

**THE EFFECT OF MICRO FINANCE SERVICES ON THE DEVELOPMENT OF
COMMERCIAL AGRICULTURE**

CASE STUDY OF MATUGGA VILLAGE, GOMBE SUB COUNTY

SUBMITTED BY:



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DEDICATION

I dedicate this research dissertation to my beloved mother Ms Namuli Caroline, Mr. Kiwanuuka Christopher, my dear son Ssemagonja David Aaron, my deceased parents Mr. and Mrs. Luzze and to all my siblings and friends.

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LIST OF ABBREVIATIONS

GDP	:	Gross Domestic Product
IFAD	:	International Fund for Agricultural Development
MFIs	:	Micro Finance Institutions
AMFIU	:	The Association of Microfinance Institutions of Uganda
PEAP	;	Poverty Eradication Action Plan
SACCO	:	Savings and Credit Cooperative Society
CERUDEB	:	Centenary Rural Development Bank
ACSS	:	Agricultural Credit Support Scheme
NGOs	:	Non Government Organizations
MDOs	:	Micro enterprise Development Organizations
BDSs	:	Business Development Services
UBOS	:	Uganda Bureau of Statistics
ILO	:	International Labor Organization

ABSTRACT

The study set out to examine the effect of microfinance services on the development of commercial agriculture in Gombe Sub County. The study had three objectives, namely: To examine how business development services provided MFIs impact on the development of commercial agriculture in Gombe Sub County; To examine how extension of loans to farmers lead to the development of commercial agriculture in Gombe Sub County; and To assess the effect of savings mobilization to the development of commercial agriculture development in Gombe Sub County.

To achieve the above objectives effectively, the study employed a total population 50 respondents with a sample size 44 respondents which was determined by the use Krejcie and D.W. Morgan (1970) table to aid in data collection. The study employed 2 instruments in the process of data collection namely; questionnaires and observation guide.

The findings revealed that, microcredit motivate people to save, contribute to agriculture output growth, and that credit played a big role in promoting the development of commercial agriculture.

Generally, the study recommends that all stake holders including; Government, Community / local leaders, financial institutions, business groups, farmers experts, among others should collectively work together to promote SACCO programs and policies that enable members to develop agriculture from subsistence to commercial.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

The rural poor farmers need credit to allow investment in agricultural activities and other small and microenterprises. The lack of physical collateral restricts the poor to the formal sources of finance. Microcredit is intended to help poor people escape poverty by investing in their own enterprises. Microfinance institutions have focused its success on the effective management of credit risk. This has encouraged financial services providers to put more emphasis on credit terms while lending to their clients especially the commercial agriculture borrowers. This is because Microfinance Institutions consider lending to small businesses as profitable though a risky business. Hogan (2001), providing financial services to large businesses is considered to be more costly.

Therefore, this study seeks to examine the effect of microfinance services on the development of commercial agriculture.

1.1 Background of the study

The importance of microfinance services to commercial agriculture cannot be overemphasized. commercial agriculture particularly those in developing countries need a range of enabling and sustainable financial services in order to enable them effectively exploit abundant resources in their areas and fulfill their productive potential (Nwanna, 2000). It has however been noted by scholars like Hogan (2001) that the financial service sector focuses its success on the effective management of credit risk. This has encouraged financial services providers to put more emphasis on credit terms while lending to their clients especially the commercial agriculture borrowers. This is because Microfinance Institutions consider lending to small businesses as

profitable though a risky business. Providing financial services to large businesses is considered to be more costly.

The difficulty on accessing financial services is perhaps central among commercial agriculturalists (World Bank, 2000). For example, in Tanzania it was found that 63% of commercial agriculture considers difficulties in accessing finance from financial institutions as the major constraint to their development (Satta, 2003). In some cases the problem of financing is aggravated by the strict credit terms especially penalties on failure to repay their loans on time which affects their profitability because whatever they could have saved as profit is paid back in fines and other penalty related costs (Wright, 2000).

Micro finance is more effective when it follows a credit- plus approach as noted by Seibel (2005). That is; providing borrowers with some training or education about financial and Business management skills. Many Micro finance institutions have been operating in the district of Kampala particularly in the four divisions for many years providing loans in an effort to alleviate poverty. Between 2002 and 2005, about 1283 families in these sub-counties benefited from these institutions loans amounting to about Ugandan shillings 655,750,000 as per the MFIs, reports.

Agriculture plays a major role in most developing countries as it is the major source of livelihood for the rural people; where over 80% of the populations live. It is also the backbone of national economies, the main source of foreign exchange and by far the most important source of employment, including self employment.

It is in the rural areas because the largest numbers of poor and destitute people are found in many developing countries for example, in Uganda. The transformation of subsistence and semi-subsistence production systems into market oriented and commercialized production is a requirement for welfare improvements of any significance. In such a transformation process financial services have an important role to play. The transformation of subsistence agriculture

to production for the market is a central objective. Improved productivity and output levels will be achieved through the introduction of new production technology.

According to Garner(1996) the object of microfinance institutions is a world in which as many poor and near poor households as possible have permanent access to an appropriate rate of high quality services, including not just credit but also savings, insurance and fund transfers, those who promote microfinance institutions have believed that such access of poor or near poor people to an appropriate rate of high quality financial services of credit and savings will help poor people out of poverty and lead to rural development.

Poverty is measured by the proportion of population living below the poverty line, which is observed to be declining in Uganda. The percentage of poor people living below the poverty line fell from 56% in 1992 to 44% in 1997 and 35% in 2000 but latter rose to 38% in 2002 and it mainly concentrates with the north and East having the large portions of the poor populations. Income inequality has worsened with the Giini coefficient rising from 35% to 38% in 2000. The Poverty Eradication Action Plan (PEAP) emphasizes that among other things the strategic improvement of access to credit by the poor through the micro finance sector. Therefore; to increase on agricultural productivity, credit is considered to be necessary input, mainly land and labor. Credit boots income levels, increases employment at the household's levels thereby alleviating poverty. Credit enables the poor people to overcome their liquidity constraints and therefore undertake some investments. For example, the improved farm technology and inputs thus leading to increased productivity in agriculture (Adugna and Hiedhues, 2000). Binswanger and Khandker noted that credit helps to smooth out their consumption patterns during the loan periods of the year.

Financially sustainable MFIs with high outreach have a greater likelihood of having a positive impact on poverty alleviation because of the guarantee for access to credit by the poor as

argued by Rhyme and Otero (1992). Financial sustainability also measures the extent to which the MFIs cover its operation and financial costs from internally generated revenues.

Zeller and Sharma argued that micro finance can help to establish or expand family enterprises, potentially making the difference between grinding poverty and economically secure life.

Micro finance enables low income people to access financial services; it has created financial products and services that are packaged in such a way that enables low income people who are unable to access formal financial services to comparatively small loans, saving schemes, and other services for working capital and income generation. Results by Diagne and Zeller (2001) in their study suggested that micro finance did not have any significant effect on house hold income. Despite the developmental opportunities which would be offered by the credit facilities to the poor people engaged in agricultural practices because due to lack of collateral that they could offer as security for the loans. Further; because of the small loans, banks are averse to lending to small borrowers since there are high transaction costs, high uncertainty of the incomes of the agriculturalists which is highly dependent on the weather and sheer luck (world bank,1989; Adugna and Hedhues, 2000), which results to house hold and farmers relying almost on informal credit market as reported by Nissanke, 1994; Soyibo, 1994; et. al).

Microfinance services are a requirement to gain access to such technology particularly for the small-scale farmers in Africa with little or no capital of their own. Therefore, credit is a strategic component of a package of activities for agricultural development.

Basing on the above mentioned argument, governments in Africa supported by donors have allocated considerable resources to agricultural credit and implemented large numbers of credit programmers over several decades. Most of these resources have been channeled through government financial institutions such as cooperatives.

The performance of these credit programmes and the institutions implementing them have been way below expectations since the loans have not reached the intended beneficiaries, and they

have often been used for other purposes than those for which they were given. Credit often became a political tool which was used for patronage and vote-buying. Credit institutions failed to enforce loan repayment and to cover operating costs.

It is reported that agriculture continues to be practiced by the poor agriculturalists with inadequate farming tools and lack of basic information especially the financial information necessary for them to access the loans which would enable them to move from to commercial agriculture. It is therefore against this background that this study seeks to examine the effect of micro finance services on the development of commercial agriculture. It is based in order to inform the mind set change for the farmers, government programmes and micro finance service providers if they are to engage in the support for commercial agriculture, which spur economic progress.

1.2 Statement of the Problem.

Microfinance institutions have been involved in the struggle against poverty through the provision of loans and other services for a long time in Uganda. Microfinance is a broad category of services, which includes microcredit, which is provision of credit services to poor clients. Although microcredit is one of the aspects of microfinance, conflation of the two terms is common in public discourse. Microfinance plus has been identified as a possible tool for commercial agriculture development (Binns, 2001; Hindle and Dushworth, 2000; and Seibel, 2005), However, commercial agriculture levels are still low in the district. 64% of the population of Uganda still leaves below the poverty line (UBOS, 2005), critics often attack the micro credit and its difficult to assess the impact and that very few studies have been tried to assess its full impact(feigenberg , Benjamin, Rohini, Pande, 2011). Thus without this problem being addressed, rapid food scarcity will result, malnutrition among the poor would be on an increase and the country's Gross Domestic Product (GDP) will decrease swiftly. Therefore, the

researcher intended to assess the effect of Micro Finance services on the development of commercial agriculture.

1.3 Objectives of the study

- To examine how business development services provided MFIs impact on the development of commercial agriculture.
- To examine how extension of loans to farmers lead to the development of commercial agriculture.
- To assess the effect of savings mobilization to the development of commercial agriculture development

1.3.1 Major objective

The study sought to examine the effect of microfinance services on the development of commercial agriculture in Matugga village particularly in Gombe sub-county.

1.3.2. Specific objectives

- How do business development services provided by MFIs impact on the development of commercial agriculture in Gombe sub-county?
- How does the extension of loans to farmers lead to the development of commercial agriculture in Gombe Sub County?
- What is the effect of Savings mobilization to the development of commercial agriculture in Gombe Sub County?

1.4. The scope of the study

1.4.1. Subject scope

The subject scope of the study was to examine the effect of business development services, loans and savings mobilization on the development of commercial agriculture by focusing on peoples' awareness of MFIs and usage of MFIs services.

1.4.2. Time scope

The study will cover a period of beginning from January - April 2015

1.4.3. Geographical scope

The study was carried out in Matugga village particularly in Gombe Sub County.

1.5 Significance of the Study

The study hoped to generate knowledge for rural poverty reduction policy makers in government and other players on the relationship between microfinance services and commercial agriculture development

The study sought to provoke more research in the area of micro finance and entrepreneurial skills provision as tools for commercial agriculture development.

The study intended to add to the existing literature in the area of micro finance and commercial agricultural development since it identified the factors that have led commercial agriculture development among Micro Finance beneficiaries and those factors which seemed to be hindering the achievement of commercial agriculture development objective.

This study would help agriculturalists in Gombe Sub County to get to know the different micro finance services that can be availed to them in order to improve on their farming practices and therefore shift from subsistence to commercial agriculture and thus lead to the development of agriculture.

Through this study the agriculturalists in Gombe Sub County would get to know about the different ways in which they could get access to the services provided by the MFIs in Uganda.

1.6. Justification of the study

The justification to the study was that micro finance services boost the diversified commercial oriented production practices of agriculture and most livelihood strategies. Therefore the study found out how the micro finance services affect the development of commercial agriculture; and also find out how micro finance through loans, business development services, and savings

mobilization impact on the development of agriculture. The failure of the agriculturalists to access all the above services from MFIs is part of an overall problem which is clearly related to inadequate agricultural financing. Therefore, without this study being carried out the agriculturalists in Gombe Sub County would not be in position to find out how they could greatly get additional finances which could be provided by the MFIs and also benefit greatly in order to improve on agriculture.

1.7 Definition of key terms

Microfinance institution Micro finance refers to services such as savings, loans; insurance, transfers and other financial services that small-scale business need to run and expand their business. (Development Finance Report, 2000)

Entrepreneurial skills This is made up of goal orientation, financial skills, creativity and autonomy. These skills are taken as a complement to capital and labor and helps in increasing the productivities of the borrowers. Borrowers with such skills are likely to make wise investments compared to those borrowers without them.

