

**THE EFFECT OF YOUTH FUNDS ON THE PERFORMANCE OF SMALL
SCALE BUSINESSES**

CASE STUDY: SMALL SCALE BUSINESS HOLDERS IN MUSAJJAALUMBA

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DEDICATION

This dissertation is dedicated to my family members especially my beloved father Mr. Tumwesigye Amos, my sisters and brothers Rochelle , Batamuliza, Jude and Marvin, , all my friends especially Nelly and all my family members and other people who supported me throughout my studies.

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LIST OF ACRONYMS

BYF Boston Youth Funds.

UN United Nations.

Ugx Ugandan shillings.

\$ Pound

SMEs Small Medium Enterprises.

KCCA Kampala Capital City Authority

EU European Union.

OECD Organization for Economic Cooperation and Development.

USAID United State Agency for International Development

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ABSTRACT

As a supplement to working capital for small scale businesses, youth funds are one way of boosting businesses. One of the key hindrances to entrepreneur development amongst the youth in Uganda has been lack of funds to start up and also to supplement their businesses. This study aimed at finding the effect of youth funds on the performance of small scale businesses, to establish the effect loans have on the performance of small scale businesses; find out the role of training in youth fund usage and to find out the how challenges faced in accessing youth funds impact on the performance of small scale businesses.

The study was carried out using a combination of both quantitative and qualitative approaches .Data was collected from Small Scale businesses in the area of Musajja Alumba from 36 respondents out of the 62 target population. There was randomly selected bringing together information from the field by use of a questionnaire.

Descriptive analysis was used to conduct the analysis of data and the findings showed that; loans have an effect on the performance of small scale businesses, training plays a major role on the performance of small scale business and there are challenges that small scale business owners face in accessing youth funds and so these affect their performance reason being that they are not enabled to acquire these funds.

It was recommended that the youth should manage finances responsibly, use appropriately the funds acquired .Continuous trainings should be carried out for proper controlling, planning, managing, monitoring and evaluating of business performance. This study was limited to the demand side of the youth fund by the Small Scale business holders. There is need for future research on the constraints the suppliers of the youth funds face .Involving all formal and informal sector lending institutions and saver

CHAPTER ONE

1.0 INTRODUCTION

This chapter shows the background of the study, statement of the problem, purpose of the study, objectives- both the general objective and specific ones, research questions, scope of the study, significance of the study, justification and the conceptual framework.

1.1 Background to the study

Venture capital is money for new, young, and /or small businesses that typically have little or no access to capital markets (Rutherford, 2000). Youth funds is the name given to the youth opportunity fund and youth capital funds.

The government of Uganda in partnership with DFCU Bank, Stanbic Bank and Centenary Bank made available a venture capital fund of UGX 25 Billion. The fund was used to support growth of viable and sustainable SMEs by the youth in the private sector. (Monitor April 29 2013 01:00pm) The fund was available to support business ventures owned by young entrepreneurs. Eligible sectors included: manufacturing, agro-processing, primary agricultures, fishers, livestock, health, transport, education, ICT, Tourism, construction, printing and service contractors among others.

On Wednesday of November 07, 2012, during President Yoweri Museveni's 2010 Presidential campaign pledge, the Ministry of Finance in partnership with DFCU Bank, Stanbic Bank and Centenary Bank made available a venture capital fund of UGX 25 billion. Just like the president explained while making a promise, the fund was aimed at supporting the growth of viable and

sustainable small, medium enterprises SMEs by the youth in the private sector. This was according to New vision.

In Uganda, the account of the fund are prepared and reported separately from the main CEDA accounts. An advisory committee was established under the ministry of agriculture to oversee the implementation of the program. Members of the above committee come from the ministries of land, labor and home affairs and finance.

The advisory committee in collaboration with CEDA identified the implementation bottleneck and proposed solutions thereof, land ministry supported the program in terms of acquisition of land by beneficiaries. The ministry of labor and home affairs provided the guidance on youth policy issues while the ministry of finance provided capital and advice on financial assistance issues.

On the other hand, the local enterprise's authority provided entrepreneurship skills training. It is the above framework that has made Botswana youth project a success.

Of recent , Kampala Capital City Authority (KCCA) announced that it was going to distribute the remaining youth stimulus funds to youth groups which qualify for the program (AhuraMujuni Mack) the KCCA spokesperson said that the authority has now resumed the process through micro finance institutions. The institutions set a new way of distributing the funds and the authority wished that it would be fairer compared to the commercial Banks.

The banks were charging a 15% interest. The remaining youth groups to benefit through a demand driven system include 108 from Makindye, 105 from Rubaga division, 102 from Nakawa division, 90 from Kawempe division and 87 from the central division.

The national youth council expressed disappointment over the poor implementation of the funds earmarked by the government for the youth entrepreneurship development as the financial year came to an end.

The chairperson of the national youth council (Samuel Kavuma) revealed whereas in the financial year 2011/2012 national budget government allocated over 45 billion shillings for youth development project, the scheme had not been successful to the young people's expectations.

In New vision, it said that youth funds would support the growth of business ventures owned by the young aged between 18 years and 35 years and help to create jobs for young people.

Unveiling the package, the finance minister Kiwanuka, explained that the money would target start-ups and small businesses to address bottlenecks of accessing affordable loans.

1.2 Statement of the problem.

Youth funds are funds given by the government to the youth in a given country. These support the growth of business ventures owned by the youth; help to create jobs for the young and explorer their talents. Despite the provision of these funds to the youth by the government, many youth are still on the streets jobless, the small scale businesses started by some youth are doing badly with a very poor performance. This is mostly due to lack of enough funds to support their businesses and invest in them since most of the youth do not have access to these funds. Even if these funds were released by the government, some political leader corrupt the funds. Therefore, it is from this gap that the researcher is basing to find the effect of youth funds on the performance of small scale businesses.

1.3.0 Objectives of the study

1.3.1 General objective

The general objective of the study was to find out the effect of youth funds on the performance of small scale businesses in MusajjaAlumba.

1.3.2 specific objectives

- ✓ To establish the effect loans have on the performance of small scale businesses in MusajjaAlumba.
- ✓ To find out the role of training in youth fund usage on the performance of small scale businesses in MusajjaAlumba.
- ✓ To find out the how challenges faced in accessing youth funds impact on the performance of small scale businesses in MusajjaAlumba.

1.4 Research questions

- ✓ What was the effect of loans on the performance of small scale businesses?
- ✓ What was the role of training on the performance of small scale businesses?
- ✓ Do challenges faced in accessing youth funds affect the performance of small scale businesses?

1.5.0 Scope of the study

1.5.1 Content Scope

Small Scale Business owners in Musajjalumba were given questionnaires to find out the effect youth funds have on the performance of Small Scale Businesses. The study was limited on the effect of youth funds on the performance of small scale businesses in MusajjaAlumba.

1.5.2 Geographical scope

The research took place in Kampala specifically MusajjaAlumba which is located in the Central regional of Uganda. Primary data was collected from Small Scale business owners in Musajjalumba and Secondary data was collected from official documents, journals and news papers.

1.5.3 Time scope

The study was carried out in the period of 9 months given the time frame and constraints that were faced.

1.6 Significances of the study

- The study was to help all academicians in banking, micro financing, finance and accounting, management and other fields in the furtherance of their studies especially in the operations at their work places.
- The study was to help the researcher to acquire knowledge and understand the techniques of doing research.
- To help the future scholars who would like to carry out the research on this related topic.

- To encourage the youth to start up small businesses.

1.7 Justification of the study

There being no specific study carried out on the effect of Youth Fund and the performance of Small Scale Businesses in Uganda ,the need to carry out this research was developed. The study encouraged Youth and Small Business Owners to know how best to utilize loans, the importance of training, challenges faced in acquiring of youth Funds and how they affect performance of Small Scale Businesses.

