THE IMPACT OF FINANCIAL RESOURCES ON THE PERFORMANCE OF SMALL SCALE ENTERPRISES

CASE STUDY: MAIZE MILLS IN KIRYATETE HOIMA DISTRICT

MAGANDA JULIUS

2013-B151-10033

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A Research Dissertation Submitted To TheFaculty Of ScienceAs A Partial Requirement For The Award Of Degree in Bachelorof Science BusinessEconomics AtUganda Martyrs University

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Dedication

This research is dedicated to my parents Maganda HenryNkoko, Kitia Christine, Mama Jovia, Mama Gerald, Mama Jorum and NamutebiPrisca for their endeavor to pay my tuition fee by working hard for me to survive at school. I also gratefully acknowledge and respect the role played by everyone who taught me the values of life, knowledge, respect, integrity, hard work and self-improvement. They inspired me to stand up when I fall; to be good to people and always encouraged me to work hard towards my dreams.

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ACRONYMS USED IN THE STUDY

BEM   Business Employment Dynamics

BLS   Bureaus of Labour Statistics

FDIC   Federal Deposit Insurance Corporation

FINCA   Foundation for International Community Assistance

GDP   Gross Domestic Product

MFIs   Micro Financial Intuitions

NIE   New Institutional Economics

SBA   Small Business Administration

SHGs Self-Help Groups

SSA   Small Scale Enterprise

SSEs   Small Scale Enterprises

US   United States

USA   United States of America

Abstract

The study was conducted in KiryateteHoima district and it focused on the concept of financial resources and the performance of small scale enterprise. It was also inspired by the phenomenon that despite the prevalence of many financial institutions in Hoima, many SSE owners were not easily accessing the financial resources to boost their small scale business such as loans, savings, grants, capital and more others under the objective of to find out the impact of loans on the performance of SSEs, to examine the impact of savings on the performance of SSEs and to assess the impact of grants on the performance of SSEs. The study used correlations deign this is a design used to study relationships between variables, it was used to study the significant relationship between the financial resources and the performance of SSEs, the researcher used a cross sectional survey design that involved studying the sample subjects at one particular point in time. This was followed by the two approaches of qualitative and quantitative research approaches, which were used to generate data. The qualitative method focused on testing the impact of financial resources on the performance of small scale enterprise while the qualitative approach was used to analyze non-numerical statements of the respondents, mainly their views, perceptions and attitude towards financial resources on the performance of small scale enterprise in KiryateteHoima district. The research used both primary and secondary data sources, where the primary data was collected using a questionnaire and observation method. Secondary data was also accessed through reading textbooks, repots and journals about the impact of financial recourses on the performance of small scale enterprise. The study findings at bivariate level indicate a positive and significant relationship between financial resources and the performance of small scale enterprise indicated by(0.023, 0.001, and 0.032). Therefore, it can be conclude that if SSE operators/owners access the financial resources such as savings, loans and grants, this can generally influence the performance of small scale enterprise. From the data collected, the study revealed a positive significant relationship between financial resources and the performance of SSEs. Therefore financial resource should be accessed by SSEs operators/owners and the financial institutions should make it available to the small scale enterprises to encourage more business developments in KiryateteHoimadistrict.Based on the finding and conclusion, the study recommends that the grace period for the repayment of the loans be extended to avoid default of repaying loans. The longer grace period will enable borrowers to pay interest and principal using income generated from the borrowed money

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The study was meant to establish the impact of financial resources on performance of SSEs (small scale enterprises) in Hoima district Kiryatete industrial area. It has capital, savings, grants, loans, micro finance as the independent variable and sales, profits, output, size of the industry (performance of small scale enterprise) as my dependent variables.

The researcher obtained the issue from reading other dissertations where he came up with the issue as the impact of financial resources to the performance of small scale industries.

This chapter was arranged as follows introduction, background of the problem, problem statement, objectives of the study(general and specific),research question, hypothesis, rationale of the study, significance of the study, scope of the study, conceptual framework, definition of the terms, limitation of the study.

1.1Background of the study

Business finance became influencing in the lives of small scale owners and adventurers in the 17th and 18th centuries, who challenged the elements to create new and better lifestyles. In 19th century, American's small homesteads spread quickly across the vast frontier with small scale enterprises being established and various economic principles adopted that were associated with the individual enterprise. As the populations increased in the towns and cities, the importance and influence of these economic principles assumed greater importance, with the desire to own a

business expanding, to include various craftsmen, professionals and trading merchants.(business dictionary.com)

This research is based on a study motivated by the increasing access to financial resources to the performance of Small scale enterprises (SSEs) in the Hoima Municipal council, while they continue to face a number of constraints in their activities. At the same time, SSEs in Hoima have become a major employer of the male labour force and a source of livelihood for men in the District. The research applies the New Institutional Economics (NIE) approach to explore the question of whether institutional arrangements among male owned SSEs and between financial institutions improve the enterprises access to financial resources and their performance. It attempts to answer the question of whether institutional networks benefit men owned enterprises (Gay, r. 1996).