Commercial agriculture, this is the growing and rearing of animals to earn income. This includes the actions and initiatives taken to improve the standard of living in non – urban neighborhoods, country side and remote villages.

Agricultural development, it refers to the process of promoting the proper conditions of farming so that planting, harvesting and processing of crops can be done effectively and efficiently (Wise Greek mobile).

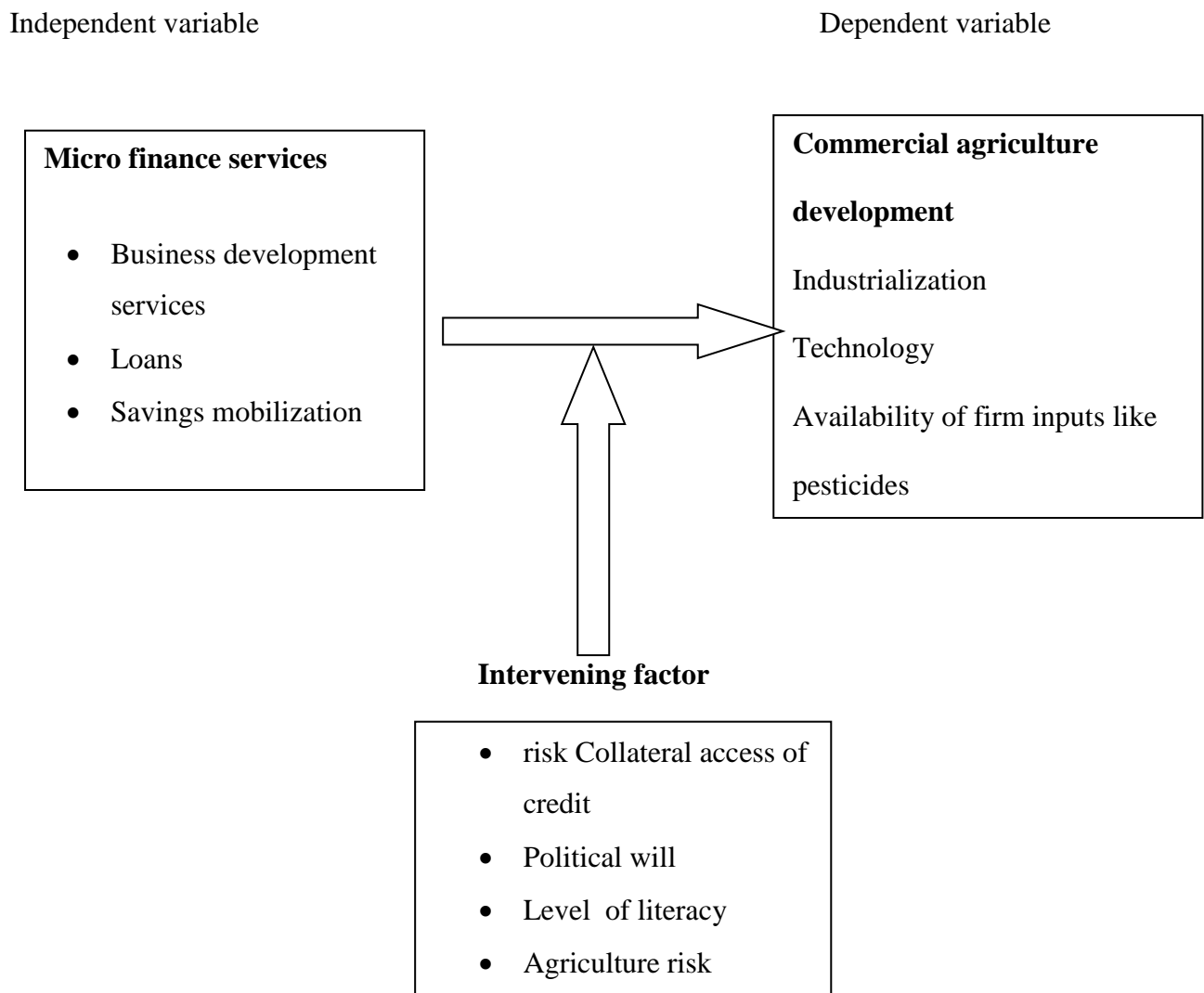
Microcredit is a part of microfinance which is the provision of a wider range of financial services to the very poor.

Microcredit is the extension of small loans and other financial services such as savings accounts to the very poor as accorded by Tazul Islam (2007). This allows them to pursue

entrepreneurial projects that generate extra income, thus helping them to better provide for themselves and their families.

1.8 Conceptual Framework

Figure 1: Conceptual Framework



From the above conceptual framework, it was argued that through Micro finance services the poor get loans and are encouraged to save their scanty incomes. With increased incomes from loans and Savings, the poor are able to invest in farm and non-farm income generating activities. Business development services like entrepreneurial skills, training among others are very crucial for establishment and growing of successful commercial agriculture. Investments and entrepreneurial skills contribute tremendously to agriculture development. From the above

conceptual framework, the researcher assumed that since rural people are agricultural based there is a good market for goods and services and that it is possible for micro-entrepreneurs to get linked up to markets for their products.

In conclusion therefore;

The above discussed chapter has covered a brief background to the study of the effect of micro finance services on the development of commercial agriculture which illustrates views from various sources that is; world up to the local level, statement of the problem is also stated, objectives to the study, research questions, scope of the study, significance and justification of the study, the conceptual framework and finally the definition of key terms. Therefore; the next chapter indicates the reviews of the related literature from different scholars about the different study objectives.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents literature that exists concerning commercial agriculture, microfinance services and the relationship between microfinance services and commercial agriculture, this chapter looks at what other researchers and academicians have written about the variables which are micro finance services and the development of commercial agriculture. The main sources of information to be reviewed are include; text books, journals, magazines, internet, publications by micro finance institutions and research reports published by academicians and other scholars and therefore make comparisons about what they studied.

2.1 Microfinance in Uganda

Micro finance is a relatively a new phenomenon in Uganda it has been the main source of funding for small and micro business in Uganda. Micro finance refers to services such as savings, loans; insurance, transfers and other financial services that small-scale business need to run and expand their business. (Development Finance Report, 2000)

Schreiner and Colombet (2001); defines micro finance as the attempt to improve access to small deposits and small loans for poor households neglected by bank. This implies that micro finance involves the provision of financial services for example, loans, savings, and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

In Uganda Micro finance institutions were started with the primary objective of alleviating poverty and to provide financial services to small and micro enterprise that could not access

services of formal banking institutions due to high interest rates and collaterals that were required by commercial banks.

This implies that micro finance is a fast growing and dynamic part of Uganda's financial sector. It recognized the importance of the informal sector as a source of employment and income generation for the less advantages members and thus a potential tool for poverty alleviation. (Daily Monitor Report, Wednesday, July 6th, 2005).

Therefore, the liberalization of Uganda's finance sector in the early 1980's has attracted a high public interest in the micro finance sector as an important tool for both financial sector development and enhancing the potential growth of small-scale enterprises in Uganda.

In Uganda the informal finance refers to financial transactions outside the regulated formal financial sector with key players being relatives/friends, savings and credit co- operatives, money lenders, community-based organizations, Non- Government Organizations (NGOs) [Wamasembe,2001]. The registered informal sector operators include one savings and credit union, the Post Office Savings Bank, 79 registered operators that provide microfinance services and consist of co-operatives, Non-government Organizations (NGOs) and other savings and credit associations as stated by Katimbo- Mugwanya.

In the context of Uganda, the MFIs are the registered and institutionalized microfinance providers constituted mainly of NGOs (both local and foreign), savings and credit co-operatives and even some commercial banks like Centenary Rural Development Bank (CERUDEB). The MFIs provide micro finance services to mainly small and medium scale enterprises (SMEs). Wright and Rippey (2009) reports that over 45% of the potential small business lending market is unbanked

The MFIs established an umbrella organization the Association of Micro Finance Institutions in Uganda (AMFIU), which is a member based organization incorporated in 1999 under the NGO Act and as a company limited by guarantee. The creation of AMFIU was motivated by the need to bring MFIs in Uganda together to share experiences and to create professionalism in the industry through development of industry standards. In addition AMFIU was created with the motive of having a uniform voice to lobby the government to create a legal framework that enables the growth and development of microfinance within a healthy and strong financial sector. AMFIU played a key role in the consultative process for the development of the Microfinance Deposit taking Institutions Act (2003) which is discussed in detail later. AMFIU membership includes banks, credit institutions, NGOs, credit and savings co-operatives or institutions and special government credit programmers.

Micro finance services offered by the MFIs include the provision of; financial literature by training people to develop basic financial competencies which can be used to guard their assets from being eroded by miss using the already available resources; counseling and financial management which helps the agriculturalists to develop debt management skills to avoid defaulting which may lead to loss of collateral security.

2.2 Microfinance services and Agricultural development

Access to finance is a crucial issue in the productivity of agriculture in the country. If the farmers in Uganda are categorized based on land ownership, then we will find that most of the farmers are either marginal farmer or land less farmers producing crop by taking land leases from the affluent people. So, sometimes it is extremely difficult for the marginal farmers to get access to credit because the credits are not collateral free. The lack of deposit facilities force households to rely on inefficient and costly alternatives. The lack of access to medium- and

long-term finance inhibits investment by a majority of small and marginal agricultural households in Uganda.

Because agricultural production depends on the risks associated with weather, pests and diseases, commodity prices as well as the availability of market for the agricultural products; the agricultural income is generally considered to be unpredictable and unstable quoted by Paxon, 1992; Heimfarth and Musshoff, 2011. Whereas Rosenzeig & Binns wagger say that income instability can be more severe in the absence of a suitable agricultural insurance products which is a case for small scale farmers in developing countries added Roth et al., 2007; Swissre, 2011. This greatly affects the share of income available for loan repayment of the agricultural borrowers which in return leads to higher loans defaults (Barry, 2001). This seems to be plausible for small scale farm holds which only have limited potential to compensate income fluctuations. As a result of the above, financial institutions in developing countries such as Uganda are still cautious to lend to small scale farmers as suggested by Zeller et al., 1997, a behavior which attributes to the characteristics of the financial sectors and to the history of agricultural finance in developing countries (Maurer, 2011).

This clearly explains why the capitalists groups are reluctant to invest on agriculture as return from investing is double in other sectors as compared to agriculture. Micro credit has been successful in reaching the rural poor with credit for self-employment, supporting women's empowerment and significantly contributing to poverty alleviation, however, micro credit has only had a marginal impact in the agriculture sector as microfinance institutions (MFIs), therefore, limit their lending to those possessing less than half an acre of land that is the functionally landless. Poor farmers' access to agricultural credit remains very limited, they are usually missed by regular credit facilities and as a result marginal and small farmers are frequently termed as "missing middle." (Raman and Husain)

A study to measure the productivity growth of the Grameen Bank members carried out by Alam was confined within comparing the agricultural productivity alone, in his findings, he suggested that the small and marginal farmers as a result of participating in the Grameen Bank programs can allocate a higher percentage of their land for the cultivation of high-yielding varieties (HYV) and have improved their agricultural productivity. These studies showed that the users of microfinance can bring 81.5% of their cultivable land under HYV production compared to 76% of the non-users. Yield of the users of microfinance for HYV was 47.6 per hectare while it was 38.2 for the non-users. Cultivation of HYV requires costly inputs like irrigated water, relatively large doses of fertilizers and pesticides. Before joining the Grameen Bank, they could not afford to apply these expensive inputs to their farms for HYV cultivation due to their low income level.

With the breakthrough of green revolution of agriculture and the necessity of adopting modern technologies during the mid-seventies, the demand for agricultural credit has increased tremendously, modern agricultural farming technology is highly capital-intensive due to intensive use of modern agricultural inputs such as HYV seeds, synthetic fertilizers, pesticides, modern irrigation facilities and farm implements. Most of the farmers cannot afford such big investment due to scarcity of working capital (Hossain, 1985).

However, the agrarian economy of the country is mostly dominated by the small and marginal farmers. Small marketed surplus of food grains and its seasonality along with the need for funds for both farming and family consumption creates cash deficit leading to demand for credit in the agricultural sector. Consequently, farmers are unable to accumulate enough capital to buy the costly inputs needed for agricultural purposes. Early studies indicate that to sustain and accelerate technological change in agriculture for adopting improved practices, credit is

essential Hossain, (1986). The rich and middle class farmers generate sufficient surplus after maintaining a higher standard of living as reported by Jaim and Rahman , they too feel need for credit in certain period, particularly in the wet seasons of the country . Farmers take loans both from informal and formal sources. Informal credit sources as local money lenders and wealthier community members often charge interest rates that are prohibitively high. As a result, the landless poor agriculturalists in rural Uganda very often face severe liquidity crisis that affect their economic well being as well as productivity.