1.8 Conceptual Framework

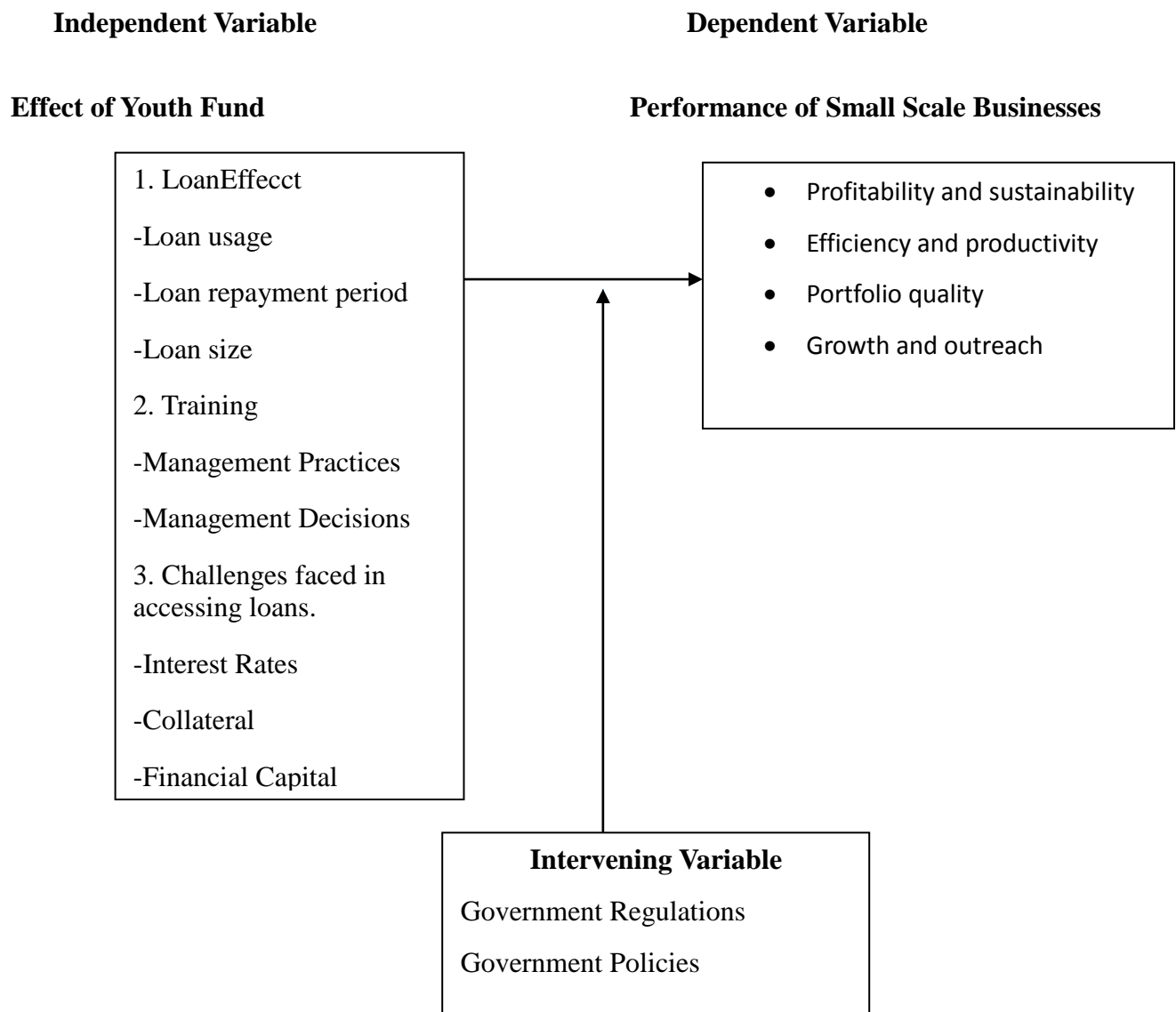


Figure 1: Conceptual Framework

1.9 Conclusion

This chapter covered the introductory part of the research which contained the background of the study, problem statement, objectives, research questions, scope of the study, significance as well as justification, definition of key terms and the conceptual framework.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

In this chapter, literature was reviewed as provided by different authors concerning the various aspects of youth venture capital funds and small scale businesses. For example, the definition of venture capital, performance and small scale businesses. The literature was reviewed in the line with the research objectives as developed in chapter one that is, establishing the effect of loans on the performance of small scale businesses in Musajjalumba, finding out the role of training on the performance of small scale businesses and finding how the challenges faced in accessing youth funds impact on the performance of small scale businesses in Musajja Alumba.

2.1 Conceptual review

Small scale businesses

In Uganda micro enterprises are those enterprises with 10 or fewer workers, small enterprises have from 11 to 50 workers and medium enterprises have from 51 to 100 workers (Gray, Cooley and Lubatingwa, 1997).

According to De Gobbi (2003), the small scale businesses refer to small and micro enterprises that lack sufficient collateral to cover the particular high risks involved yet they operate with high transaction costs. To her, they represent the large proportion of the economic sector in every country. They sometimes operate in informal sector since many micro entrepreneurs are illiterate and have limited access to the information, they are vulnerable and neglected group commonly composed of home working women.

However, International organizations such as the World Bank and the International Finance Corporations (2002), define small scale businesses as those that require small amounts of capital to establish, small number of employees or in most cases personally handled by the owner, and referred to as micro businesses hence to them they are “mini businesses” or “Bop businesses”.

The European Union (UN) definition is based on the parameters of development, turnover and asset size and Organization for Economic Cooperation and Development (OECD) on employment and sales turn over. This implies that they play a vital role in alleviating poverty and increasing employment attributed to their promotion of competition and dynamism, since they augment government efforts in rural and urban areas thereby improving the household incomes which enable them to access various items for daily use of affordable costs. It is from this perspective that small scale businesses are dubbed as the small scale establishment since they operate at the least levels investment.

In Ghana, small scale enterprises are officially considered together. Small enterprises are defined as business units that employ a labour force not more than 9 persons (Mensah et al, 2007, KwasiBruks et al, 2005; OECD, 2005). This is so because they augment government efforts to achieve economic growth and reduce poverty in rural and urban areas through the promotion of competition and dynamism to enhance the development of low and middle income economies and individual.

Venture capital fund

Venture capital is money for new, young, and /or small businesses that typically have little or no access to capital markets (Rutherford, 2000).

An investment fund that manages money from investors seeking private equity stakes in start-up and small-and medium-size enterprises with strong growth potential. These investments are generally characterized as high-risk/high-return opportunities. Theoretically, venture capital fund give individual investors the ability to get in early at a company's start-up stage or in special situations in which there is opportunity for explosive growth. In the past, venture capital investments were only accessible to professional venture capitalists. While a fund structure diversifies risk, these funds are inherently risky. (Mutesaasira, 1999).

Funds flowing into a company, generally during pre-IPO process, in the form of an investment rather than a loan. Controlled by an individual or a small group known as venture capitalists, these investments require a high rate of return and are secured by a substantial ownership position in the business (Henry et al., 1991).

2.2 The effect of loans on the performance of small scale businesses.

Wright (2001) said that if the loans grow bigger, it may necessitate the pulling out of large amount of money from the business in order to make weekly payments. This reduces on the working capital of the business and the subsequent profit hence deteriorating performance. The weekly repayment are supposed to be borne by the business but one thing in common with many women owned businesses throughout the world they make their weekly loan repayments not from income arising from the loan income but the family household income (Rutherford, 1999) he added that SME after getting the loans they normally pay back in a period of every after two weeks. The view that bigger loans cause SMEs to reduce on its working capital may not apply to the Ugandan situation, most SMEs which have received loans are believed to have increased

their productivity, and however, to find the reality of this literature, the researcher is carrying out this research / study to see the applicability of what Wright said.

This period varies from one situation to another. This period is considered too short to use credit and be able to pay back and as a result, small scale business owners pay from other sources other than the business itself, Rutherford (2000). The weekly repayment is possible with the first small loans later but later becomes a big problem, as loan grow bigger. The weekly or monthly repayment schedules normally require investments that generate an immediate and rapid rate of return if repayments are to be made from the business income. Thus saving from household income is usually a primary source of the money used to make repayments (Mtesasira, 1999). Thus the need to analyze the capital requirements of the business in order to determine the loan amount and repayment period the micro credit fund institutions could give to the borrowers at any single time.