In Brazil, one of every eight adults is starting a small scale enterprise, whereas in the United States it is one in 10. It is one in 25 in Germany and the United Kingdom; one in 50 in Finland and Sweden, and one in 100 in Ireland and Japan. There were also differences between countries in the prevalence of new small scale enterprises. The rates range from 9% in South Korea to less than .5% in Japan and Ireland.

According to the Bureau of Labour Statistics, Business Employment Dynamics, approximately two thirds of new SSEs with employees, generally survive a minimum of 2 years, with about 50% surviving at least 5 years. As a natural progression, following the initial volatile years of a business operation, the rate of survival attains a higher level. Finance is a critical influence in the survival factor of small scale enterprises, which has not experienced significant change over the years and remaining relatively unaffected by a negative economy. Statistics from BLS, Business

Employment Dynamics, show that new businesses started in the expanding economies of 1995 and 2005, or before the downturn in 2000 and immediately following this downturn, experienced almost identical survival ratios(BLS 2015).

The United States Small scale Administration (SSA) revealed there are 28 million small scale enterprises in America, with a comparative ratio of 1162 to 1 corporation! This is enhanced by the fact that between 60% and 80% of new jobs created, are derived from small scale enterprises. It must however, be taken into account that these statistics will fluctuate as some small scale enterprises expand to a degree and become classified as large organizations. A further and influencing factor is the creation of new, small businesses, which from 1999 to 2000, accounted for 75 percent of all new jobs and by 2010, for 75% net of new jobs in the USA. The SBA found from more recent studies that when compared to larger companies, generally, small scale enterprises will depend more on the capital injected by the owner than that provided by external debt. One factor is that the cost incurred from borrowed money is significantly higher for small businesses than larger operations (Ray, R.H. 2008).

The contribution made by small scale enterprises to the United States payroll is 44%; researches indicate the small scale enterprise workforce in America, numbering about 77 million people, ranks the 17th most populous in the world(Ray, R.H.2008).

Resource to finance is necessary to create an economic environment that enables firms or industries to grow and prosper. SSEs in developing countries, however, face significant barriers to finance. Financial constraints are higher in developing countries in general, but SSEs are particularly constrained by gaps in the financial system such as high administrative costs, high collateral requirements and lack of experience within financial intermediaries. Increased

resources to finance for SSEs can improve economic conditions in developing countries by fostering innovation, macro-economic resilience, and GDP growth.

1.2 Problem statement

Small scale enterprises (SSEs) are operated by the poor who need both financial and non–financial services to facilitate the productivity of their SSEs in terms of increased sales/output, profitability, expansion, improve on their technology among others to be able to sustain and improve on their SSEs. According to the Global Entrepreneurship Monitor Report (2015), over one in every three adult Ugandan is engaged in some form of business. The report further posts that these businesses do not live to see their first birthdays and for almost every 35% of the maize mill businesses that close, about 37% start new maize mill business again.For instance the percentage drop out rate of the FINCA KiryateteHoima district beneficiaries stands at 23% on average (FINCA internal annual management report 2015). Some drop outs may be due to improvement of businesses of people while in other cases some have lost the little they used to own while starting the businesses (Nakawesi, 2003).Sievers and Vanderberg (2015) also argue that access to financial resources and business development services is essential for the performance of small scale enterprise, which makes financial institutions a major basis and foundation in sustaining SSEs (maize mills). In Uganda, through Enterprise Uganda, the Ministry of Tourism Trade and Industry and in collaboration with the private sector foundation Uganda, several initiatives to facilitate SSEs performance and promotion of their expansion have been copied.

Therefore, since financial institution provide credit to SSEs inform of loans, grants, savings among others as one of their major role, and also provide non-financial services like business training, management skill to help improve the capacity of their clients in managing the loan, grant and saving resources granted to them, it should be noted that SSEs in Uganda greatly rely on credit as tool for SSEs growth, sustainability profitability, increasing on sales, increasing on output and competitiveness.

However, despite of all the above efforts by government to provide support to SSEs to attain performance, sustainability and growth through different government programmes such as NAADS, YOUTH FUND, BONNA BAGAGGAHALE and ENTANDIKWA among others, it is visible that there has been marginal improvement caused (BoU Report,).