The inability to access credit at reasonable interest rates limit farmer's opportunities to rise above the poverty line by restricting their land use for agricultural production, income, and poverty eradication. Credits are also available from informal sources against advanced sale of crops at prices much below the level prevailing in the market during the harvesting period. Payments for interest charges on such loans constitute a major drain on the current income of the small farmers, which depress their living standard and make the perpetually indebted (Baduri, 1973). A recent study indicated that the yield (per hectare) of users of micro credit is 1.21 times higher than the non-users and both the users and non-users displayed inefficiency in major resources uses (Miah et al. 2006).

2.3. Microfinance credit/loans and the development of commercial agriculture

This section provides the literature on how the extension of loans/credit to the development of commercial agriculture. Therefore, below is the discussed literature on the link between the extension of loans and the development of commercial agriculture;

Micro credit is self-targeting and hence cost-effective. But not all rural poor are able to benefit from micro credit programs. Utilizing loans in productive activities requires entrepreneurial skills that most agriculturalists lack. Micro credit programs must target only those poor who have some ability to initiate activities with great potential but lack capital. Micro credit also

suffers from its limited ability to increase the size of the loan per borrower because of the limited capacity of borrowers to absorb the loans and level of capitalization of MFIs.

Therefore; Micro credit and micro finance are terms normally used interchangeably, Sinha (1998) states that micro credit refers to small loans whereas micro finance is the appreciation where NGOs and MFIs supplement the loans with their financial services like, savings, insurance among others. This implies that micro credit is a component that involves providing credit to the poor, micro finance involves additional non credit financial services such as savings, insurance, pension and payment services (Okiocredit, 2005) basing on the work of Eoin Wrenn for Trocaire, 2005.

Loans are small amounts of money loaned by a bank or other institutions, to an individual or group, often without collateral (UN 2004). Loans can assist the poor in building assets and 'smoothing' the up-and- down nature of their income and can assist in converting very small, irregular incomes into a large lump sum which can augment livelihood and reduce vulnerability (Umrabulo,2005,DFID , 2001). It is noted in the government PEAP that Loans are essential for investment as they lead to increased income and for consumption smoothing in lean periods.

Seibel. D (2007) said that agricultural credit is an input, next to improved seeds and seedlings, fertilizers, pesticides, tools and machines and the target group were the farmers whereby the issue was to disburse agricultural credit to the farmers or agriculturalists. This means that agricultural credit was a service not a business.

Access to the credit was the limiting factor.

2.3.2 Accessibility to credit

In a study commissioned by the International Food Policy Research Institute (IFPRI), farmers highlighted the issue of shortage of capital and credit as one of the biggest constraints to improving farming. While in a recent study that was carried under the sponsorship of MAAIF,

found out that only about 10 per cent of Ugandans had access to financial services like credit. This lack of or shortage of credit means that farmers cannot invest in things like buying improved agricultural inputs or expanding their agricultural enterprises which are critical for increasing agricultural production and productivity.

While the situation concerning access to and the provision of agricultural credit has improved from what it was a decade ago, there are still big challenges that tomorrow's leaders need to address. These range from the highly prohibitive conditions set by the financial institutions and the high costs of accessing credit, to the general lack of knowledge about how to access credit and the inadequacy and unreliability of financial institutions. Regarding the conditions set by financial institutions and the costs of accessing credit, it is important to emphasize the fact that credit is provided to farmers mainly through micro-finance institutions. These institutions charge very high interest rates ranging from 36 to 48 per cent. Many of them justify the high interest rates on transaction costs in the administration of the loans given to farmers.

The credit given to farmers is also too little to be economically productive. It normally ranges between Shs. 20,000 – 50,000. For the farmers who want to access credit through the Savings and Credit Cooperative Organizations (SACCOs), they are required to formally register their groups and have at least Shs. 20 million in savings. The overwhelming majority of Ugandan farmers who form Sacco's in rural areas find it very difficult to meet these conditions. It is from this point of view that we can now turn to examine the promises made by the different political parties and leaders and their manifestos with respect to the question of providing convenient and affordable agricultural credit to farmers.

Prof. Hans (2007) continues to state that since agricultural credit had been exclusive it excluded all those who didn't own and till the land: laborers, micro entrepreneurs, traders, women and large number of smallholders too poor to pay bribes and too uneducated to do the paperwork.

Credit is an important instrument for improving and enhancing the productivity capacity of any sector in the economy especially in agriculture that is in the context of Uganda. This facilitates the flow of savings from surplus units to deficit units Diagne et al., (2000). Among the characteristics of rural financial markets in developing countries are informational constraints and limited access to institutional or formal credit. (Okurut et al, 2004).

Participation in extension package programs, Experience in credit use from the formal sources, total cultivated land size, number of livestock in the developing countries, collateral or group formation were highly important in influencing access to formal credit use as evidenced by the model output. Therefore, policy aimed to accelerate agricultural development in the area could be successful if these factors and problems are taken into consideration to access credit from the formal financial sources. Yehuala, S. Haramaya (Ethiopia). 2008.

Atieno, (2001) while quoting Hossain, (1988), observed that the provision of loans have increasingly been regarded as an important tool for raising the incomes of rural populations, by mobilizing resources to more productive uses. The generation of self-employment in non-farm activities requires investment in working capital. However at low levels of income, the accumulation of such capital may be difficult. Under such circumstances, loans, by increasing family income can help the poor to accumulate their own capital and invest in employment-generating activities.

Gandhimathi and Vanitha (2001) in their study review about the agricultural economics stated that the development of agriculture depends on the adoption of technologies and the adoption

demands agricultural credits. They continue to say that agricultural credits in developing countries are characterized by dualism that is institutional credit agencies and non institutional credit agencies.

Whereas Idris Olabode Badiru said that the important role of credit in agricultural enterprise development and sustainability has prompted the government to establish credit schemes such as the Agricultural Credit Guarantee Schemes (ACGS) and Agricultural Credit Support Schemes (ACSS) to ensure farmer's accessibility to the agricultural credit. He also says that the situation has not improved substantially basing on the 2006 core welfare indicator questionnaire survey.

Morvant.S R, (2008) reported that access to finance is decisive yet most of the peasant farmers in developing countries are still excluded from the banking system. He said while quoting Bachelier, (2007) that bank penetration rates in agricultural regions of Africa and South Asia are barely 5% to 6%.

Access to formal credit can also be affected by small scale enterprise characteristics. Hussein (2007) stated that the probability of choosing the formal credit sector was positively affected by gender, educational level, ownership, labor, and enterprise size. He explained that education, credit information and extension are more likely to increase the information and decision making for production technology.

Low productivity of farm labor and agricultural output in developing countries was due to the absence of credit to finance specific factor inputs as revealed by Tumaini (2010). Therefore, financial credit is the most flexible form of transforming economic resources to the rural poor. He asserts that access to financial credits can help the economically active poor expand and divert their enterprises and increase their income.

2.4. Savings mobilization and the development of commercial agriculture.

As microfinance has evolved, there has been an increasing recognition of the importance of savings, often referred to as the “the forgotten half of microfinance”. During the 1990s we came to realize that there was a pattern emerging in how poor people were using the very large microfinance networks. In the networks that offered both credit and savings services, there were often as many as five savers for each borrower. While credit is important, it is only one of the many different kinds of financial services that poor people need to improve their lives as suggested by Lennart Båge

The August 2009 directorate on Agriculture Development Finance revealed that, the economically active working poorly use the savings mostly for subsistence farming and low return productive activities, and at the household and farm level, they rely on social grants for production and household needs. The savings mobilization experience also indicates that rural finance services provided people of modest income, especially those excluded from the formal banking community place to save money together and make more loans to each other at a moderate rate of interest. They indorsed the principles of the poor people having the capacity to save that is both in cash or non cash savings and recognize their needs for access to micro finance services both savings and credit.

Tumaini (2010) revealed that microfinance institutions recognize that savings are important as a service for the poor as credit and that savings are crucial in building self-sufficient financial institutions. This is so because better saving services encourage a significant move from non financial savings into savings with the benefit of safety and liquidity for rural farmers and the agriculturalists and this implies the provision of funds for Agricultural development and growth.

Therefore; ([http://www.business dictionary.com/definitions](http://www.businessdictionary.com/definitions)) defines savings is the portion of disposable income not spent on consumption of consumer goods but accumulated or invested directly in capital equipment or in paying off a home mortgage or directly through purchase of securities.

Saving and maintaining that culture, is an important aspect of life as reported by Mutebi (2002), This is so because one's ability to saves in a bank, then this implies that there is security for life which serves as a common denominator, for great variety of people's life styles and the life style of the agriculturalists.

Savings services are needed by people to protect their incomes and to serve as an alternative to the assumption of debt (Akanji, 2005 and Binns, 2001). Savings are a requirement for borrowing by some credit unions because they encourage financial discipline among borrowers and provide funds for on-lending which substantially increase the depth of outreach of micro finance (Lashley, 2005).

Seibel et- al. (2005) and Lennart (2004) supported the idea of savings that they are the core of self-help and self- reliance, especially among women who are less risk-prone and more savings-oriented than men. Easy and convenient deposit facilities and collection services in the vicinity are the most important services for enterprise development and poverty alleviation. With savings available to them, the poor are able to accumulate cash surpluses which could be turned into productive assets and make a significant contribution to household livelihood strategies. Cash surpluses can also create a barrier for the foreseen expenses of the future, thus reducing vulnerability to debt traps (Umrabulo, 2005; Seibel, 2000 and DFID, 2000).

In addition to the above, Uganda's domestic savings rates are among the lowest worldwide. It's trend has declined over time to the extent that, it was about 8% of disposable income in 1989 and has now declined further to lower than 4.5% which is below the required sub-Saharan

average. As result of this decline, growth in private investment is also low-which is only 13% of the GDP and this leaves a compelling need to raise it to the sub-Saharan average of 20% (MFPED Report, 2005).

Therefore; millions of rural poor do not have access to the basic savings and credit services that most people take for granted. This makes it much harder for the poor to rise out of poverty. Traditional ways of saving, such as putting money into livestock or jewellery, can leave the poor in a weak position when they need funds. Liquid cash is far more convenient.

The rural poor need access to micro saving facilities in order that they can deposit money when they have it - after selling their harvested crops, for example – and withdraw it in times of need. Such basic facilities could help to smooth out consumption over the year and make the poor less vulnerable. A deposit account can help the poor to obtain insurance, giving a sense of security, and it can help them to take a loan when they need it. Credit facilities are generally not extended to the rural poor even for highly productive activities, because they have few or no assets to offer as collateral.

Savings are very important to poor people, but without a safe place to keep their money, they are vulnerable to losing their valuable savings. The need to find a safe place to keep savings is so strong that poor people are willing to pay others to take on the responsibility (IFAD, 2005).

Gustavo and Joao (2002) note that credit is only one of the many different products that MFIs are able to provide to those traditionally excluded from the financial sector. Savings, deposits and money transfers, can also play an important role in helping the poor manage their shocks, and to increase their income. A study on the expansion of PAHNAL, a Mexican Savings Institute targeted to low-income clients, revealed that when provided with credit and liquid

savings instruments, households can increase their savings rates up to five percentage points- and by almost seven percentage points in the case of some of the poorest ones.

Eileen et al., (2005) noted that savings are both forced and voluntary. MFIs require that borrowers deposit savings to collateralize loans. These deposits sometimes called forced savings or compulsory savings, generally cannot be withdrawn at will during a loan cycle and sometimes cannot be withdrawn until a client exits. Forced (or compulsory) savings can be adapted so that clients have access to their savings at specified (but limited points) during the loan cycle or following a natural disaster. Allowing clients to withdraw savings at certain times of the year or agricultural season when income is scarce, or when a disaster has occurred can help mitigate the impact of a disaster.

There is need for voluntary savings. Generally clients feel a cash crunch during times of crisis. They may hesitate to increase their debt burden in an uncertain disaster stricken environment.s Rather, they may wish to decrease their debt burden by paying off a loan, or prefer to find the additional expenses from cash as opposed to more debt. Providing access to voluntary savings products therefore, is one of the best ways to assist clients in smoothing out consumption expenses by allowing them to save money when they have extra, and then permit ready access to it when they need it.