Pitt and Khandker (1998) reasoned that given the small loan size and the type of activities undertaken by micro-entrepreneurs, it is unlikely that capital intensity has increased. Given that labour and the capital intensity of rural non-farm production are unchanged, increased micro-finance implies that employment can be expected to rise. However, if increased income as a result of micro finance programs results in a decrease in labour supply (income effect), it can negatively affect the labour supply of a particular type, for example male labour supply. As a result, employment may decline, given the demand for labour. Therefore the net impact cannot be determined a priori. Micro-credit programs seem to reduce wage-employment and income, but raise self-employment and corresponding income for program participating households.

One might expect that a reduction of employment in the wage market might increase wages, but this may not happen because the wage- employment gap may be filled by previously

unemployed or underemployed wage workers and therefore, this study will be carried out to find whether this is a case to the Ugandan SMEs.

2.3 The effect of training on the performance of small scale businesses.

When the nature of formal training provided is investigated with existing established small firms Cambridge small business research Centre (1992) study makes it clear that it is the larger SMEs which are more likely to use some form of external training than smaller SMEs. For example, only 25% of larger SMEs which provide formal workforce training relied exclusively upon insiders, compared with 51% of micro-firms. However, Mangham and Silver (1987) found, in their 1985/86 study of management training in 2,500 firms in the United Kingdom, that over half of all United Kingdom companies appeared to make no formal provision of training to their managers. In marked contrast to Cambridge study findings, they noted smaller firms made a greater use of external sources. Further, they also found an increase in the use of formal in house training as business size increased. On-the-job training, however, was seen as being crucial irrespective of firm size.

Blackburn (1990) reported similar findings in a study of 106 small electrical and electronic engineering firms in Dorset. He found out that although only 3% of the total workforce of the sample was engaged in formal training, these places were providing by about one third of the firms in the sample. These firms were on average three times as large as non- participants. Unlike the Cambridge study, Blackburn noted that those firms participating in non-formal training schemes were those which had experienced faster recent rates of employment growth than non-participants. The literature does not explain the extent to which this study is applicable

to Uganda, the research therefore will find out the effects of training on the performance of SMEs in kyanja.

Henry et al., (1991) in their review of human resource development in SMEs suggests in most firms primary drives that promote the desire for new learning come from factors associated with short-term performance namely problems of production/ service efficiency and quality. In addition the need for training reflects the quality of labour supply in the local labour market as well as the characteristics of the product/ service produced and competition faced by SME.

Further, the ownership and organizational characters of the firm (including the age of the business and its management) will affect the openness of SMEs to new practices and management training. The infrastructure for training, especially in the area can also have an impact on the scope for investment in human capital in SMEs.

The provision of training support to SMEs has increased considerably since 1971, and in the 1990s it is a major “indirect” small firm’s initiative. It is designed to improve the quality of management within small firms, either by the provision of training of generally the owner manager, or by subsidized use of external expertise. The provision of training and support to SMEs has increased considerably involving national and local governments, the private sector and further the higher education.

As far back as 1986 Hyde suggested the evolution of a training strategy for SMEs had evolved without an objective analysis of needs. Since then, training schemes have continued to evolve in a piecemeal manner. Supporting their view of point, Kirby (1991) showed that there had been an extensive increase in the supply of management training and support services in the SMEs. The initial focus was to equip potential and existing entrepreneurs with the skills and knowledge

required to launch and manage a growing business. In recent years the focus for training schemes for SMEs has shifted towards the development of the existing businesses. Kirby also argues that during the 1980s there was a considerable increase in take up of government inspired or sponsored training by small firms. Kirby however, failed to relate the effect of training to the performance of small scale businesses which the researcher is trying to do.

2.4 The Effect challenges faced in accessing youth funds have on the performance of small scale Business.

Effect of interest rates on the performance of small scale businesses in Uganda.

Existing financial institutions in Uganda charge different rates and fees for credit and other financial services offered (USAID, 2000). Murray (2000) noted that the interest rate charged by most micro credit/ financial institutions are four times higher than those of commercial banks and it is beyond a tolerable threshold. This leads to accumulated amounts payable by the youth thus affecting their working capital base and profitability. The interest charged will greatly impact on the performance of the youth owned enterprises. Interest rates of micro credit/ financial institutions have been an issue over which there have been many debates among financial practitioners. This literature is true to Ugandan situation on the youth owned small scale businesses.

Small firms typically find it very difficult to borrow from a commercial bank due to inadequate collateral value of an asset, high interest rates and unstable cash flows. Moreover costs of debt financing are usually higher for small firms than large firms due to high credit risks for small firms. Thus according to Fu, T., Ke, M. and Huang, Y. (2002) heavy reliance on debt financing for capital needs may be negatively related to profitability of small firms. Debt financing also

includes the non-banking sources of finance and therefore because of the high cost of credit, the management of SMEs may not opt for these alternatives available. However, despite high interest rates put on loans, some SMEs in Uganda are performing well and are growing bigger.

Micro credit practitioners' have long argued that high interest rates are simply unavoidable, because the cost of making each loan cannot be reduced below a certain level while still allowing the lender to cover costs such as offices and staff salaries. The result is that traditional approach to micro credit has been made only limited progress in resolving the problem it purports to address: that the world's youth pay the world's highest costs for youth owned small businesses growth capital (Murray, 2000). The high costs of traditional micro credit loans limit their effectiveness as a poverty-fighting tool. Offering loans at interests and fee rates of 37% mean that the youth borrowers who do not manage to earn at least a 37% rate of return may actually end up poorer as a result of accepting the loans. Therefore. If the interest rates are low, youth owned businesses will grow at a rapid rate than when the interest rate is high. This is true also to what the researcher tries to find out.

According to one major difficulty small firms have is the lack of financial capital. The constraint on financial capital which is the interest put on loans might have a significant impact on the profitability of small firms. If financial capital plays an important role in the profitability of small businesses, it would be interesting to answer a further question on the relationship between profitability and different sources of financing. Access to finance is an essential ingredient for successful enterprise development (Fu, T., Ke, M. and Huang, Y., 2002). Firms need to invest in research and development, human capital, tangible assets and others in order to maintain enhance their competitiveness (Pitto, 2004). This might not be true and relevant in Mussajja Alumba and

that is why the research will investigate the effects of interest rates on the performance of small scale businesses in MussajjaAlumba.

2.5The Concept of Business Performance

GEM, (2004) defined Performance as the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it. However, performance seems to be conceptualized, operationalised and measured in different ways thus making cross-comparison difficult.

Cooper et al (1992) examined various factors which influence business performance such as: as experience, education, occupation of parents, gender, race, age, and entrepreneurial goals. While, Lerner and Hisrich (1997) conducted a study on Israeli. Women entrepreneurs and categorized the factors that affect their performance into five perspectives, that is, motivations and goals, social learning theory (entrepreneurial socialization), network affiliation (contacts and membership in organizations); human capital (level of education, skills) and environmental influences (location, sectoral participation, and socio political variables).

Thibault et al. (2002) suggest that factors influencing business performance could be attributed to personal factors such as demographic variable and business factors such as amount of financing, use of technology, age of business, operating location, business structure and number of full-time employees as important factors in examining the performance as small scale business operators.

The most comprehensive summary of factors influencing performance was noted in a literature review by Theo, et, al. (2007) to include: individual characteristics, parental influence, business motivation and goals, business strategies, goals and motives, networking and entrepreneurial orientation. Others include environmental factors.

2.6 Conclusion

This chapter presented the literature reviewed from various books, journals, editorials, magazines and newspapers.

CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

This chapter represented the set of approaches designed to gather primary data in order to explore the effect of youth venture capital fund on the performance of small scale business. This chapter focused on the description of the procedures that were employed in the study (Mugenda and Mugenda, 1999). In addition, to that, the research design, study population, sampling and sample size, data sources, tools used in data collection, measurement of variables, reliability and validation of instruments, the study area, sampling techniques, data analysis, the ethical issues: challenges and study population.

