however, Muzinduki (2008) who stated that SACCO members are poor and therefore find it difficult to meet the compulsory saving requirements and those who save less get less amount of credit which cannot help in any substantial investments.

4.3.3.2 Borrowings from SACCOs Depends On Savings

The table 4.22 above shows that majority of the respondents are in agreement with the statement that borrowings from SACCOs depends on savings in that one must save some amount in his/her account before he/she can borrow and this finding is evidenced by the mean of 4.66 which is above the average mean of 3.00 however some of the respondents had different views as shown by the standard deviation of 0.649. This finding supports Mwakajumilo, (2011) who affirms that potential borrowers have to pay cash deposit before they can apply to borrow a maximum of twice the amount they have saved with the program.

4.3.3.3 Savings and Capital Accumulation

The table 4.22 above shows that majority of the respondents are in agreement with the statement that savings enables capital accumulation as shown by the mean of 4.52 which is above 3.00 the average mean however some clients had different views as evidenced by the standard deviation of 0.591. This finding is in support of Lwoga et al. (1999) who affirms that savings is used to finance emergencies, consumption smoothing, and capital accumulation to meet life cycle needs and events, financing opportunities and to finance daily expenditures.

4.3.3.4 Savings Products

The table 4.22 above shows that majority of the respondents are in agreement with the statement that SACCOs have got many savings products as shown by the mean of 4.72 which is greater than 3.00 although some of the respondents have different views as shown by the standard deviation of 0.534. This finding supports WOCCU, (2012) report which affirms that there are different types of savings products such as special/ target savings account, regular/ personal

savings account, group savings, youth savings account, mandatory share accounts, voluntary savings, and fixed deposit accounts among others.

4.4 Performance of Small Scale Businesses

There was need for the researcher to establish the measures of performance for small scale businesses and therefore the variables of sales, liquidity and asset base are tested and the findings are summarized below.

4.4.1 Sales as a Measure of Performance of Small Scale Businesses

The researcher presented a questionnaire to the small scale practitioners with different statements relating to sales as a measure of performance of small scale businesses and the results on these are summarized in the table below. A mean above 3.00 implies that the respondents are in agreement with the statement and a mean less than 3.00 implies that the respondents are not in agreement with the statement.

Table 4.23: Descriptive statistics of sales as a measure of performance

Statements	N	Minimum	Maximum	Mean	Std. Deviation
1.the business makes sales	124	4	5	4.81	.397
2. the sales have increased overtime	124	2	5	4.66	.649
3. sales lower costs of business	124	2	5	4.52	.591

Source; primary data, 2015

4.4.1.1 Business makes sales

The table 4.23 above shows that majority of the respondents are in agreement with the statement that their businesses makes sales as shown by the mean of 4.81 which is greater than 3.00 however some respondents have divergent views as shown by the standard deviation of 0.397. This finding is in support of Johnson and Tian (2000) that when sales increase, revenue turnover of the firm is high which means the firm is expanding its level of output and thus an indicator of better performance.

4.4.1.2 Business Sales Increased Overtime

The table 4.23 shows that majority of the respondents agree that their business sales have increased overtime and this can be seen from the mean of 4.66 which is greater than 3.00 however some respondents had different views as shown by the standard deviation of 0.649. The finding is in of support Bagozzi (1999) as cited in Kyokutamba (2011) who argues that a firm is said to be performing better if its sales volume is increasing over time.

4.4.1.3 Sales Reduces Business Costs

The table 4.23 above shows that majority of the respondents are in agreement with the statement that sales reduces their business costs as shown by the mean of 4.52 however some respondents have got different views as shown by the standard deviation.

4.4.2 Liquidity as a Measure of Performance of Small Scale Businesses

There was need for the researcher to find out whether liquidity acts as a good measure of performance for small scale businesses or not. Mean above 3.00 means that the respondents are

in agreement and a mean below 3.00 means that the respondents are not in agreement with the statement. The descriptive statistics table below shows the findings.

Table 4.24: Descriptive statistics of liquidity as a measure of performance

Statements	N	Minimum	Maximum	Mean	Std. Deviation
1.the business is liquid	124	2	5	4.11	.998
2. the business meets its costs sufficiently	124	2	5	4.08	1.056
3. business meets its cost when they fall due	124	2	5	3.94	1.065

Source; primary data, 2015

4.4.2.1 The Business Is Liquid

The table 4.24 above shows that majority of the respondents are in agreement that their businesses are liquid in nature as shown by the mean of 4.11 which is greater than 3.00 however some respondents had different views as shown by the standard deviation of 0.998. This finding supports Maes et al (2000) as cited in Kyokutamba (2011), who argues that a business will face financial problems if the funds are not available to pay off these debts and therefore must be in position to pay off its debts thus a good measure of performance.