Unlike compulsory savings, voluntary savings are linked to loan approvals and repayments. With compulsory savings, institutions typically dictate the condition under which the clients may withdraw their savings, while voluntary savers usually have access to their savings as and when needed. Compulsory savings may be offered through groups or to individual, while voluntary savings is a strictly individual product. While the mobilization of savings seems an

attractive way to find expansion of the loan portfolio and meet clients' needs, they place an incremental burden on operating systems and management. These include developing additional teller facilities and systems for safe keeping, treasury management, maintaining savings ledgers, and developing a state-of-the art accounting system.

Given their volatility, and the likelihood that deposits and withdrawals will be made in large clusters, voluntary savings products require significantly greater management capacity than compulsory savings products. The more client-friendly a product is, the greater the management capacity required.

In the case of a calamity, there may be a high level of withdrawals of voluntary savings. To prepare for liquidity shortages, MFIs can negotiate stand-by lines of credit in advance with a local commercial bank, or with a neighboring MFI.

Experience has shown however, that MFIs offering voluntary savings products have not experienced massive withdrawals of savings, especially following natural disasters. Clients may still withdraw some of their savings but may also choose to maintain their savings and take out emergency loans instead. For MFIs that have uncertain capital resources, lack treasury management skills, or have insufficient accounting structures, offering voluntary savings products is not recommended

Therefore; basing on the above arguments, Lennart Båge continues to say that there is an urgent need for microfinance institutions to improve their ability to reach the poorest families and to satisfy their growing demand for a range of financial services. This includes the safe and flexible savings services that poor people need and value. One way to meet the objectives of the Microcredit Summit Campaign is to help microfinance institutions that are legally authorized to provide simple savings services ensure that these services are available to very poor people.

2.5 Business development services and the development of entrepreneurial skills of the farmers

2.5.1 The evolution of business development services

The years since the start of the financial and economic crises have been turbulent ones for small and micro business in for the enterprise development organization at seeks to support them. Although most attention has been focused on the crises and how micro lenders responded by extending credit to more business need. The changed context also had implications for business development services as more micro entrepreneurs needed help in surviving the down turns in the market and as more unemployed considered self employment as a job strategy. Micro enterprise Development Organization (MDOs) needed to find ways to be responsive.

The 2010 census identified over 800 MDOs of which 366 completed surveys, and 356 reported that they provided BDSs to their clients, 2008, 266 MDOs of 369 programs that completed surveys indicated that they offered BDSs.

Business Development Service organization provide a large number of services as shown below, training, financial literacy, technology services, mentoring, credit counseling, inventor, entre clubs among others. By Elaine Edgcomb and William Girard, May 2012, study of the state of Business Development Services.

2.5.2 What Business Development Services are and their role?

Business development services non financial services and products offered to entrepreneurs at various stages of their business needs .they are aimed at skills transfers of business advice .this implies that a range of business support options have been developed and can be applied to develop small business. These services are important because of can assist entrepreneurs to run

their business move effective and it appropriately applied, can act as an enhancer of access to finance and as an alternative form of collaterals.

The ILO supports the development of markets for business development services primarily through the capacity building of intermediary service deliveries. Most businesses need an enormous range of services and most of these are provided through informal social contacts or by other businesses, large and small, such as banks, merchants, whole sales, farmers and other producers.

Seibel. D (2007) in the University of Cologne said that business development services are of crucial importance to small and micro enterprises in various sectors of the economy that links the strategies of the producers, processors, and the traders with the financial institutions. He continues to assert that the fact that the founded BDSs programmes have broken down is the very fact of the donor support which has undermined their market.

Therefore, Business Development Services can generally be defined as those services that improve the performance of the enterprise, its access to markets and its ability to compete as stated by the committee of Donor Agencies for small enterprise development, (2001).

The above definition is seen to include an array of business development services for example, training, consultancy, marketing, information, technology development, among others. These services are both strategic and operational (day to day issues) which were designed to serve individual business community.

Further studies by UNDP(Business Development services) in the study of How to guide carried out in July, 2004 show that these services are a very important means of supporting the development of Micro Small and Medium Sized Enterprise(MSMEs) which are known to

create employment, generate income and contribute to economic growth and development. This implies that supporting the BDSs is an important means of achieving the Millennium Development Goals (MDGs) by addressing poverty and empowering the poor and vulnerable group (UNDP, 2003).

2.5.3 Roles of the Business Development Services

These services are very important in terms of reducing costs, improving productivity, and competitiveness of the business. This is so because most of these services are inter linked and complement each other. Below are some of the roles that are played by the BDSs,

Innovation, these are activities that act as a driving force for business economic development and success Bozic and Radas (2005). To them innovation involves creating new products, services, ideas among others which can improve business performance. Literature has come up to explain why innovation is the main ingredient of productivity, competitiveness and other desirable results of the business. Michael and Pearce 11, (2009) said that innovation improves business performance through increasing both the local and the external markets share and profitability. They continue to show how the government involvement can influence innovation attempts of the entrepreneurs.

Networking, this is a long term contract between small business owners and the external actors. Premaratne (2002) stated the four components of entrepreneurial networks that is, actor, resources, activities, and linkage with help to strengthen the relationship the entrepreneurs and improve business performance and competitiveness. Whereas scholars like Ceglie and Dini stated that enterprises have different problem that link with their smallness but can be solved by networking for example, limited capacity to produce standardized and good quality products, finance, training among others. They argue that networking solves the problem of smallness

through enhancing horizontal integration which allows a group of enterprises to help each other and solve their common problem through integration to achieve economies of scale, capacity to supply large orders among others.

The table below summarizes the main categories of BDSs which are also known as the non financial services,

Table 1: Showing the main categories of BDSs

Market Access	Market research Market information Trade fairs	Advertising Packaging Marketing trips
Infrastructure	Storage and ware housing Transport and delivery Telecommunication	Internet access Computer access Secretarial services
Policy and advocacy	Training in policy and advocacy Analysis of policy constraints and opportunities	Direct advocacy on behavior of the MSMES Sponsorship of conferences Policy studies among others.
Training and technical assistance	Mentoring Feasibility studies Business plans	Counseling Legal services Financial and tax advices
Technology and product development	Technology transformation Linking MSMES and technological supplies	Facilitating technology procurement quality assurance And programs
Alternative financing mechanisms	Factoring companies providing capital for confirmed orders	Facilitating supplier credit

Source ILO, 2003

In addition to the Business Development Services (BDSs), the agriculturalists also need entrepreneurial skills to effectively manage their farms and their produce, and these can be defined as an attempt at new business venture creation, such as self-employment, new business organization, or the expansion of an existing business, by an individual, team of individuals, or established businesses as explained by McClelland. He noted that entrepreneurs create new business ideas and then assume the risks associated with developing those ideas. He adds that

an entrepreneur is both an investor and a financier and should be able to shift investments in search of large profits. Whereas David (2003) defined entrepreneurial skills as activities, which lead to the creation and management of a new organization designed to pursue a unique innovative opportunity.

Chihmao, (2005) observed that entrepreneurs are 'jacks- of-all-trades'. Those with multiple, balanced knowledge skills become self- employed. Those with unbalanced knowledge skills are more vulnerable as specialists in paid employment. This is a hint that the rural poor who cannot become specialists to qualify for paid employment and can better be helped out of poverty through self-employment, hence the need to equip them with some skills.

Business people strive to make things happen, accomplishing goals is possible if you work hard as noted by William, Zikmund, Dennis and Melanie (2003). They should have a high need to achieve, to succeed when facing a challenging task.

An Entrepreneur is an economic leader who possesses the ability to recognize opportunities for successful introduction of new commodities, new techniques, and new sources of supply, and to assemble the necessary plant and equipment, management, and labor force and organize them into a running concern. He is the kingpin of any business enterprise for without him the wheels of the industry cannot move. So, entrepreneurship is an indispensable ingredient in economic development. Jhingan further noted that for development to occur there is need for human capital formation. This "is the process of increasing knowledge, the skills, and the capacities of all people in the country". It includes expenditure on health, education and generally on social services.

2.5.4 Business development services

Financial services

Financial characteristics of an investment proposition have a significant impact on the acceptability or otherwise of a project. The purpose of financial analysis is to identify these characteristics and to determine the financial feasibility of a project. Such analysis involves estimates about project costs and revenues and the funds for the project. The purpose of financial analysis is to present some measures to assess the financial viability of the project. A Performance balance sheet for the project data should be presented. Depreciation should be allowed on the basis specified by the bureau of public enterprises. This implies that Micro Finance clients badly need financial skills for them to be able to utilize Micro Finance services.

Training

Training in business skills to assist clients to diversify business opportunities is very crucial for people who need to establish investments. This can however create significant expenses for the institution as noted by (Eileen et al., 2005). This implies that MFIs need to ensure that they are able to cover the costs of these additional services by either charging for cost-recoverable skills training, raising interest rates or partnering with other institutions that can provide these services at no additional cost to the institution.

MFIs should follow a credit-plus approach in addition to loans (Binns, 2001 and Seibel et al 2005). A little initial training either to inform customers of their responsibilities or as part of screening process is needed by borrowers. Therefore, provision of entrepreneurial services to the poor, helps to improve their human capital, and enables to engage in rewarding economic activities (IFAD, 2002).

Credit counseling

Binns, 2001 and Seibel et al (2005) argued that MFIs should follow a credit-plus approach in addition to loans. A little initial training either to inform customers of their responsibilities or as

part of screening process is needed by borrowers. Therefore, provision of entrepreneurial services to the poor, helps to improve their human capital, and enables to engage in rewarding economic activities (IFAD, 2002).

In addition, the (IFAD, 2002) continues to assert that provision of entrepreneurial services to improve the poor's human capital enables them to engage in rewarding economic activities. However, where the costs of such services are passed on to the participants, the costs of borrowing can be inflated unnecessarily, unfairly penalizing people who only want financial services. Combining financial services with training, education or other components is also viewed as compromising micro finance, giving a signal that really these services are charitable activities and that borrowers do not need to repay

Innovation and inventiveness

Creativity refers to the ability to bring something new into existence as defined by David (2003).

He says that every entrepreneur is basically an innovator who introduces something new into the economy. The innovation may be a method of production not yet applied in the particular branch manufacturing, or a product with which consumers are not yet familiar or a new source of raw materials or a new market hitherto unexploited or a new combination of means of production. Therefore; the entrepreneur foresees the potentially profitable opportunity and tries to exploit it and thus a problem solver as quoted by Gupta and Srinivasan, 1997. They further argued that an entrepreneur should have a kin desire to initiate and accept changes.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter explains how the researcher carried out research. It highlights on the research design that was used, sample selection and size, methods of data collection, the target population, data presentations and analysis as well as limitations to the study and solutions to such limitations.

3.1. Research design

The study adopted a cross sectional and a descriptive research design which included a survey study method. Using this research design, data was collected from more than one respondent in Gombe sub-county. The design enabled the researcher to examine the diversity within the micro finance users: survey respondents, and key informants (KI) and observations. The design also helped to unravel the different effects of micro finance services on the development of commercial agriculture. The choice of this design was due to the fact that it was cheap in terms of time and human resources as data was collected simultaneously from the respondents of Gombe sub-county. The design further enabled the researcher to triangulate between the quantitative surveys questionnaires. The above designs enabled the researcher to process, present and analyze the findings of the study.

3.2. Area of the study

The study was carried out in Gombe sub county of Matugga village Wakiso district in Uganda. The researcher chose this case study area because the researcher used a sample size of fifty (50) respondents and this sample size was a representative of the whole population and manageable to administer the research instruments. It was on these selected respondents that the data

collection instruments was collected and obtained the data. This sample size enabled the researcher to collect the required information for the study

3.3. Study population

The study populations consisted of both men and women of diverse socio-economic backgrounds. The survey respondents were chosen randomly from the study areas of Gombe Sub County representing rural communities respectively. The researcher chose a sample of 50 respondents out of the total population because the researcher found it manageable and accessible and this would enable her to administer the research instrument by herself to the esteemed respondents. The researcher also chose that study population because data collection instruments that was used to collect and obtain the data enabled the researcher to collect the required information for the study.