3.1 Research design

The research design is a detailed plan of how the study objectives were achieved. According to sarantakos (1993), this is the most significant element of the research process where the whole research is designed, options considered, decisions made and details of the research laid down for execution.

The study was conducted using a descriptive case study research design which involved an intensive descriptive analysis of a single entry .This design was used because it excelled at bringing an understanding of complex issue, extended experience by adding strength to what was already known through previous research.

3.2 Study population

The study population was comprised of the youth between the ages of 15 years to 35 years who own small business.

3.3 Area of the study

The study was conducted in Kampala district of Uganda specifically those working on MusajjaAlumba road. The fact that MusajjaAlumba has many youths with Small Scale Businesses and others are unemployed but having their small businesses. It is largely characterized with youth who are both low and middle class income earners whose livelihood are dependent upon retail trade, wholesale trade, construction, agriculture and service industry .They are often constrained by inadequate and insufficient funds thus supplement their businesses with loans.

3.4 Sampling techniques

The researcher identified a suitable sampling frame based on the research questions and objectives, decision on the sample size ,selected the most appropriate technique as indicated in the selection below checking whether the sample is representative of the different categories of the study population. Systematic random sampling was used because it is involved in obtaining a collection of elements. Other techniques like purposive and multi sampling was used.

3.4.1 Sample size

The researcher used Slovin's formula to calculate the sample size of the respondents out of the study population of 90.

With a margin of error between 5%-7%.The sample size was;

Given:

N= Population size of 90 Business owners

e = margin error desired of 7%= 0.07

Solution:

$$n = N/(1+(N*e^2))$$

$$n = 90/(1+(90* 0.07^2))$$

$$n= 90/1.441$$

$$n= 62$$

Therefore the sample consisted of 62 participants selected from 90 youth business owners in Musajja Alumba.

3.5.0 Methods of data collection and instruments

Data was collected from both primary and secondary sources of data. Primary data forms of data was collected using interviews, self- administrate red and research administrated questionnaires and observation of the youth with small businesses in Mussajja Alumba.

Secondary data was obtained from document of public, internet, newspapers, journals, magazines and other books like text books.

3.5.1 Data analysis

Data was analyzed using SPSS (V12.0.5: 2006-7, SPSS Inc., Chicago II, USA). Descriptive statistics were used in the analysis of the open-ended questions. Likert scale results were also clustered and narrowed to three groups of responses (agree, disagree and not sure) and differences were compared using the Chi-Squared test. The analysis determined the degree of effect Youth Funds have on the Performance of Small Scale Businesses.

The research applied both qualitative and quantitative methods of data analysis. This was because the data collected from the field using questionnaires had both answers with values and those answers of structured questions. There was a full description of the data collected from interviews, questionnaires and documentaries in the form of charts, graphs and tables were used to show the impact of the variables.

Qualitative elements of data analysis took a keen interest in the relationship between the different variables with a view of identifying the major themes in the research data that would have been discovered through the analysis. The research used figures aided by computer software programs to bring out the meaning.

3.5.2 Questionnaires

Questionnaires were used to collect data from the selected respondents using structured questions. The study used questionnaires because they help cover a large number of respondents relatively in a short time and the respondents were given time to organize or manipulate responses. All questions were arranged in one direction and all the constructs were operationally defined.

3.6 Data Management

All data was analyzed using SPSS (V12.0.5: 2006-7, SPSS Inc., Chicago II, and USA). Descriptive statistics was used in the analysis of the open- ended questions. The analysis was determined the degree of effect Youth Funds have on the Performance of Small Scale Businesses.

The researcher applied qualitative and quantitative methods of data analysis. There was full description of the data collected from interviews, questionnaires and documentaries in the form of charts, graphs and tables to show the impact of the variables.

3.7 Data sources

The study used both primary and secondary data. Primary data was collected from the owners of businesses while secondary data was got through the review of relevant literature from publications such as the municipal council financial reports, journal articles, textbooks and other related publications.

3.8 Reliability and Validity

The validity and reliability of the data and information collected was considered on the essential requirements for the study As cress well (2008) contends, validity of data made sound that the collected data was relevant to the study.

To achieve this, appropriate instruments were used and constructed in a right way in order to collect the relevant information.

3.9 Research ethical considerations

Thurnhill et al (2003) defined research ethics as the appropriateness of one's behavior in relation to rights of those who become the subject of one's work. They further emphasised that ethical

concerns should occur at all stages of the research project. When seeking access during data collection, in data analysis and reporting. The researcher ensured utmost confidentiality, consent, competence and objectivity through the study.

Voluntary informed consent was sought from the respondents in order for them to either grant or deny the opportunity to participate in the research.

Confidentiality of the respondents was respected and respondents were informed that all the information was used strictly for academic purposes.

3.10 Limitations of the Study

The sample size was small where by the selection of only one area in Kampala amongst many divisions in the district could not give all or even very reliable information.

The study was carried out over a short period of time therefore data collected could be different from that which could be got if a longer period would be used. The researcher employed both a qualitative and quantitative approach to collect data.

3.11 Conclusion

The researcher used quantitative and qualitative research design ,self-administered questionnaires were also used to obtain data.For quality control, reliability, validity was emphasized, data was analysed and managed .

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION

4.1 Introduction

This chapter presents data collected using self-administered questionnaires and literature review. The objectives and the research questions of the study were used as a guide in the presentation of the results of the study. The findings in this chapter were arrived at by analyzing the available quantitative data using SPSS statistical package (version 16) and micro soft excel software (Spread Sheet). The responses from the study are presented in terms of frequencies, percentages and cross tabulation of variables that were derived from SPSS. These results are displayed in tables, graphs and charts. The statistical data from the quantitative part of the questionnaire was supported by qualitative data.

4.2 Response Rate

A total of Sixty two (62) questionnaires were distributed to Small Scale youth business owners in MusajjaAlumba of which thirty six (36) were returned and twenty six (26) were not returned back for analysis due to absence during collection time. The response rate for the distributed questionnaire was therefore fifty eight percent (58%). Much as that wasn't 100% the researcher believed it was good response because the returned questionnaires captured the required information and were fully filled. It was also above 50% which is considered a satisfactory response when quantitative data is collected manually (Mugenda and Mugenda, 1999).

4.3 Background information of respondents

This was considered necessary because the ability of the respondents to give satisfactory information on the study variables may be affected by their background. This background information was about the respondents' gender, level of education, period in which their businesses have existed, sector of the business and whether they have ever applied for the youth fund.

Table 1: Gender of the Respondents.

	Frequency	Percentage	Cumulative Percentage
Male	19	52	52
Female	18	48	100
Total	36	100	

Source: Field Primary Data

The Gender of the respondents was chosen as one of the respondent's characteristics so as to ascertain the effect of Youth Fund on the performance of Small Scale businesses. According to the selected sample, 52 % of the respondents were male and 48 % were females. This indicated that male youth in Mussajja Alamba have slightly taken up an initiative in formulating businesses than the women.