4.4.2.2 Business Meets Its Costs Sufficiently

The table 4.24 above shows that majority of the respondents are in agreement with the statement that their businesses meet their costs sufficiently as shown by the mean of 4.08 which is greater than 3.00 however other respondents had different views as indicated by the standard deviation of 1.056. The finding is in support of Mugerwa (2011) who argues that a firm must be in

position to meet its financial obligations as they fall due, without disrupting the normal ongoing operations of the business.

4.4.2.3 Business Meets Costs When They Fall Due

The table 4.24 above shows that majority of the respondents are in agreement with the statement that their businesses meets its costs even when they fall due probably because of good planning and good record keeping and this is shown by the mean of 3.94 which is greater than 3.00 however other respondents had different views as shown by the standard deviation of 1.065 from the mean. This finding supports Williams (2004) who affirms that liquidity measures the degree to which debt obligations coming due to next 12 months can be paid from cash or assets that will be turned into cash.

4.4.3 Asset Base as a Measure of Performance of Small Scale Businesses

The researcher thought it necessary to find out whether asset base can be a good measure of performance of small scale businesses. The findings on whether asset base is a good measure of performance or not are summarized in the table below.

Table 4.25: Descriptive statistics of asset base as a measure of performance of small scale business

Statements	N	Minimum	Maximum	Mean	Std. Deviation
1.the business has assets	124	1	5	3.74	1.349
2. the business assets have increased overtime	124	1	5	3.48	1.259
3. business assets has sufficient value	124	1	5	3.76	1.358

Source; primary data, 2015

4.4.3.1 Business Has Assets

The table 4.25 above shows that majority of the respondents seem to have agreed with the statement that their businesses have got assets as shown by the mean of 3.74 which is greater than 3.00 however other respondents had different views this can be seen from the standard deviation of 1.349 from the mean. This finding is in support of Johnson and Tian (2000) who found out that the expansion of an enterprise is measured in terms of the rate at which its assets are growing.

4.4.3.2 Business Assets Have Increased Overtime

The table 4.25 above shows that majority of the respondents are in agreement with the statement that their business assets have increased overtime as shown by the mean of 3.48 above the average mean of 3.00 although some respondents have got different views as shown by the standard deviation of 1.259 from the mean. This finding supports Campbell (2004) as cited in Kyokutamba (2011) who argues that it is the increase in asset base that indicates that the enterprise's performance is effective and efficient.

4.4.3.3 Business Assets Possess Sufficient Value

The table 4.25 above shows that majority of the respondents are in agreement with the statement relating to business assets possessing sufficient value and this can be seen from the mean of 3.76 above the average mean of 3.00 however some respondents had different views as shown by the standard deviation of 1.358.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary, conclusions and recommendations on SACCO and performance of small scale businesses based on the findings of the case study. The basis of the summary, conclusion and recommendations is to assess how SACCOs influence the performance of small scale businesses in terms of loan size, interest rates and savings. The summary, conclusions and recommendations were based on the study objectives both specific and broad objectives.

5.1 Summary of findings

The findings of this study are presented according to the study objectives. Summary of the findings are discussed below;

5.1.1 Loan size and performance of small scale businesses

The findings reveal that loans provided by SACCOs to clients are sufficient to their businesses. The findings further reveal that access to loans of SACCOs is easy as well as the SACCOs provide a wide range of loan products to its clients. Similarly the findings reveal that SACCO loans are a necessity to small scale business practitioners. However the study discovered that loan repayment has no influence on the performance of small scale businesses.

5.1.2 Interest rates and performance of small scale businesses

Based on the findings, interest rates charged by SACCOs are appropriate for the clients. It was also found out that interest rates on loans do not have influence on the operations of small scale businesses. The findings further revealed that borrowings from the SACCO depend on interest rates as high interest rates discourage clients from borrowings and low interest rate compels clients to borrow more.

5.1.3 Savings and performance of small scale businesses

Based on the findings, savings facilitates acquisition of loans from the SACCO. Similarly it was found out that borrowings from the SACCO depend on savings and that savings enables capital accumulation. Furthermore, the findings shows that the SACCO has got many saving products that client can choose from.

5.2 Conclusions

Based on the findings, it can be said that the SACCO provides sufficient loans for the practitioners of small scale businesses and SACCO loans are necessary to small scale business practitioners as it helps them to expand their stock, scale of operation and improve their working capital since the loan repayment does not have influence on their operations.