3.4 Sampling procedures

3.4.1 Sample Size

A sample size is a collection of some (a subset) elements of population (Amin 2005). Samples were selected from a total population of fifty (50) respondents with a sample size of forty four (44) respondents. It was carefully selected using Krejcie and Morgan table of 1970 of sample size selection. After using Krejcie and Morgan sample selection table, individual elements were selected using purposive or simple random sampling methods

3.4.2 Sampling techniques

A representative sample of the respondents was selected from the total population of commercial agriculturalists and their employees. The researcher used simple random and purposive sampling techniques to choose the respondents who participated in the study. With simple random it meant that every member in the sample population had an equal chance of being included in the sample size, which reduced on the researcher's bias in obtaining the

sample respondents. Also; with purposive sampling it meant that information was to be obtained from the key informants who had ideas about the subject matter hence first hand information was be obtained.

3.5. Data collection methods and Instruments

A pilot study/ survey was conducted to attain evidence that many farmers or agriculturalists that depend on MFIs had low savings, low sales low profitability and low incomes for investment and therefore; low performance, development and growth.

Data handling

Data source, the researcher collected primary data from respondents using the questionnaire, interviews, and observation methods and secondary data was used and sources included bankbooks, unpublished and published research reports and textbooks.

Editing, The questionnaires will be edited to ascertain completeness, accuracy and uniformity, blank spaces with no answers will be filled in according to the majority view by looking at all the questionnaires.

3.5.1 Data collection instruments

Questionnaires

The researcher designed a set of questions that made a questionnaire and these were self administered to different people in the agricultural sector. This was comprehensive enough to cover the extent of the problem and all aspects of the study variable basing on the objectives of the study chapter one. The questions contained in the questionnaire were both open and close ended and these enabled the respondents express their views and opinions. Some of the questionnaires were delivered to farmers and then they were collected later and administered by the researcher and others were personally administered by the researcher, thus self-

administered and researcher administered questionnaire respectively were used to obtain primary data.

Direct observation

This involved the use of naked eyes to see what the researcher wanted to know about the effects of micro finance services on the development of commercial agriculture. The researcher directly will observe the size, premises, farms where farmers operate and the nature of products produced.

3.6 Quality control methods

The researcher ensured that the collected data conforms to the desired expectations and objectives of study by translating the questionnaire into the local language in order for all the respondents to interpret/ understand questions and then give valid answers. This was done to help the researcher keep track of the data collected from the field and also not to forget what the respondents had said. Data was then re-examined to identify the most important information or propositions which was used in writing the dissertation.

3.7 Data analysis

The researcher used the following steps in data analysis in order to interpret the collected data. Data will be analyzed using the computer program referred to as the special package for social scientists, version 16.0 this programme accepts questionnaire items as variables. Accordingly, each item in the questionnaire were defined as variable and given a label. Since each item has a likert scale of response options, coding was transformed the options into the numerical language that special package for social scientists accepts in its data entry sheets as value labels.

A five likert scale was used to assign codes response options nor disagree, agree and strongly agree) ranging from (1", 2",3",4", and 5") respectively.

Data will be entered in the programme for each item; a response option selected by a respondent was entered in the data entry sheets of the programme using the assigned codes.

Thereafter, appropriate analysis tools, options and commands of the programmes were applied to produce the desired results. Depending on the results required, the specific methods were used to analyze the data using the descriptive, data reduction, correlation and regression.

Tabulation: this involves the use of statistic indicators that involves the use of frequency tables to show the occurrence of respondents and their varying views while percentages were used to show the percentage of respondents in different areas of study.

3.8 Ethical Considerations

In the process of collecting data, the researcher had to bear in mind the need to handle the respondents with care and respect.

There was also need to ensure that the researcher's actions and questions do not offend the respondents. The researcher humbly asked for consent of the respondents before soliciting for information from them. It was important for the respondents to know the aim, goals and what the research intended to achieve. The respondent wanted to know how the information gathered would be used for their betterment.

The rights of the respondents were protected by not asking them questions which would not harm them psychologically. The researcher assured all the respondents that the information collected was confidential and was be used only for research purposes. For individual respondents, their names were deliberately withheld to ensure anonymity and confidentiality in terms of any future prospects. onb the other hand, any key informants ready to give their names and their contributions to the study will highly be valued.

3.9 Limitations of the study and solutions to the limitations

The sample size select for data collection was too small for the researcher to be able to collect the information required from the respondents. This means that the researcher was unable to

know whether the sample size of 44 respondents would provide the information required without bias. Fortunately, the researcher was in position to get different ways of convincing the respondents and also be able to collect valid information for the study.

The low literacy levels among some of the agriculturalists affected their ability to answer questions or fill questionnaires. The researcher therefore had to assist them in filling the data collection forms where necessary.

Financial drawbacks negatively impacted on the research activities on many fronts. In the process of data collection, the researcher incurred many expenses in terms of transport to the sub county and access other simple random respondents, this acted greatly as a limiting factor for the researcher's accessibility to some of the areas of interest which affected the quality of research and data collected. The researcher therefore tried to find ways of accessing her respondents without incurring more expenses exceeding her budget

The researcher also faced a challenge of limited response especially from the simple random respondents because the local farmers thought that the researcher was from any legal corporation trying to trick them owners however the researcher convinced the respondents by showing them the letter of information from the school. Besides that he tried to convince them that the research is meant for academic purpose only.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSIONS OF FINDINGS

4.0 Introduction

This chapter presents a detailed discussion of the findings and interpretation of the data collected from the field; these findings are described by use of tables, graphs and charts. It also presents discussions on the detailed profile of agriculturalists who are the sole beneficiaries of the products of MFIs, the contribution of MFIs on the entrepreneurial activities that lead to sustainable growth of agriculture in Gombe sub county of Matugga village.

4.1. Response rate

Out of the 44 questionnaires sent out to the field, 44 usable questionnaires were returned giving a percentage response rate of 100 %.

4.2. Back ground information

Respondents were required to state their gender, age group, education level and the period worked with micro finance institutions. The following were the results;

4.2.1 The age of the respondents.

Table 2: Showing the age group of the farmers

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-25	1	2.3	2.3	2.3
25-35	8	18.2	18.2	20.5
35-50	24	54.5	54.5	75.0
50 and above	11	25.0	25.0	100.0
Total	44	100.0	100.0	

Source: Primary data, 2015

According to the findings as indicated in the table 2 above, most farmers are between the age of 35 and 50 (54.5%) only 2.3% of respondents fall in the age group of 18-25, 18.2% in the age group 25-35 and 25% are above the age of 50.

The above table shows that a big percentage of the farmers are of middle age (35-50) with a few a very small percentage of the young population between the age of 18-25 in comparison to the old people engaged in commercial agriculture, and with family responsibilities, which have become a woman's concern rather than a male responsibility as society used to assume.

4.2.2 Gender of the respondents

The figure below clearly shows the sex of the agriculturalists since the researcher was interested in knowing the gender of her respondents who solely participated in the study and the results were presented as follows;

Figure 2: Showing the gender of the respondents

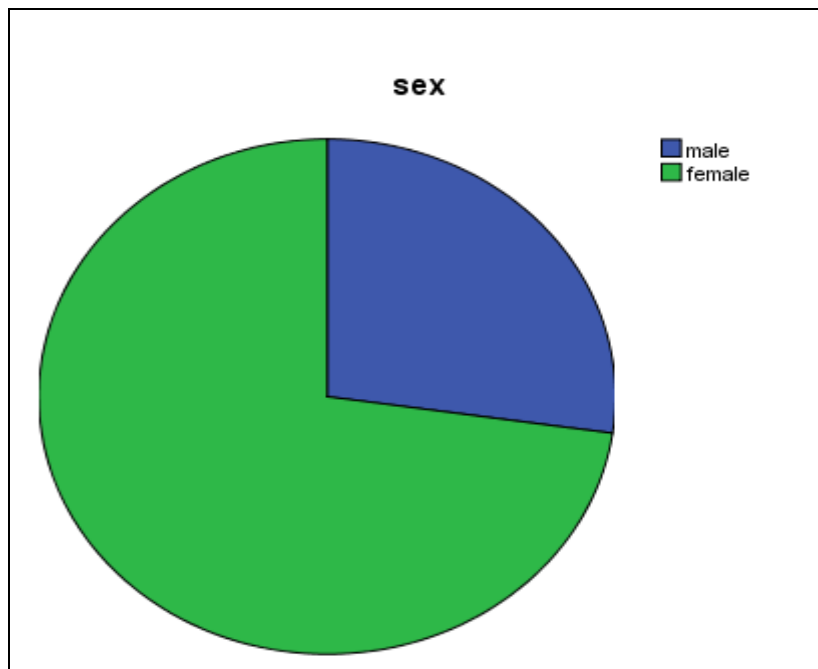


Figure 2 above shows that 68% of the total population is women who are involved in commercial agriculture and 31.8% are men. This indicates the women involved more in

farming compared to the men. Therefore; the researcher sought to find out if sex is a factor affecting the performance of women in rural agricultural financing basing on the above percentages.

4.2.3 Marital status

Table 3: Shows the marital status of the respondents

	Frequency	Percent	Cumulative Percent
Valid single	17	38.6	38.6
married	27	61.4	100.0
Total	44	100.0	

Source: primary data, 2015

The researcher also wanted to find out whether marital status is a factor affecting the level of commercial agricultural development. The findings revealed that most of the farmers were married with a percentage 61.1% followed by the single with 38.6% these results indicated that the married individuals are involved in agricultural practices and these have got a lot of commitments

4.2.4 Education level

Table 4: Shows the different education levels of the respondents

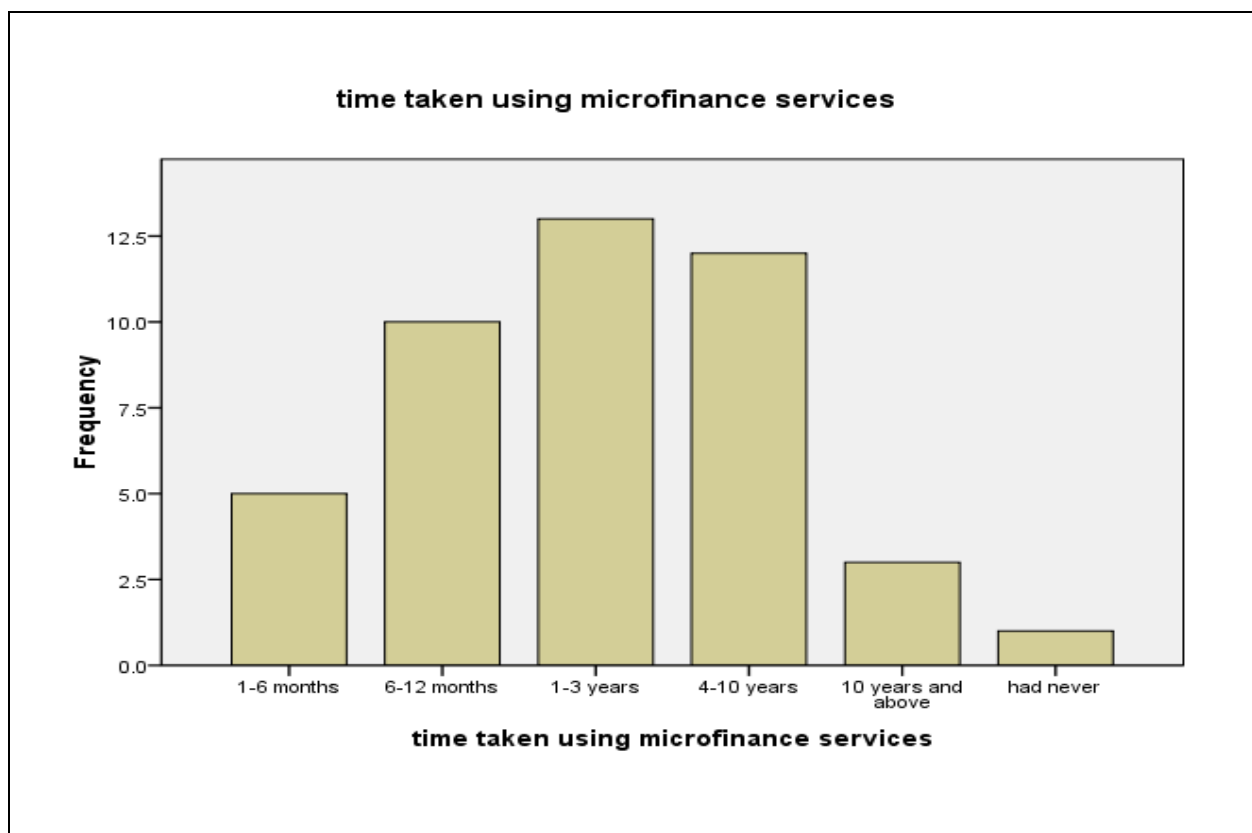
	Frequency	Percent	Cumulative Percent
No-level	24	54.5	54.5
A-level	12	27.3	81.8
university/institution	8	18.2	100.0
Total	44	100.0	

Source: primary data, 2015

From the table above it was found out that most of the farmers in business in the area have got secondary (“O” level) education with 54.5%, “A” level with 27.3%, and finally university/ institution with 18.2%. This implied that they are less educated. The researcher therefore wanted to find out whether the levels of education affect the development of commercial agriculture.