Table 2: Level of Education for the Respondents

	Frequency	Percentage	Cumulative Percentage
Masters	4	11	11
Postgraduate	4	11	22
Bachelors Degree	10	28	50
Diploma	8	22	72
Certificate	5	14	86
Others	5	14	100
Total	36	100	

Source:Field Primary Data

Study findings in the table above revealed that the majority of the Small Scale Business owners had at least attained some level of education with bachelors degree holders emerging highest 28%, followed by those with diplomas 22% , then came 14% having respondents with certificates and others, masters degree and Postgraduate holders came in last with a 11%. These result suggested that majority of the respondents have attained basic education up to certificate level (86%) of cumulative percentage .This means that the 86% respondents can knowledgeably carry out their business and be able to request for the youth fund as a supplement in their businesses. The graph below clearly illustrates the table above;

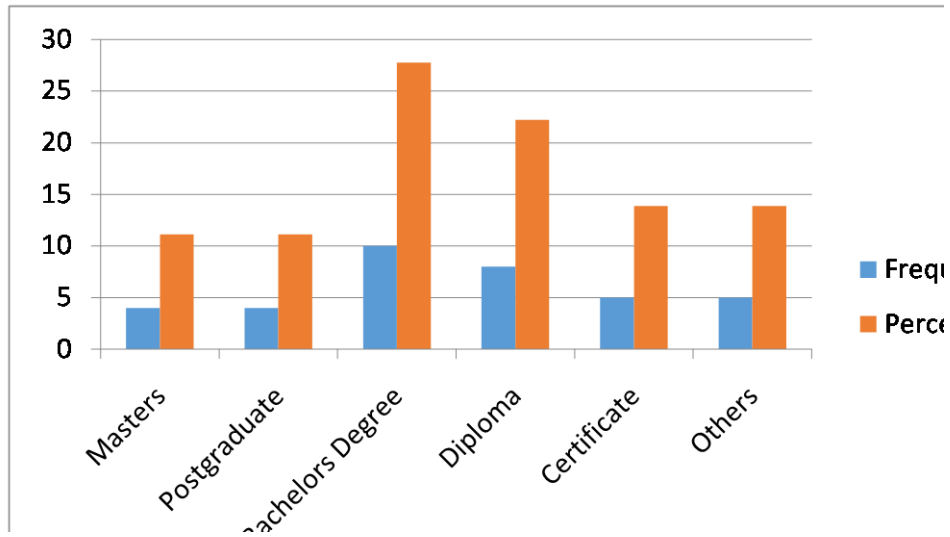


Figure 2: Level of Education of Respondents

Table 3: Period in which the business has existed

	Frequency	Percentage	Cumulative Percentage
1-5 Years	14	39	39
6-10 years	7	19	58
11-15 years	6	17	75
16-20 years	3	8	83
21 years and above	6	17	100
Total	36	100	

Source: Field Primary Data

The researcher went ahead to find out the durability of the respondent’s businesses; basing on the results in the table above ,it was revealed that majority had been in existence for 1- 5 years – (39%),19% have been in business for 6-10years,17% have been in business for 11-15 years and 21 years above and 8% have been in business for 16-20 years.This implied that majority of them being in their intial years still need funding for their businesses.

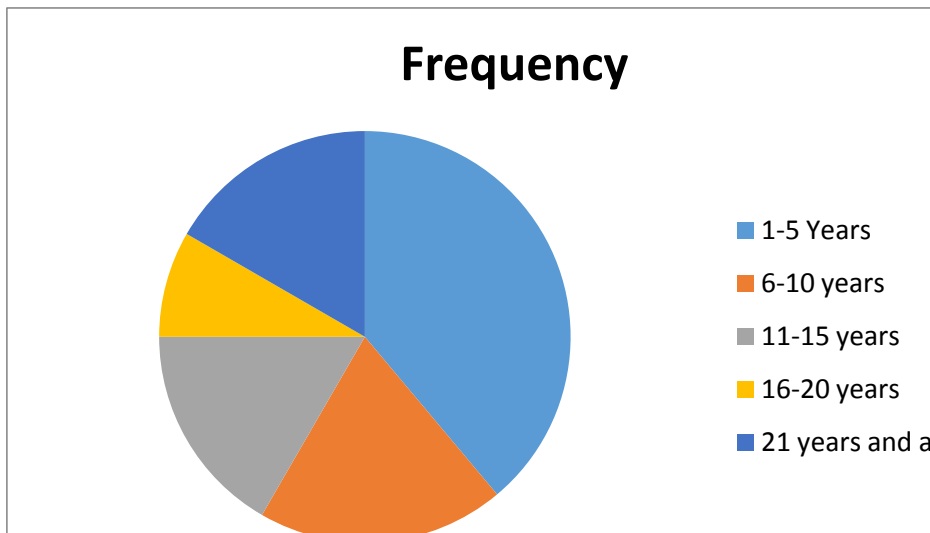


Figure 3: Period in which the business has been in existence

Table 4: Applied for the Youth Fund

	Frequency	Percentage	Cumulative Percentage
Yes	26	72	72
No	10	28	100
Total	36	100	

Source:Field Primary Data

The researcher went ahead to find out whether the respondents had ever applied for the youth fund. It was revealed that 72% of the respondents agreed that they had ever applied and 28% had never applied for the youth fund. This implied that majority of the respondents know of the fund effect on business performance since they have ever applied for the youth fund.

Table 5: Sector in which the Business belongs

	Frequency	Percentage	Cumulative Percentage
Agriculture	4	11	11
Manufacturing	1	3	14
Retail Distribution	22	61	75
Whole Sale	3	8	83
Construction	2	6	89
Service	4	11	100
Total	36	100	

Source: Field Primary Data

The respondents were asked to reveal their business areas in terms of the sector. The findings as presented in the table above showed that majority of the respondents are in Retail Distribution (61%), followed by Agriculture (11%) and Service 11%, then came wholesale trade (8%), 6% are dealing in construction and lastly Manufacturing covering (3%) of the study population. These results above showed that majority of the respondents are in trade and commerce; this encompasses the widest variety of businesses such as kiosks, vendors, agents and distributors, these kinds of businesses mainly deal in fast moving consumer goods that

require relatively sizeable working capital for continuous operations and thus the relevance need of funding. The pie chart below illustrates the coverage area of each sector in study;

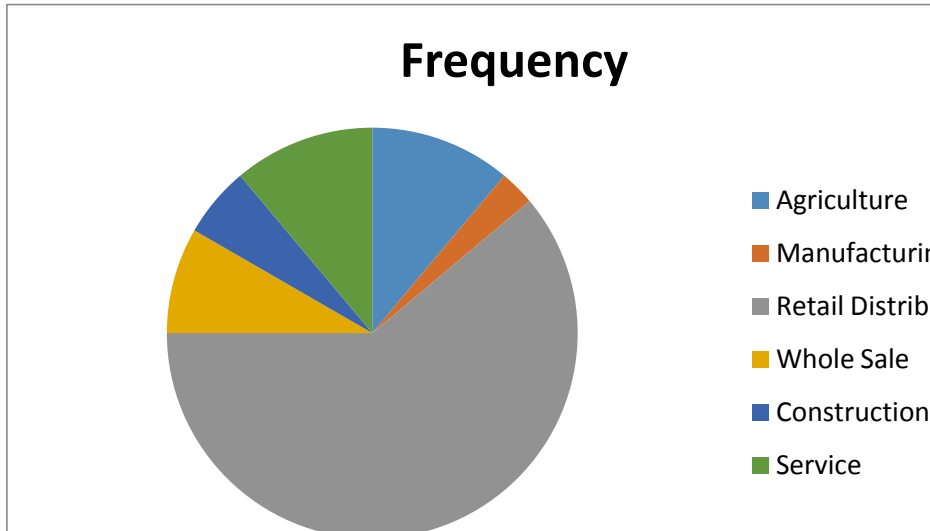


Figure 4: Sector of the business

Table 6: Shows whether the Business has been funded by the Youth Fund

	Frequency	Percentage	Cumulative Percentage
Yes	24	67	67
No	12	33	100
Total	36	100	

Source: Field Primary Data

The respondents were also asked whether they have been funded by the youth fund; this was mainly to ensure that majority of the responses obtained had the desired information concerning youth fund and its effect on the Small Scale businesses. The results revealed that 67% of the respondents had been funded by the youth fund while 33% had never been funded. It implied that

much as the percentage of those that had ever applied was high not all that applied had been funded.

4.3 Interpretation of findings

This section of the study dealt with the verification, presentation, analysis and discussion of the research objectives and questions of the study. The objectives and each question were considered separately. The statistical data from the questionnaire was then supported by the qualitative data of the study from the interviews.

4.3.1 Analysis of objective 1: The effect loans have on the performance of small scale businesses.

This objective sought to establish the effect loans have on the performance of small scale businesses. It was studied under section B of the questionnaire and supported by qualitative information from the interview guide. Some of the components studied included the loan usage, loan size and the loan repayment period.