The study found out that interest rates charged by the SACCO on loans is appropriate, it does not have influence on the operations of small scale businesses and that borrowing from the SACCO depends on the interest rates charged. This implies that the SACCO charges lower interest rates as compared to other micro finance institutions in the study area.

Savings with the SACCO enables one to borrow in form of loans/ credit, savings facilitate capital accumulation since the members are in position to put aside some money for future use which can be used for various purposes such as paying school fees, expanding on the existing stock of the enterprise and acquisition of assets for the enterprise.

On SACCO and performance of small scale businesses, it can be said the SACCO facilitates performance of small scale businesses by providing sufficient loans that can be used to expand the stock and improve on the liquidity of the enterprise, by providing loans at lower interest rates to the clients and by providing saving services that enables the practitioners of small scale businesses to accumulate capital and use it to acquire more business assets.

5.3 Recommendations

Savings and credit cooperatives should carry out evaluation on whether the loans it grants to its clients are really serving the intended purposes. This is because the clients sometimes divert the loan from original purposes and this has an impact on repayment.

Savings and credit cooperatives should conduct training and sensitization of the clients especially those operating small scale businesses and this has to be in line with business management skills. This is necessary because most of the clients comprise of people who dropped out of school at the lower levels and thus lack basic skills concerning their business management.

Savings and credit cooperatives should reduce the minimum requirements for members to access credit facilities such as having securities, having a certain number of shares to access credit and having a stated amount in ones savings account in order to borrow. This is because some members are not in position to buy more shares yet they are interested in borrowing.

Based on the research findings, the younger generation tends to be ignored. Therefore, it is necessary that SACCOs target these people as they have no bad memories about saving and hence their willingness to save will always be high as long as they are taught the reasons of savings.

5.4 Areas for further study

Access to finance and performance of small scale businesses this is because the study only considered a SACCO yet there are other financial institutions such as micro finance institutions and commercial banks where small scale businesses can access funds from.

Micro credit and performance of small scale businesses because small scale businesses need micro loans in order to improve on their performance not only loans provided by SACCOs but by other micro finance institutions

Further studies can still be conducted on SACCOs and performance of small scale businesses covering a wider area as compared to this study which only covered one SACCO in one district.

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APPENDIX I: QUESTIONNAIRE FOR THE SMALL SCALE BUSINESS OWNERS

I am **Ajugo Richard Severy** a student of Uganda Martyrs University-Nkozi pursuing a bachelor's degree in Business Administration and Management. As a partial requirement for the award of degree in Business Administration and Management, am required to carry out a research on my area of interest and its upon this background that am conducting research on **Savings and Credit Co-operatives(SACCOs) and the Performance of Small Scale Business in Uganda**. You have been selected as one of my key respondents in this study because I strongly believe that you have got the necessary information required for the study. I request that you to spare some time and fill in the necessary information in this questionnaire.

The information given will be purely for academic purposes and will be treated with a lot of confidentiality. Thank you for your time and cooperation.

SECTION A: BACKGROUND INFORMATION

Please tick in the appropriate box and where possible write in the blank space provided.

1 Gender

a) Male b) female

2) Marital status

a) Single b) married c) student

3) Age bracket

a) 15-20 b) 21-30 c) 31-40 d) 41-above

4) What is your highest level of education attained?

a) PLE b) UCE c) UACE d) Tertiary

5) When did you join the SACCO?

a) 1 year ago b) 2years ago c) 3years ago d) above 3years back

6) Were you having any business/ shop before joining the SACCO?

- a) Yes b) No

If yes how did you get the startup capital?

- a) From friends and family b) personal savings d) borrowings from other
Financial institutions

d) Others specify.....

7) What type of business are you in?

- a) Wholesale b) retail shop c) service provider

d) Agricultural products e) others

If service provider please specify the services being provided.....

.....

8) How many people do you employ in your business?

- a) 1-5 b) 6-10 c) 11-15 d) 16 and above

9) How long have you been in this business?

- a) 1-3years b) 4-5years c) 6-10 years d) 11 years and above

10) What is your current annual turnover in UGX?

- a) Less than 5M b) 5-10M c) 11-20M d) 21-50M

11) How do you rate the loan services provided by the SACCO?

- a) Poor b) Good c) Very good d) Excellent

SECTION B: SACCO AND THE PERFORMANCE OF SMALL SCALE BUSINESS

On a scale of 1-5, tick in the appropriate box on how you strongly agree or disagree with the statements given below.