4.2.5 Time taken using Microfinance institutions

Figure 3: Time taken using Microfinance services by the respondents



Source: primary data, 2015

From the figure 3 above, it’s clear that 11.5% of the respondents had used microfinance services for the period between (1-6 months); 22.7% between (6-12 months) , those between (1-3 years) were 29.5% , (4-10 years) were 27.3% whereas those who had used the services for 10 years and above were 6.8% and only 2.3% of the respondents had never used these services. This implies that the majority of the respondents who had used micro finance services for a good period of time (between 1-3 years). The implication here is that the farmers got credit

after the other showing that they were able to service their credit profitably and are most likely expected to have benefited these services.

4.3 Business development services and the development of commercial agriculture

Objective 1 was to examine how business development services provided MFIs impact on the development of commercial agriculture in Matugga village, Gombe Sub County.

Table 5: Showing the different development services provided by the MFIs

	Frequency	Percent	Cumulative Percent
Valid Training	2	4.5	4.5
Marketing	10	22.7	27.3
Management	10	22.7	50.0
product development	7	15.9	65.9
financial services	15	34.1	100.0
Total	44	100.0	

Source: primary data, 2015

From table 5 above, it was discovered that most of the farmers had received some of the development services that were provided by the micro finance institutions where by financial services were mostly received by the farmers with a percentage of 34.1% followed by marketing and management with 22.7%, 15.9% of product development and finally micro training. This is in line with study by Elaine Edgcomb and William Girard, (May 2012) were he says that these services are provided by most organizations giving the examples of; micro training, financial services, management services, product development, among others as shown in table 5 above.

4.3.2 The different skills acquired and their benefits during their interaction with the Microfinance institutions.

Under this section, the researcher wanted to find out whether the agriculturalists got some skills from the different business development services and what they have been able to do with the different skills acquired, their response is summarized in table 6 below;

Table 6: Shows descriptive Statistics of the findings on the skills acquired by the farmers

	N	Minimum	Maximum	Mean	Std. Deviation
skills of working with others	44	1	5	3.57	1.283
management skills	44	1	5	3.52	1.320
skills in product development	44	1	5	2.11	1.205
business plan writing	44	1	5	2.77	1.118
skills in elementary budgeting	44	1	5	2.86	1.212
skills in record keeping	44	1	5	3.41	1.187
Valid N (listwise)	44				

Source: primary Data, 2015

Table 6 above describes the different skills agriculturalists got from the different business development services provided by the MFIs, the respondents were asked to reveal the above information, table 6 above summarizes their responses and below are the discussions for the results.

The respondents revealed that they had acquired skills of working with others and therefore they were in agreement with a mean of 3.57 and a standard deviation of 1.283 implied that

there was a variation in their response. The agreement indicates that indeed the farmers had received some skills of relating with others to improve on the performance of their business. This is in line with the literature reviewed by Premaratne (2002) who stated the four components of entrepreneurial networks as, actor, resources, activities, and linkage with help to strengthen the relationship the entrepreneurs and improve business performance and competitiveness

The respondents revealed that they acquired skills in management with mean of 3.52 and standard deviation of 1.320 which implied that respondents agreed in their responses with a wide variation in responses. This agreement shows that with the skills in management, the farmers are in position to effectively manage their human resource, the funds and also pursue a unique innovative opportunity which leads to creation and management of the business (David, 2003).

The respondents revealed that they had not acquired any skill in product development and disagreed to this with a mean of 2.11 and a standard deviation of 1.205 which implied a low variation in their responses. This means that the farmers in this area are not in good position to develop their own and unique products to capture more market to sustain and reach up to the demands of their customers thus making it had to increase on their incomes.

The respondents in Gombe Sub County also revealed that they had no skills in business plan writing, and they disagreed with a mean of 2.77 and a standard deviation of 1.118 which indicated a low variation in their responses. This disagreement implies that the farmers cannot write up business plans to solicit for more funds for re-investment in the agricultural activities in the Sub County.

The respondents revealed that they had not acquired enough skills in elementary budgeting, and they disagreed with a mean of 2.86 and a standard deviation of 1.212 which indicates a low variation in the responses. Elementary budgeting means having the ability to budget for

revenues and expenses and this was the skill that most respondents did not acquire from the business development services provided by the MFIs. Yet agriculturalists badly need financial skills in budgeting for them to be able to utilize Micro Finance services.

The respondents were further required to reveal whether they have acquired some skills in record keeping, the respondents revealed that they had received some skills in keeping records with a mean of 3.41 with a standard deviation of 1.187 and this implied that the respondents agreed to the view and had a wide variation in their responses. This shows that the farmers have some skills in record keeping which means that they are in position to do proper analysis of the revenues and expenses of the different activities and Such analysis involves estimates about farms 'costs and revenues and the funds.

Table 7: Shows the benefits the farmers acquired from the different skills.

	N	Minimum	Maximum	Mean	Std. Deviation
improve on my saving abilities	44	1	5	3.73	1.500
improve my elementary budgeting skills	44	1	5	2.86	1.212
increase my monetary management skills	44	1	5	3.23	1.344
improved ability to identify and forecast the market needs	44	1	5	3.73	1.500
develop my skill of working and relating with others	44	1	5	3.57	1.283
develop my ability to write out business plans to present to my lenders-MFI	44	1	5	2.77	1.118
Improve my skills in developing new unique products	44	1	5	2.07	1.169
Estimate the expenses and incomes incurred on my farm	44	1	5	2.86	1.212
Valid N (listwise)	44				

Source: primary data,2015

The respondents were asked to reveal to the researcher whether they have been able to improve on their saving abilities and results indicated that the agriculturalists had improved on their savings with a mean of 3.73 and a standard deviation of 1.500 which implied that they agreed with a wide variation in their response. The agreement meant that the farmers were able to improve on their savings abilities and this entailed that they have been able to accumulate more

funds for effective management. Therefore, provision of the saving services to the poor farmers, helps to improve their human capital, and enables to engage in rewarding economic activities (IFAD, 2002).

The respondents were asked to reveal whether they have been able to improve on their elementary budgeting skills and the results revealed that they were not able to improve and had a mean of 2.86 and a standard deviation of 1.212 which implied that the respondents were in disagreement with that fact with a wide variation in their responses. This meant that the respondents are unable to efficiently manage their funds due to lack of enough budgeting which in turn results low incomes of the farmers.

The respondents were further asked to reveal whether they have been able to improve on their monetary management skills and they revealed that the farmers were able to increase on the market for their produce with a mean of 3.32 and a standard deviation of 1.344 which implies that there was a wide variation in the responses. This means that with the monetary management skills these farmers are in position to efficiently manage and distribute the finances appropriately.

Furthermore, the respondents were also asked to reveal whether they able to improve on their ability to identify and forecast the market needs and there response showed that they agree and are in support with the statement with a mean of 3.73 and a standard deviation of 1.500 which shows a wide difference in their response. This is supported in the work of Gupta and Srinivasan where he said that the entrepreneur foresees the potentially profitable opportunity and tries to exploit it and thus a problem solver.

They were also asked to reveal whether they able to develop their skills of relating with others. Under this, the respondents were asked to reveal whether they were able to develop their skills in relation to the development of agriculture and the results indicated that respondents were in agreement with the above statement with a mean of 3.57 and a standard deviation of 1.283

which shows a wide variation in the responses. This kind relationship enabled them to improve on their performance as Premaratne (2002) stated that linkages help to strengthen the relationship of the farmers and improves business performance and competitiveness.

Last but not least, the respondents were asked to reveal whether they were able to improve their skills in developing new unique products in order to promote agriculture. The results revealed that their skills in developing unique products on their farms with a mean of 2.07 and standard deviation of 1.169 which indicated that the respondents were in disagreement with the above view and a small deviation in the responses. This means that despite the fact that the farmers received services on product development; the farmers were not well equipped with these skills therefore, leaving the sector lagging behind. Yet Bozic and Radas (2005) say that innovation and product development involves creating new products, services, ideas among others which can improve business performance.

Finally, the respondents were to reveal whether they have been able to estimate the expenses and incomes incurred on their farms. This required the respondents to show whether they have been in position to estimate their daily expenses and revenues. The results showed that the farmers were in disagreement with a mean of 2.86 and a standard deviation of 1.212 which indicated a low variation in their responses. This response means that the farmers are not in good position to analyze the financial status of their farms yet such analysis is important since it involves estimates about the agricultural costs and revenues and the funds for the farm.

4.4. Savings mobilization on the development of commercial agriculture

Objective 2 was to assess the effect of savings mobilization on the development of commercial agriculture. The researcher posed different questions for the respondents in order to find out how the farmers' ability to save affects the development of commercial agriculture in Gombe Sub County. The respondents were to answer the questions using a scale of 1-5 (strongly

disagree, disagree, not sure, agree, strongly agree) respectively. The data collected was summarized using different tables as shown below;

4.4.1 Savings mobilization increase working capital

Under this sub- section the farmers in the Sub county were asked to reveal whether savings mobilization enables them to increase on their working capital and below was the summary of their responses

Table 8: shows the descriptive Statistics on savings and increase in working capital

	N	Minimum	Maximum	Mean	Std. Deviation
Increasing my working capital.	44	1	5	3.73	1.500
Valid N (listwise)	44				

Source: primary data, 2015

Basing on the above table, majority of the farmers agreed that savings increased on their capital with a mean of 3.73 and a wide standard deviation of 1.500. This was so because many of the agriculturalists in this Sub County save in different MFIs for example, SACCOs like Balyesiima SACCO which avails surplus funds to help the farmers to increase on their capital. This was in line with the literature reviewed by Umrabulo, (2005); Seibel, (2000) and DFID, (2000) who said that with savings available to them, the poor are able to accumulate cash surpluses which could be turned into productive assets and make a significant contribution to household livelihood strategies. And this is true were farmers save more than spending more.

4.4.2 Managing agricultural risks for example prolonged drought with savings

This sub section presents the results on how savings mobilization enabled the farmers in managing risks associated with agriculture. The respondents were asked to reveal whether

savings mobilization enables them to overcome such risks and the responses were presented in table 9 below;

Table 9: Showing whether savings mobilization enables farmers to overcome agricultural risks

	N	Minimum	Maximum	Mean	Std. Deviation
Managing agricultural risks e.g. the prolonged droughts	44	1	5	3.34	1.380
Valid N (listwise)	44				

Source: primary data, 2015

Table 9 revealed the responses of the farmers on whether savings enabled them to overcome and manage most of the risks associated with agriculture giving an example of the prolonged droughts in the country. The research results indicated a mean of 3.34 which implies that most of the farmers agreed to the view that savings provide funds necessary for managing agricultural risks, with a standard deviation of 1.380 with a few respondents remaining neutral about the issue at hand. This indicated that a big percentage of the agriculturalists used their savings during such periods. This can be supported with the work of Eileen et al., (2005) who said that compulsory savings can be adapted by MFIS so that clients have access to their savings at specified (but limited points) during the loan cycle or following a natural disaster implying that allowing clients to withdraw savings at certain times of the year or agricultural season when income is scarce, or when a disaster has occurred can help mitigate the impact of a disaster.

4.4.3 Savings mobilization and access to modern agricultural tools and equipments

Table 10: Shows the descriptive statistics on savings mobilization and access to modern tools.

	N	Minimum	Maximum	Mean	Std. Deviation
Accessing modern agricultural tools and equipments	44	1	5	3.64	1.183
Valid N (listwise)	44				

Source: primary data, 2015

Results on whether savings enabled the agriculturalists in Gombe Sub County to access modern agricultural tools and equipments showed a mean of 3.64 and a wide deviation of 1.183 which implied that majority of the farmers agreed to the view that savings increase access to funds necessary for accessing modern agricultural tools and equipments. This enabled them to reduce on the amount of credit that would otherwise bring a burden of repayment, thereby delaying the daily farming activities. Eileen et.al (2005) noted that there is need for voluntary savings since clients feel a cash crunch during times of crisis and they may hesitate to increase their debt burden in an uncertain disaster stricken environment. Rather, they may wish to decrease their debt burden by paying off a loan.