Table 7: Represents findings on whether the loans received were used purposely for the objective of acquisition

	Frequency	Percentage	Cumulative Percentage
Yes	28	78	78
No	8	22	100
Total	36	100	

Source:Field Primary Data

The researcher was interested in finding out whether the loans received were used appropriately for the purpose at which it was acquired. The findings showed that 78% respondents used the

loans appropriately and 22% did not use the loan appropriately. This implied that loans acquired are used purposely for business growth and development and less is diverted for other purpose which affects the performance of the businesses because when paying back money is instead picked from the business thus affecting growth.

Table 8: Shows the relationship between level of Education and Loan usage

Level of education	Loans used purposely for the objectives		Total
	Yes	No	
Masters	3	1	4
Postgraduate	4	0	4
Bachelors Degree	8	2	10
Diploma	6	2	8
Certificate	3	2	5
Others	4	1	5
Total	28	8	36

Source:Field Primary Data

The table above shows the relationship between the level of education of the business holders and appropriate loan usage. Of the total respondents 28 of the respondents used the loans purposely for its objectives and 8 did not . Those with higher education used the loans more purposely than those with diplomas and below

Table 9: Shows the findings on whether the loan borrowed increased the productivity of the business

	Frequency	Percentage	Cumulative Percentage
Yes	29	81	81
No	7	19	100
Total	36	100	

Source: Field Primary Data

Field data results in the table above showed that 81% of the respondents agreed that the loan borrowed increased the productivity of the business and 19% said no, disagreeing that the loan borrowed did not increase the productivity of the business. This implied that loans increase the productivity of the business thus have an effect on the business performance.

Table 10: Represents the relationship between the sector of the business and the loan effect on productivity

Sector of the Business	Whether the loan increased Productivity		Total
	Yes	No	
Agriculture	4	0	4
Manufacturing	0	1	1
Retail Distribution	17	5	22
Whole Sale	3	0	3
Construction	1	1	2
Service	4	0	4
Total	29	7	36

Source:Field Primary Data

The table above showed the relationship between sector of the business and whether the loans borrowed increased the productivity of the business. From the study, out of the 36 respondents 29 agreed that loans borrowed increased productivity and 7 disagreed. The study revealed that those dealing in retail distribution were dependent on the borrowed funds and they use it for the day to day running of their businesses. This implied that businesses that deal in day to day businesses use loans to run their businesses therefore without loans their businesses are affected greatly.

Table 11: Shows the period given to Pay Back the Loan

	Frequency	Percentage	Cumulative Percentage
1month- 6months	11	31	31
7months-1 year	7	19	50
More than one Year	16	44	94
Never	2	6	100
Total	36	100	

Source:Field Primary Data

Table 11 above showed the period given to pay back the loan,44% responded that the period was more than one year ,31% it was between 1 month and 6months and 19% indicated that it was between 7 months and 1 year.This assented that the time given to most borrowers was long enough to use for business growth.

Table 12: Shows response to whether the loan repayment was got from the proceeds of the loan

	Frequency	Percentage	Cumulative Percentage
Yes	28	78	78
No	8	22	100
Total	36	100	

Source:Field Primary Data

From the table above, 22% did not accept to the statement and 78% of the respondents accepted that when paying back the loan, the charges paid back are got from the loan proceeds. This denoted that majority of the business owners try as much as they can to repay back the loans for them to borrow again since this is a continuous process so it's necessary for them to remain good clients.

Table 13: Shows the loan effect on the Business Performance.

	Frequency	Percentage	Cumulative Percentage
Yes	30	83	83
No	6	17	100
Total	36	100	

Source: Field Primary Data

The study revealed that majority of the respondents 83% agreed that the loan acquired affected the performance of their businesses and only 17% disagreed to the statement. This implied that loans acquired indeed affect business performance the higher the greater the chance for the business to perform well and the lower the loan the less chances for it to grow and perform well. Some responded that when they acquired a loan they were able to pay back the loan and remain with profit, then it also increase on the stock level, used it to cover some expenses and it made the business move forward.

Table 14: Shows the relationship between the period in which the business has been in existence and the acceptance level to whether the loan affects business performance

Period of existence	Loan acquired affected business		Total
	Yes	No	
1-5 Years	12	2	14
6-10 years	7	0	7
11-15 years	6	0	6
16-20 years	1	2	3
21 years and above	4	2	6
Total	30	6	36

Source:Field Primary Data

The table above showed the relationship between the period of business existence and loan effect on performance. 30 of the respondents agreed and 6 disagreed that loans don't affect the performance of the business. Those that have been in business for the shortest period agreed more to this statement that is 12 of the 30. This implied that businesses more especially those that are just starting up use loans more than those that have been in business reason being that they are start-ups with limited capital so loans act as supplements.

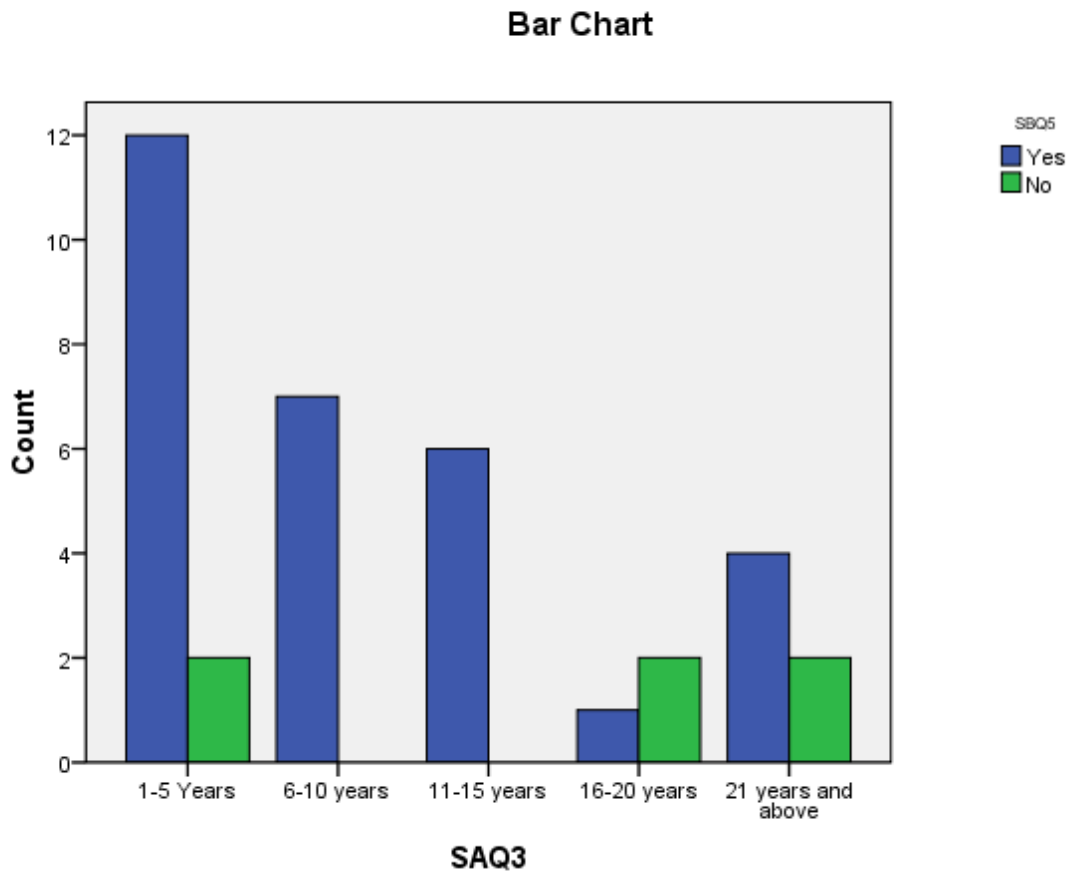


Figure 5: The period in which the business has been in existence and the acceptance level to whether the loan affects business performance.

4.3.2 Analysis of objective 2: Role of training in youth fund usage has on the performance of small scale businesses.

With the given objective above, the researcher wanted to determine the role of training in youth fund usage has on the performance of small scale businesses; that is, if well trained will the business owners use the funds given to them properly for the productivity of their businesses or will they put it to waste?