The deterioration in performance of small scale business may be explained by poor organizational learning culture of the SSEs, high interest rates, lack of collateral security, the short repayment period, lack of enough capital to invest and sustain the maize mill business, poor financial management skills, stagnated/reducing profits, and sales growth, market share, low returns on investment and low value for money which has made them less competitive on both local and international markets (SEDA Uganda, 2009). And as a basis, this way my motivation for carrying out research on how financial resources affect the performance of SSEs (maize mill business)

1.3 Objectives of the study

1.3.1 General objective

To assess the impact of financial resources on the performance of small scale industries

1.3.2 Specific objectives

1. To find out the impact of loans on the performance of small scale enterprises

2. To examine the impact of savings on the performance of small scale enterprises

3. To assess the impact of grants on the performance of small scale enterprises

1.4 Research questions

1. What is the impact of loans on the performance of small scale enterprise?

2. What is the impact of saving on the performance of small scale enterprise?

3. What is the impact of grants on the performance of small scale enterprise?

1.5 Null hypotheses

1. There is no relationship between loans and the performance of small scale enterprises

2. There is no relationship between savings and the performance of small scale enterprises

3. There is no significant relationship between grants and the performance of small scale enterprises

1.6 Rationale of the study

The study justified that financial resources in our country is considered to be an important issue in the business world, but we are experiencing poor performance as indicated by poor sales, limited growth and expansion, limited profits and limited output. Therefore if no research is carried out on financial resources to boost the small scale industries the poor performance will still continue and we will generate limited gross domestic product.

1.7 Significance of the study

The information enabled financial managers of small scale enterprises / businesses to assess financial resources and evaluate potential viable development projects and also give them an insight into the likely problems that affect such projects.

It assisted the credit officers of grant providers to advise the potential borrowers of how and where to invest in order to benefit from the grants and also reduce on the failure rate such as low profits, limited sales, limited expansion and more as that create bad debts to grant providers.

The individuals who are seeking projects to invest in can also use this information to assess their potential in investing in priority areas. It can also help them in their investment appraisals. The information will reveal other factors that are responsible for the successes or failures of organizations.

The information can also be used by various stakeholders to avoid re-occurrence of past mistakes thus ensuring continuity and sustainability of economic activities in low developing countries.

To future academicians especially of Uganda martyrs University, the study will help in gaining insight about financial resources and performance of small scale enterprises.

The accomplishment of the study will enable the researcher to acquire hands on skills about processing of research work and data analysis. This proficiency will enable the researcher to handle such related work with a lot of precision and proficiency.

1.8 The scope of the study

The subject focused on the impact of financial resources on the performance of small scale industries in Kiryatete industrial area in Hoima district

1.8.1 Geographical scope

This study was carried out in Hoima Municipality, Hoima district of Western region of Uganda. Hoima Municipality is selected because it has many small scale enterprises and financial institutions. It is also easier to access these small scale enterprises by the researcher because most of them are situated in the center of the Municipality and is where the research comes from.

1.8.2 Time scope

The study considered a period from 1992 to 2015. This period was selected to enable the researcher come up with coherent information on how the financial institutions come to existence and from the respondents it would enable them to give responses that are typical of their opinion from the observations made over this period. This period was selected since this was the time when the fast maize mill was constructed in KiryateteHoima district.