4.4.4 Savings mobilization and further investments in the business

Table 11: Showing savings mobilization and further investments in the business

	N	Minimum	Maximum	Mean	Std. Deviation
Further investments in the business	44	1	5	3.45	1.470
Valid N (listwise)	44				

Source: primary data,2015

Findings on whether the farmers' used savings for further investments in the business showed that most farmers agreed to the point with a mean of 3.45 and standard deviation of 1.470. This meant that farmers do invest their savings into their farms; this was because most of these farmers largely depended on farming and it's their source of daily incomes. This is in line with the work of Tumaini (2010) who says that better saving services encourage a significant move from non financial savings into savings with the benefit of safety and liquidity for rural farmers and the agriculturalists and this implies the provision of funds for Agricultural development, investment and growth.

4.4.5 Savings and access to skilled expertise and labor force

The respondents were to reveal whether savings enabled them to access skilled expertise on their farms

Table 12: Shows the descriptive statistics on savings and access to skilled expertise

	N	Minimum	Maximum	Mean	Std. Deviation
Accessing skilled expertise and labor force	44	1	5	3.84	1.010
Valid N (listwise)	44				

Source: primary data, 2015

Most of the farmers in Gombe Sub County agreed to the fact that accessing skilled labor on their farms could be done through using savings as a source of funds having a mean of 3.84 and a standard deviation of 1.010. This is so because most of their savings determine the amount of credit they are to receive in order to get more funds necessary to meet this obligation and also develop their agriculture from subsistence to commercial. As seen in work of (Lashley, 2005), who says that savings are a requirement for borrowing by some credit unions because they encourage financial discipline among borrowers. Therefore, with the savings, the farmers in this sub county are in position to get more funds for accessing the labor force on their farms.

4.4.6 Provision of capital for new product developments

Under this, the farmers were asked to reveal whether savings mobilization provided them with capital for new product developments, and below were their responses;

Table 13: Shows the descriptive statistics on savings mobilization and the provision of capital for product developments

	N	Minimum	Maximum	Mean	Std. Deviation
Provision of capital for new product developments	44	1	5	2.09	1.217
Valid N (listwise)	44				

Source: primary data

The above table shows the responses of the farmers on whether their savings enabled them to get funds necessary for provision of capital for new product developments. The research findings indicated that majority of the respondents were against the view that savings provide capital for product developments and therefore, disagreed with a mean of 2.09 and a standard deviation of 1.217. This was so because the farmers were encouraged to save but not purposely to create more capital to develop new products. The kind of response presented in above was an indicator that though people save, their savings are not directed towards new product developments.

4.4.7 Creation of different farm products

Under this sub section the respondents were required to reveal whether savings enabled them to create different farm products and below was the statistics of their responses;

Table 14: Shows the descriptive statistics on saving mobilization and the creation of different farm products.

	N	Minimum	Maximum	Mean	Std. Deviation
creation of different farm products	44	1	5	2.91	1.291
Valid N (listwise)	44				

Source: primary data

Lastly, table14 above, the results a mean of 2.91 and a standard deviation 1.291 which means that savings do not provide funds necessary for creation of different farm products. This means majority disagreed to the view that savings encourages the creation of different farm products.

4.5 How Microcredit/loans lead to the development of commercial agriculture

Objective 3 was to examine how micro credit leads to farmers leads to the development of commercial agriculture in Gombe Sub County. Under this objective, the respondents were required to show how credit extended to them helps in development of commercial agriculture. Using the issued research instrument, the agriculturalists were asked how access to credit from the MFIs has enabled them to; increase their working capital, increase funds, boost earnings among others and their respective responses were on the scale of 1-5(strongly disagree, disagree, not sure, agree, strongly agree) respectively and the descriptive statistics as illustrated below;

4.5.1 Increase on working capital

Here, the respondents were to indicate whether access to loans and microcredit had enabled them to increase on their working capital. Their responses are as follows,

Table 15: Shows the statistics on micro credit and increase on working capital of farmers

	N	Minimum	Maximum	Mean	Std. Deviation
Increase my working capital	44	1	5	4.07	1.336
Valid N (listwise)	44				

Source: primary data, 2015.

The results presented in the table above revealed the respondents' views on whether access to credit has enabled them to increase on their working capital (mean=4.07 and standard deviation=1.336) which implied that respondents agreed with high variation of responses and only a few were not sure . According to the findings, the respondents agreed to the fact that savings enabled them to increase on their working capital and this is in line with the work of Atieno (2001) who reported that under some circumstances, loans, by increasing family income can help the poor to accumulate their own working capital and invest in employment-generating activities.

4.5.2 Increase funds used market farmer's produce

Under this sub section the respondents were asked to reveal whether their accessibility to credit had enabled them to increase on the funds used to market their produce; their responses were as summarized below

Table 16: Showing statistics on micro credit and the increase of funds used to market produce

	N	Minimum	Maximum	Mean	Std. Deviation
Increase my funds used to market my produce.	44	1	5	3.89	1.298
Valid N (listwise)	44				

Source: primary data

The respondents revealed that access to credit has enabled them to increase on their funds used to market their produce (mean=3.89 and standard deviation =1.298) implying that respondents were in agreement with a wide variation in responses. This means farmers agreed to the point credit enables them to increase on their capital leading to the development agriculture in Gombe.

4.5.3 Boost earnings for re-investment on farms

Under this, the farmers were asked to indicate whether access to credit enabled them to boost their earnings for re-investment on their farms. The findings are presented in the table below;

Table 17: Shows how credit boosts earnings for re-investment on farms

	N	Minimum	Maximum	Mean	Std. Deviation
Boost my earnings for re-investment on my farm	44	1	5	3.00	1.398
Valid N (listwise)	44				

Source: primary source

The results revealed that most respondents were not sure as to whether credit enabled them to boost their earnings for re-investment on their farms (mean=3.00 and a standard deviation of 1.398) which implied that respondents were neutral about the statement in question with wide variation in their responses. Thus the results from the questionnaire indicated that the respondents were neither in agreement with the statement nor in disagreement due to lack of

enough credit. This was showed in a recent study that was carried under the sponsorship of MAAIF, This lack of or shortage of credit means that farmers cannot invest in things like buying improved agricultural inputs or expanding their agricultural enterprises which are critical for increasing agricultural production and productivity

4.5.4 Procure farming inputs e.g. fertilizers and pesticides

This sub section required the respondents to reveal whether access to credit enabled them to procure farming inputs, their responses are as presented below;

Table 18: Showing credit and procurement of farm inputs by farmers.

	N	Minimum	Maximum	Mean	Std. Deviation
Procure farming inputs, for example fertilizers and pesticides	44	1	5	2.82	1.467
Valid N (listwise)	44				

Source: primary data

The respondents disagreed to fact that credit enabled them to procure farming inputs for example, fertilizers and pesticides (mean=2.82 and standard deviation=1.467) implied that low variation in the response. Yet credit is another important input next to improved seeds and seedlings, fertilizers, pesticides, tools and machines Seibel (2007), contrary to the findings from Gombe Sub County regarding the issue of credit enabling them to procure farm inputs.

4.5.5 Employ skilled labor force on my farm

Here, the researcher wanted to find out whether access to credit enabled the farmers in the Sub County to employ skilled labor force on their farms and their responses are shown below;

Table 19: Shows the statistics on credit and employment of skilled labor force

	N	Minimum	Maximum	Mean	Std. Deviation
Employ skilled labor force on my farm	44	1	5	3.00	1.525
Valid N (listwise)	44				

Source: primary data

The respondents revealed that a neutral response with (mean=3.00 and standard deviation=1.525) and this implied that respondents were not sure of whether credit enabled them to employ skilled labor force on their farms with wide variation in their responses. This implied that the respondents were neither in agreement nor disagreement with the fact that credit enables them to employ skilled labor.

4.5.6 Promote my ability to purchase modern farming tools and equipments

Under this section, the respondents were asked to reveal whether the extension of loans enabled them to promote their ability to purchase modern farming inputs and equipments, their responses are presented in the table below;

Table 20: Showing statistics on credit and ability to purchase modern farm inputs and equipments

	N	Minimum	Maximum	Mean	Std. Deviation
Promote my ability to purchase modern farming tools and equipments	44	1	5	3.57	1.301
Valid N (listwise)	44				

Source: primary data

The respondents revealed that the extension of credit enabled them to promote their abilities to purchase modern farming tools and equipments commercial agricultural development.

(Mean=3.57 and the standard deviation = 1.301), this implied that the respondents are in agreement with the statement with a wide variation in their responses.

4.5.7 Procedures for receiving the loans

Under this sub section, the respondents were asked to reveal whether the procedures for receiving the loans or the credit are favorable. The Responses were as shown below;

Table 21: Showing the statistics on the procedures of receiving loans

	N	Minimum	Maximum	Mean	Std. Deviation
The procedures of receiving the loans are favorable	44	1	5	3.16	1.293
Valid N (listwise)	44				

Source: primary data

The findings revealed that the respondents agreed to the fact that the procedures of getting the loans were favorable with a mean of 3.16 and a standard deviation of 1.293 which implied a wide variation in their responses. a few respondents remained not sure about the view.

4.6 The effect of micro finance services on the development of commercial agriculture

Under this section, the respondents were asked about the outcomes of micro finance services on the development of commercial agriculture. In order to determine the effect of micro finance services on the development of commercial agriculture in Gombe Sub County, item mean results were generated to show the average and the degree of response of the respondents on each item. The items were on a five (5) point likert scale ranging from strongly disagree, disagree, not sure, agree and strongly agree. The descriptive statics of the findings are illustrated in table 22 below

Table 22: Showing the effect of microfinance services on the development of commercial agriculture

	N	Minimum	Maximum	Mean	Std. Deviation
I have been able to produce a variety of farm products	44	1	5	3.73	1.531
My working capital has greatly increased	44	1	5	3.73	1.500
The market share of my farm produce has increased	44	1	5	3.02	1.470
The productivity on my farm has increased	44	1	5	4.07	1.371
My financial skills have helped me to improve on commercial agriculture	44	1	5	3.73	1.500
I have been able to realize and increase my farm savings	44	1	5	3.50	1.355
My access to the individual loan products has enhanced agricultural development	44	1	5	3.95	1.180
Valid N (listwise)	44				

Source: primary data, 2015

From the results in table 22 above on the respondents' views on whether with the micro finance services they have been able to produce a variety of farm products, the respondents revealed that they agree with the above view with (mean=3.73 and standard deviation=1.531) implied that respondents in this area were in agreement with the view above with a wide variation in response. The respondents' response above shows that the farmers have been able to produce a variety of products on their different farms.

The respondents were requested to reveal whether using micro finance services has helped them to increase on their working capital with a mean of 3.73 and standard deviation of 1.500

implied that respondents were agreement with the above view and their responses had a wide variation in their responses. This was agreed upon by in the government Poverty Eradication Action Plan that the micro finance loans are essential for investment as they lead to increased incomes, capital and for consumption.

Further, the researcher wanted to find out from the respondents whether micro finance services help them to increase the market share of their produce with a mean of 3.02 and standard deviation of 1.479 which implied that respondents agreed with high variation in the responses. This is supported by Heimfarth and Musshoff, (2011) who says that product market depends on the availability of market for the agricultural products. This is true because without market the agricultural production is useless.

The respondents revealed that micro finance services helped agriculturalists to increase on the productivity of their farms. The responses had a mean of 4.07 and standard deviation 1.371 implied that respondents were in the region of agreement with high variation in response. This response means that through the micro finance services farmers are in position to increase on productivity.

The results on whether these services for example the financial skills have led to the development of agriculture in Gombe Sub County showed a positive response were farmers agree to the above view with a mean of 3.73 and a standard deviation of 1.500 which implied a wide difference in response.

The respondents were also to reveal whether they have been able to realize and increase on their farm savings their and response was in agreement with the point with a mean of 3.73 and a wide standard deviation of 1.355 which implied a variation in their responses. One can note that savings are crucial towards the development of agriculture since they are required to protect their daily incomes. This is true depending on the literature reviewed by Akanji, 2005 and

Binns, 2001 that savings services are needed by people to protect their incomes and to serve as an alternative to the assumption of debt.