Table 15: Shows whether training is part of the respondents business routine

	Frequency	Percentage	Cumulative Percentage
Yes	26	72	72
No	10	28	100
Total	36	100	

Source:Field Primary Data

The findings showed that 72 % of the respondents agreed that training is part of the business routine and 28% disagreed with the statement. This implied that training is part of most businesses which is of an advantage to them because training helps in proper understanding and controlling of the business.

Table 16: Shows the relationship between the respondents level of Education and acceptance level of whether training affects the business

Level of Education	Training in business contribute towards performance		Total
	Yes	No	
Masters	3	1	4
Postgraduate	4	0	4
Bachelors Degree	9	1	10
Diploma	8	0	8
Certificate	2	3	5
Others	3	2	5
Total	29	7	36

Source:Field Primary Data

The table above shows the relationship between the level of Education against training .Those with a certificate level and below had the highest response rate of not carrying out training on a routine basis. This denoted that for this category of individuals training is not part of their routine much as it's necessary for business growth.

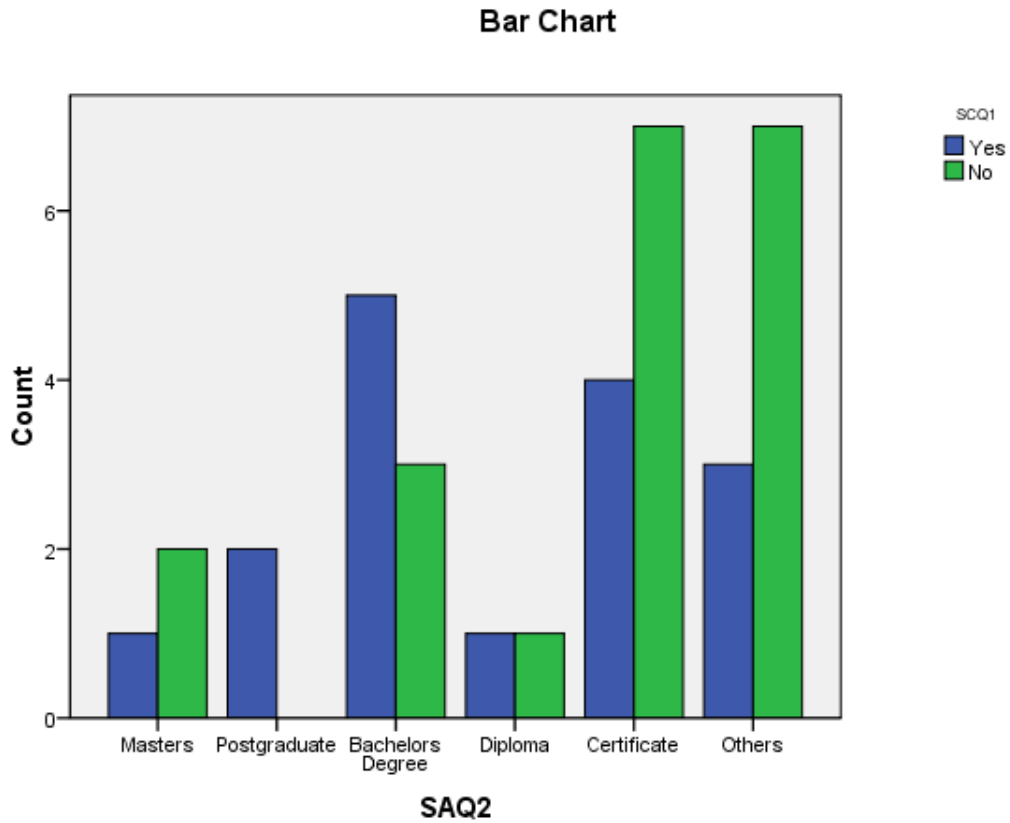


Figure 6: Shows the relationship between the respondents level of Education and acceptance level of whether training affects the business

Table 17: Whether training is required in order to carry out good management practices

	Frequency	Percentage	Cumulative Percentage
Yes	32	89	89
No	4	11	100
Total	36	100	

Source:Field Primary Data

From the study results shown above, it was revealed that 89 % of the respondents accepted that training is required in order to carry out good management practices and 11% did not accept to the statement. This denoted that training is essential in carrying out good management practices much as they don't put it to practice. Some mentioned that if training is put to practice they are able it becomes a monitoring procedure for the business, they become more acquire of the business, become known to changes, improves on management, acquire wider knowledge and new skills are developed.

Table 18: Whether there has been an increase in supply of management training and support services in the SMEs.

	Frequency	Percentage	Cumulative Percentage
Yes	22	61	61
No	14	39	100
Total	36	100	

Source:Field Primary Data

The findings in the table above showed 61% of the respondents were in consent that there has been an increase in supply of management training and support services in the small scale businesses.

Table 19: Consent on whether the level of Education and skills/Knowledge /training in business contribute towards the performance of the business.

	Frequency	Percentage	Cumulative Percentage
Yes	30	83	83
No	6	17	100
Total	36	100	

Source:Field Primary Data

The table above showed that 83% consented and 17% excluded that the level of Education and skills /knowledge /training in business contributed towards the performance of the business.

Table 20: Response to whether training helps in planning for the business

	Frequency	Percentage	Cumulative Percentage
Yes	29	81	81
No	7	19	100
Total	36	100	

Source:Field Primary Data

Findings from the collected data showed that training helps in planning for the business with 81% saying yes and 19 % disagreeing . This implied that training plays a role in proper planning for the business.

Analysis of objective 3: The effect challenges faced in accessing youth funds have on the performance of small scale businesses.

After establishing the effect loans have on the performance of Small scale businesses and the role training has on youth fund usage, the researcher concentrated on identifying some of the challenges faced in accessing youth funds.

Table 21: Shows the respondents response to whether administration in terms of loan processing affects Small-scale businesses

	Frequency	Percentage	Cumulative Percentage
Agree	28	78	78
Disagree	4	11	89
Somehow agree	4	11	100
Total	36	100	

Source:Field Primary Data

The table above showed that 78 % agreed that administration in terms of loan processing affects small scale businesses and 22 % did not assent to the statement . This implied that business owners find it hard to access loans- youth funds because of the bureaucracy involved in borrowing which in turn affects their performance.

Table 22: Whether Proper Project selection affects the business

	Frequency	Percentage	Cumulative Percentage
Yes	33	92	92
No	3	8	100
Total	36	100	

Source: Field Primary Data

From table 22 above data collected showed that 92% of the respondents accepted that proper project selection affects the business and 8% did not accept. This showed that when asking for youth fund one should be aware of their projects selected whether such business are among those are supported and whether the project is worth investing in.

Table 23: How challenges are overcome by the respondents when developing business proposals

	Frequency	Percentage	Cumulative Percentage
Keep Records	5	14	14
Hire professionals	4	11	25
Consulting Experts	9	25	50
Researching	7	19	69
Training	8	22	92
Budget	3	8	100
Total	36	100	

Source:Field Primary Data

The findings in the table above showed that, 25% of the respondents use consultants, 22% train way before they are challenged, 19% carry on research in their businesses, 14% keep records, and hire professionals to overcome challenges when developing business proposals and 8% budget way in advance.