Scale	5	4	3	2	1
Particulars	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree

OBJECTIVE 1 LOAN SIZE AND PERFORMANCE OF SMALL SCALE BUSINESS

STATEMENT	SA	A	NS	D	SD
The SACCO provide sufficient loans for my business					
Access to loans of the SACCO is easy					
Loan repayment has influenced my operation					
Loans of the SACCO is a necessity to my business					
The SACCO offers different types of loans					

OBJECTIVE 2 INTEREST RATES AND PERFORMANCE OF SMALL SCALE BUSINESS

STATEMENT	SA	A	NS	D	SD
The SACCO charges appropriate interest rates on loans					
Interest rates on loans have influence on my business operations					
Interest rates influence borrowing from the SACCO					

OBJECTIVE 3 SAVINGS AND THE PERFORMANCE OF SMALL SCALE BUSINESS

STATEMENT	SA	A	NS	D	SD
Savings enabled me to obtain loans from the SACCO					
My Borrowings depend on my savings					
Savings with the SACCO enabled me to accumulate capital for my business					
The SACCO has many saving products					

SECTION C: PERFORMANCE OF SMALL SCALE BUSINESSES

SALES/TURNOVER AS A MEASURE OF PERFORMANCE OF SMALL SCALE BUSINESS

STATEMENT	SA	A	NS	D	SD
My business makes sales					
My sales have increased over time					
My sales lower my costs					

LIQUIDITY AS A MEASURE OF PERFORMANCE OF SMALL SCALE BUSINESS

STATEMENT	SA	A	NS	D	SD
My business is liquid					
My business meets its costs sufficiently					
My business meets its costs whether they fall due					

ASSET BASE AS A MEASURE OF PERFORMANCE OF SMALL SCALE BUSINESS

STATEMENT	SA	A	NS	D	SD
My business has assets					
My business assets has increased overtime					
My business assets possess sufficient value					

Thank you for your corporation.

APPENDIX II: QUESTIONNAIRE FOR THE STAFF MEMBERS OF ATC SACCO

I am **Ajugo Richard Severy** a student of Uganda Martyrs University-Nkozi pursuing a bachelor's degree in Business Administration and Management. As a partial requirement for the award of degree in Business Administration and Management, am required to carry out a research on my area of interest and its upon this background that am conducting research on **Savings and Credit Co-operatives(SACCOs) and the Performance of Small Scale Business in Uganda**. You have been selected as one of my key respondents in this study because I strongly believe that you have got the necessary information required for the study. I request that you to spare some time and fill in the necessary information in this questionnaire.

The information given will be purely for academic purposes and will be treated with a lot of confidentiality. Thank you for your time and cooperation. **(Please tick in the appropriate box)**

1. Gender a) male b) Female

2. When did you join the organization?

a) 1year back b) 2years back c) 3 years back

d) 4 years and above ago

3. Are the criterions for obtaining your services easily met by the small scale businesses?

a) Yes b) No

4. How does your organization rank small scale businesses in the provision of loans?

a) 1st priority b) 2nd priority c) 3rd priority d) 4th priority

5. What is the interest rate offered by your organization to small scale businesses?.....

Is it a flat rate? a) Yes b) No

6. Does the size of loans advanced to members by your organization depend on his/her savings held with your organization?

a) Yes b) No

APPENDIX III: KREJICE AND MORGAN SAMPLING TABLE

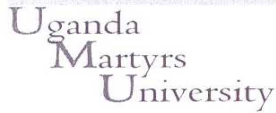
N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Note: "N" is population size

"S" is sample size.

From: Krejcie, Robert V., Morgan, Daryle W., "Determining Sample Size for Research Activities", Educational and Psychological Measurement, 1970.

APPENDIX IV: INTRODUCTION LETTER FROM THE UNIVERSITY



making a difference

**Office of the Dean
Faculty of Business Administration and Management**

Your ref.:
Our ref.:

Nkozi, 5th January, 2015

To Whom it may Concern

Dear Sir/Madam,

Re: Assistance for Research:

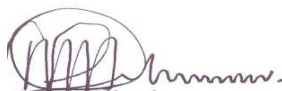
Greetings and best wishes from Uganda Martyrs University.

This is to introduce to you AJUGO RICHARD SEVERY 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 involves a field research on a selected case study such as a firm, governmental or non governmental organization, financial or other institutions.

The purpose of this letter is to request you permit and facilitate the student in this survey. Your support will be greatly appreciated.

Thank you in advance.

Yours Sincerely,


Moses Kibrai
Dean