Lastly, the respondents were asked to reveal whether their access to the individual loans had enhanced agricultural development and their response was in agreement with that fact with a mean of 3.95 and a wide standard deviation of 1.180. Their response is true since the accessibility to loans by these farmers enables them to increase on their incomes for re-investment which leads to the development of agriculture. This is in line with the work of Atieno, (2001) while quoting Hossain, (1988), who observed that the provision of loans have increasingly been regarded as an important tool for raising the incomes of rural populations including farmers, by mobilizing resources to more productive uses and re-investment.

4.7 Correlation analysis

In order to find out the relationship between the independent variable and the dependent variable, correlation analysis using Pearson was conducted to establish the relationship between micro finance services and the development of commercial agriculture.

4.7.1 Business development services on the development of commercial agriculture

Table 23: Showing business development services on the development of commercial agriculture

		Business development	Development of agriculture
Business development	Pearson Correlation	1	.987**
	Sig. (2-tailed)		.000
	N	44	44
Development of agriculture	Pearson Correlation	.987**	1
	Sig. (2-tailed)	.000	
	N	44	44

Table 23: Showing business development services on the development of commercial agriculture

		Business development	Development of agriculture
Business development	Pearson Correlation	1	.987**
	Sig. (2-tailed)		.000
	N	44	44
Development of agriculture	Pearson Correlation	.987**	1
	Sig. (2-tailed)	.000	
	N	44	44

** . Correlation is significant at the 0.01 level (2-tailed).

From table 22 above, the results indicate that there is a significant relationship between the business development services and the development of commercial agriculture. The correlation matrix ($r= 0.983$) indicates that with an increase in the business development services, commercial agricultural development also develops implying that there is positive significance between development services and commercial agriculture as Seibel (2007 said that business development services are of crucial importance to small and micro enterprises in various sectors of the economy that links the strategies of the agriculturalists and other micro entrepreneurs.

4.8 Savings mobilization and the development of commercial agriculture

Table 24: Showing the effect of savings mobilization and the development of commercial agriculture

		Saving mobilization	Development of agriculture
Saving mobilization	Pearson Correlation	1	.991**
	Sig. (2-tailed)		.000
	N	44	44
Development of agriculture	Pearson Correlation	.991**	1
	Sig. (2-tailed)	.000	
	N	44	44

** . Correlation is significant at the 0.01 level (2-tailed).

The correlation matrix in table 24 above indicates a significant relationship between saving mobilization and the development of commercial agriculture. The matrix $r = 0.991$ shows that with savings, there can be an increase in the development of commercial agriculture in Gombe Sub County. This means that most farmers in this area use more of their savings to invest in agriculture and also be able to increase on their incomes. This is true because with savings farmers and other entrepreneurs are able to increase on their funds and reduce on the possibility of them going in for credit and this is seen in literature reviewed by Akanji, 2005 and Binns, 2001 who reports that savings services and input needed by people to protect their incomes and to serve as an alternative to the assumption of debt.

4.9 Impact of micro credit on the development of commercial agriculture

Table 25: Showing how extension of loans leads to the development of commercial agriculture

		microcredit	Development of agriculture
microcredit	Pearson Correlation	1	.994**
	Sig. (2-tailed)		.000
	N	44	44
Development of agriculture	Pearson Correlation	.994**	1
	Sig. (2-tailed)	.000	
	N	44	44

** . Correlation is significant at the 0.01 level (2-tailed).

The above table shows a correlation matrix between microcredit and the development of commercial agriculture. From the above results one can notice that there exists a significant relationship between microcredit and the development of commercial agriculture. The results indicate that with an increase in the use of credit, then commercial agriculture also increases and without credit, agricultural development is made impossible since credit is an input. This was supported by the work of Seibel (2007) who said that agricultural credit is an input, next to improved seeds and seedlings, fertilizers, pesticides, tools and machines and the target group were the farmers whereby the issue was to disburse agricultural credit to the farmers or agriculturalists. This means that agricultural credit was a service not a business.

4.10 Conclusions

This chapter presented, analyzed and discussed the findings from the study objective by objective and correlation analysis was also conducted to examine the effect of dimensions of the independent variable on the dependent variable. Basing on the correlation matrix, a conclusion can be drawn that there is a significant relationship between microfinance services and the development of commercial agriculture.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0. Introduction

This study was about the effects of microfinance services on the development of commercial agriculture in Matugga village Gombe Sub Country. In this chapter, I present the conclusions regarding the study variables and the thrust of the discussion was based on the main objectives of the study that is, To examine how business development services provided MFIs impact on the development of commercial agriculture, to examine how extension of loans to farmers lead to the development of commercial agriculture and to assess the effect of savings mobilization to the development of commercial agriculture development

5.1. Summary of findings

5.1.1 How business development services affect the development of commercial agriculture.

From the findings, the results revealed that the correlation matrix $r = 0.987$, $p \leq 0.000$ shows that there is a relationship between business development services and the development of commercial agriculture. The findings revealed that the respondents had acquired skills in working with others, skills in management; they were also able to increase on their abilities to improve on their monetary management skills and developing the skills of developing new unique products.

5.1.2. The effect of saving mobilization on the development of commercial agriculture.

The results on the effect of saving mobilization on the development of commercial agriculture revealed that there is a relationship between the two variables ($r = 0.991$, $p \leq 0.00$) meaning the increase in savings also increases on the development of commercial agriculture.

The findings revealed that saving with microfinance institutions including the SACCOs the farmers were in position to increase on the funds necessary for, increasing their working capital, managing agricultural risks, further investments in the business, accessing skilled expertise on their farms.

5.1.3 How microcredit/ extension of loans leads to the development of commercial agriculture.

Basing on the correlation matrix, the results revealed that there is a relationship between microcredit and the development of commercial agriculture with a positive and significant relationship ($r = 0.994$, $p \leq 0.000$). from the research findings, the respondents revealed that access to credit from microfinance institutions has enabled them to increase on their working capital, increase on the funds used to market their produce, boost their earnings for re-investment on their farms, procure farming inputs.

5.2. Conclusions

Micro financing is becoming increasingly important to developing countries like Uganda as an engine of agricultural development and therefore the policy makers should accord more attention to it than ever before in order to see to it that micro credit as compared to the current and potential beneficiaries can actually stand to improve on agriculture in the country.

Whereas on the side of the micro finance services, the reason behind massive use of micro credit as compared to other services is that most farmers require additional funds to buy farm inputs, tools and equipments and also start up farms. Training services are not easily adaptable since at times the training given does not fit with the farmers' capability. Therefore micro finance institutions should for that matter concentrate more on the improvement their other services.

The research findings on the relationship between the independent variable and the dependent variable indicated that indeed there was a positive relationship between the variables. This implies that there was a relationship between business development services, savings mobilization and microcredit on the development of commercial agriculture to a large extent. This implied that an increase in these services leads to development of commercial agriculture thus revealed the positive relationship between the microfinance services and the development of commercial agriculture.

5.3. Recommendations

The study focused on Microfinance services and the development of commercial agriculture in Gombe Sub County, the following recommendations are made;

Basing on the significant positive relationship between Micro finance services, and the development of commercial agriculture, it is recommended that Micro finance outreach be deepened to enable the majority rural farmers to access these services and make an effort to come out of poverty and poor farming methods. The Government of has of recent identified Microfinance as a tool to be in ensuring prosperity for all. For this case, government is expected to be a torch bearer in deepening Microfinance outreach at affordable rates that will attract many of the poor farmers who currently do not have the access to it.

On the basis of the relationship that exists between business development services and the development of commercial agriculture as revealed by the study. It is therefore recommended that Microfinance providers do provide entrepreneurial skills in addition to Micro finance services. The Government and other providers of Microfinance should team up with educational and Vocational Institutions to train people/ Microfinance beneficiaries in basic entrepreneurial skills that would enable the farmers to increase on agricultural productivity.

Further, on the basis of positive significant relationship that existed between Microfinance credit and the development of commercial agriculture, it is recommended that Microfinance

providers should encourage their clients to seek for training in basic entrepreneurial skills like credit counseling before accessing Microfinance credit. This will enable them (clients) make proper use of Microfinance services.

The Government should assess the activities of MFIs before licensing them. They should encouraged to finance developmental activities especially agriculture which employs the majority of the rural poor. This will ensure further Microfinance penetration to reach all the poor and also ease accessibility to these services.

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APPENDICES

APPENDIX 1 QUESTIONNAIRE

UGANDA MARTYRSUNIVERSITY

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

QUESTIONNAIRE

Dear Sir/Madam,

I am **NAMBI TABITHA** a student of Uganda Martyrs University pursuing a bachelor's degree in business administration and management. I am carrying out a research on **“THE EFFECT MICROFINANCE SERVICES AND THE DEVELOPMENT OF COMMERCIAL AGRICULTURE.”** All information given is for academic purposes and your response on this questionnaire will assist me in completion of this research. Please spare a few minutes of your time and answer the following questions precisely. I have identified you as the best person to help me through this study. On this note, I kindly request you to attend to this so that after 2 days I may collect it from you.

All the information provided will be kept confidential. Thank you very much for your time.

INSTRUCTIONS:

I kindly request you to tick or fill in the given space.

Each box will be ticked once and not twice.

SECTION A: BACKGROUND INFORMATION: *(please tick)*

Sex : Male Female

Age group:

18-25 25-35 35-50

50 and above

Marital Status: Single Married

Education Level: O-level A-level university/ institution

TIME TAKEN USING MICRO FINANCE SERVICES

1-6 months 6-12 months 1 -3 months

4-10 years 10 years and above had never

SECTION B

Objective 1: To examine how business development services provided MFIs affect the development of commercial agriculture in Matugga village, Gombe, sub county .

You are requested under this section to please indicate(tick) the development service received from any micro finance institutions in the table below;

No.	Development service	
1.	training	
2.	Marketing	

3.	Management	
4.	Product development	
5.	Financial services	

Please indicate the number which best suits your answer using the key below;

Strongly agree	Agree	Not sure	Disagree	Strongly disagree
5	4	3	2	1

Please show (tick) the skills you have acquired from the different development services offered by the micro finance institutions mentioned above;

No.	Since I started benefiting from the micro finance institutions I have been able to acquire the following skills;	5	4	3	2	1
1.	Skills of working with others					
2.	Management skills					
3.	Skills in product development					
4.	Business plan writing					
5.	Skills in elementary budgeting					
6.	Skills in record keeping					
	In benefiting from micro finance services I have been able to;					

7	Improve on my savings abilities					
8	Improve my elementary budgeting skills					
9	Increase my ability to market my agricultural produce					
10	Improve my monetary management skills					
11	Improved my ability to identify and forecast the market needs					
12	Improve my skills in developing new unique products					
13	Develop my ability to write out business plans to present to my lenders-MFIs					
14	Estimate the expenses and incomes incurred on my farm					

Objective2. To assess the effect of savings mobilization to the development of commercial agriculture development in Gombe sub county

	Statement	5	4	3	2	1
	Savings with micro finance institutions (including the SACCOS and VSLAS) has increased my access to funds necessary for;					
15.	Increasing my working capital.					
16.	Managing agricultural risks e.g. the prolonged droughts					

17	Accessing modern agricultural tools and equipments					
18	Further investments in the business					
20.	Accessing skilled expertise and labor force					
21	Provision of capital for new product developments					
22	creation of different farm products					

Objective 3 To examine how extension of loans to farmers leads to the development of commercial agriculture in Gombe Sub County.

		5	4	3	2	1
	Access to credit from micro finance institutions has enabled me to:					
23	Increase my working capital					
24	Increase my funds used to market my produce.					
25	Boost my earnings for re-investment on my farm					
26	Procure farming inputs, for example fertilizers and pesticides					
27	Employ skilled labor force on my farm					
28	Promote my ability to purchase modern farming tools and equipments					
29	The procedures of receiving the loans are favorable					

The effect of micro finance services on the development of commercial agriculture

	For the period I have been using micro finance services including the different SACCOS;					
30.	I have been able to produce a variety of farm products					
31.	My working capital has greatly increased					
32.	My marketing skills have improved					
33	The market share of my farm produce has increased					
34	The productivity on my farm has increased					
35.	Financial skills leads to the development of commercial agriculture					
36	I have been able to realize and increase my farm savings					
37	My access to the individual loan has increased on agricultural development.					
38s	My ability to identify unexploited areas for investment has improved					

Thanks for your time and cooperation. God bless you.