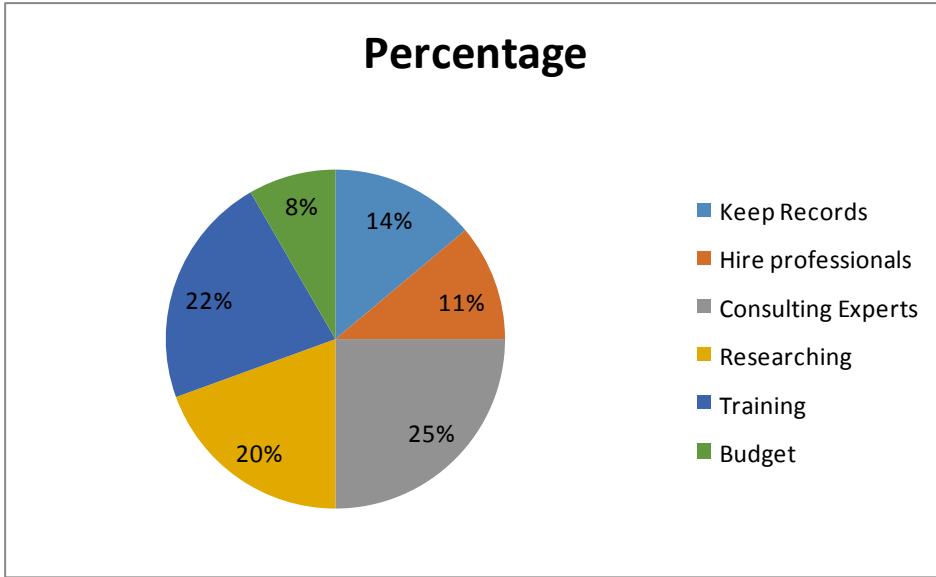


Figure 7: Shows some of the ways in which challenges are overcome by the respondents when developing business proposal

Table 24: Shows how the respondents over come bias during allocation of funds

	Frequency	Percentage	Cumulative Percentage
Budget	12	33	33
Plan	12	33	67
Priotise	4	11	78
Research	5	14	92
Look at Business Proposals	1	3	94
Transparency	2	6	100
Total	36	100	

Source:Field Primary Data

Basing on the findings in the table above,66% of the respondents budget and plan,14 % carry out research,11 % priotise,6 % are transparent in their work and 3% look at business proposals to over come bias when allocating funds.

Table 25: Indicates the response to whether borrowers are serving their loans with difficulties.

	Frequency	Percentage	Cumulative Percentage
Yes	29	81	81
No	7	19	100
Total	36	100	

Source:Field Primary Data

81 % of the respondents found a problem in servicing the loan and 19% did not find a problem with servicing the loan. This implied that majority of the respondents either diverted the funds borrowed or they received insufficient funds to run their businesses.

Table 26: Whether the operation costs formed a significant part of service delivery

	Frequency	Percentage	Cumulative Percentage
Yes	27	75	75
No	9	25	100
Total	36	100	

Source:Field Primary Data.

The study result showed that 75 % of the respondents agreed to the statement that operation cost formed a significant part of service delivery and 25 % of the respondents disagreed. This implied that operation costs a challenge to businesses that need to borrow money for running of their firms.

4.4 Conclusion

This chapter presented the findings and their implications to the study .The respondents agreed with the objective under study that loans as well as trainings on their usage has an effect on the performance of small-scale businesses and that challenges faced in accessing loans have an effect on the performance of small scale businesses.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presented the summary of findings; conclusion derived from the findings and recommendations of the study in view of the findings of this study which sought to establish the effect of Youth Funds on the performance of Small Scale Businesses

5.1 Summary and Conclusion

5.1.1 The effect loans have on the performance of small scale businesses.

The findings of the study revealed that majority of the respondents (78%) accepted that loans have an effect on the performance of small scale businesses . 72% of the respondents agreed that the loans borrowed increased the businesses productivity.75% respondents paying back the loan from the profits got after the loan was acquired. This therefore showed that, the youth fund which is received in a form of loan has an effect on the performance of small scale businesses.

5.1.2 The role training in youth fund usage has on the performance of small scale businesses.

Results from the study showed that training plays a major role on the performance of small scale business; 72 % of the respondents accepted that training is part of their business routine and 89 % accepted that its required for good business management, 83% agreed that the level of education,skills/knowledge/training in business contribute towards the performance of the

business. 81% consented that training plays a role in strategic planning for the business. However 28% assented that it's not part of their business routine much as they agreed that it plays a role on the performance. This therefore signified that to upshot training in these businesses there is need for them to increase on their funds through different sources like the youth funds to boost performance of small scale businesses.

5.1. effect challenges faced in accessing youth funds have on the performance of small scale businesses.

From the study findings, it showed that there are challenges that small scale business owners face in accessing youth funds and so these affect their performance reason being that they are not enabled to acquire these funds.78 % of the respondents agreed that administration in terms of loan processing affects their businesses,92 % concurred that proper project selection was a challenge they faced and 75% assented that operation costs and high interest rate charged by lenders was a challenge thus affected the small scale businesses.

5.2 Recommendations

Manage finances responsibly: The Youth should use appropriately the funds acquired for the proper purpose they acquired them this will indeed help them in boosting their businesses and greatly increase their performance.

Continuously Train: Trainings should be carried out in all business because these help in controlling, planning, managing, monitoring and evaluating of business performance.

5.3 Suggestions for further research

This study was limited to the demand side of the youth fund by the Small Scale business holders.

There is need for future research on the constraints the suppliers of the youth funds face .Involving all formal and informal sector lending institutions and savers.

The research was also limited to a small community in Kampala this can be extended to all regions to get a clearer picture of the effect the youth fund has on the performance of all businesses not only small scale but also the large ,medium and micro.

Research on whether there is follow-up in terms of supervision for the loan that are given to the youth .

Role of the youth fund on their welfare.

Research on the selection procedure when giving out the youth funds and more of what it necessitates.

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APPENDIX: II QUESTIONNAIRES

Dear Respondent;

My name is Kyokusiima Daphine a student at Uganda Martyrs University pursuing a degree in Business Administration and Management. I am conducting a study on” the effect of Youth Fund on the performance of Small Scale Business” the case of Small Business owners in MusajjaAlumba. Kindly spare some time and circle or tick or indicate your opinion on each of the statements given. The information obtained will be strictly confidential for academic purposes only. Thank you.

SECTION A: BACKGROUND INFORMATION

Please Tick in the Boxes provided below

1. What is your gender?

Male

Female

2. What is your highest level of education?

1. PHD

2. Masters' degree

3 Postgraduate

4.Bachelors Degree

5. Diploma

6. Certificate

7.Others specify.....

3. How long has the business been in existence?

1 → 5 years 6 → 10 years

11 → 15 years 16 → 20 years

21 years and above

4. Have you ever applied for the Youth Fund? Tick one.

a.) Yes b.) No

5. In what sector does the business belong?

a) Agriculture b). Manufacturing

c.) Retail Distribution d) Others Specify.....

6. Has the business been funded by Youth Fund

a.) Yes b.) No

EFFECT OF LOANS ON THE PERFORMANCE OF SMALL SCALE BUSINESSES.

Please, tick appropriately against the statements as defined below

1. Where the loans received used purposely for the objectives of the acquisition?

Yes No

2. Has the loan borrowed increased the productivity of the business?

Yes No

3. What was the period given to pay back the loan?

.....

4. When paying back the loan, was the payment amount got from the loan usage?

a) No b) Yes

5. Do you agree that the loan acquired affected the performance of your business?

a) No b) Yes

6. If yes, explain how.

.....
.....
.....

EFFECT OF TRAINING ON THE PERFORMANCE OF SMALL SCALE.

1. Is training part of your business routine?

Yes No

2a. Do you think training is required in order to carry out good management practices?

Yes No

b. Give reasons for your answer in 2(a) above.

.....
.....

3. Has there been an increase in supply of management training and support services in the SMEs? (For example customer service trainings, accountability) .

Yes No

4. Do you agree that the level of education and skills/knowledge /training in business contribute towards the performance of the business?

Yes No

5. Do you believe that training helps in planning for the business?

Yes No

SECTION D: OBJECTIVE THREE CHALLENGES

The following aspects pose a challenge in the accessibility of youth fund thus affecting the performance of small scale businesses.

1. Do you agree that administration in terms of loan processing affects small scale businesses?

Agree Disagree somehow agree

2. Does improper project selection affect the business?

Yes No

3. The youth are faced with problems when developing the business plan proposals. How do you overcome such challenges?

.....
.....
.....

4. How do you overcome the bias during the allocation of funds in the business?

.....
.....
.....

5. Most borrowers are servicing their loans with difficulties. Do you face such challenges?

No Yes

6. Do you think operating costs form a significant part of service delivery?

Yes No

7. What suggestions can you give for further research in relation to youth fund management or usage?

.....
.....
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APPENDIX: III LETTER OF INTRODUCTION