1.9 Conceptual framework

Figure 1.1: Conceptual framework

Independent variable (financial services)   **Dependent variable (performance of SSEs**

```
┌─────────────────────┐                          ┌─────────────────────┐
│  Loans              │                          │  Expansion          │
│                     │ ───────────────────────▶ │  Sales              │
│  Grants             │              ▲           │  Profits            │
│  Saving             │              │           │                     │
└─────────────────────┘              │           └─────────────────────┘
                                     │
                          **Extraneous variables**
                          ┌─────────────────────┐
                          │  Centre for community help │
                          │  Quality produced   │
                          │  Quantity produced  │
                          └─────────────────────┘
```
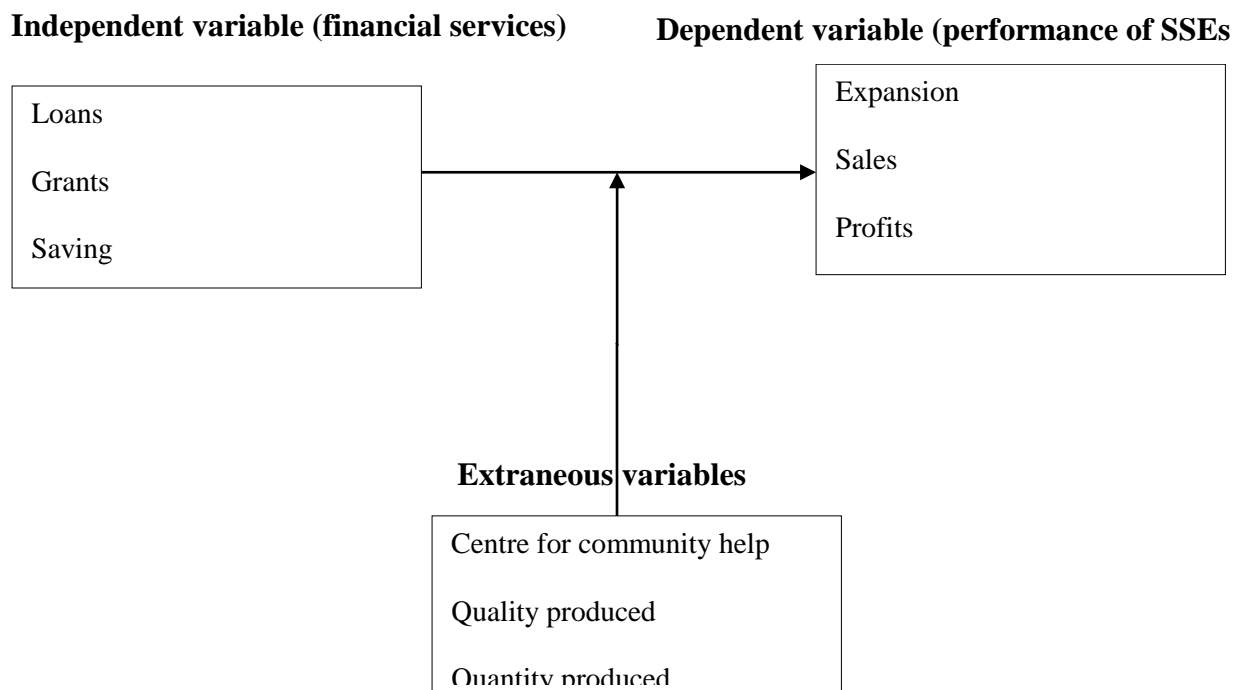
Source: filed survey data

1.10 Definitions of the terms

Finance; A branch of economics concerned with resource allocation as well as resource management, acquisition and investment. Simply, finance deals with matters related to money and the markets to raise money through the issuance and sale of debt and/or equity. (busissesdictionary.com)

Financial resources; this refers to the money available to a business for spending in the form of cash, liquid securities and credit lines. Before going into business, an entrepreneur needs to secure sufficient financial resources in order to able to efficiently and sufficiently well to

promote operate. (businessdictionary.com). Financial resources concern the ability of the business to "finance" its chosen strategy. For example, a strategy that requires significant investment in new products, distribution channels, production capacity and working capital will place great strain on the business finances. Such a strategy needs to be very carefully managed from a finance point of view.

Small businesses are normally privately owned corporations, partnerships, or sole proprietorships.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter looks at financial resources and its impact to performance of small scale enterprises; enterprises in Uganda particularlyKiryateteHoima district. It consists of existing literature on financial resources by different scholars/research studies from magazines, text books, journals and newspapers. This chapter covers financial resources, classification, and purpose of financial resources. However it particularly addresses the problems affecting small scale enterprises, the awareness of the financial obligation and performance of small scale enterprises.

Sourcing money may be done for a variety of reasons. Traditional areas of need may be for capital asset, acquirement of new machinery or the construction of a new building or depot. The development of new products can be enormously costly and here again capital may be required. Normally, such developments are financed internally, whereas capital for the acquisition of machinery may come from external sources. In this day and age of tight liquidity, many organisations have to look for short term capital in the way of overdraft or loans in order to provide a cash flow cushion. Interest rates can vary from organisation to organisation and also according to purpose.

2.1 The genesis of Loans

Loan stock is long term debt capital raised by a company for which interest is paid, usually half yearly and at a fixed rate. Holders of loan stock are therefore long-term creditors of the company.

Loan stock has a nominal value, which is the debt owed by the company, and interest is paid at a stated "coupon yield" on this amount. For example, if a company issues 10% loan stocky the coupon yield will be 10% of the nominal value of the stock, so that $100 of stock will receive $10 interest each year. The rate quoted is the gross rate, before tax. (Business dictionary.com)

Debentures are a form of loan stock, legally defined as the written acknowledgement of a debt incurred by a company, normally containing provisions about the payment of interest and the eventual repayment of capital

Small rural entrepreneurs are viewed as high risk borrowers thus increasing the importance of collateral security. The small loan sizes imply high unit administrative costs, aggravated, at times, by the geographical dispersion of potential clients. Given the characteristics of the funds held by commercial banks, with most being in the form of current liabilities, there is an obvious tendency to lend only for short periods (Green, 1970).

2.1.1 Important Loan Programs for Small Business Owners

Everyone in the market today knows small businesses are in dire need of capital and loans to finance their historic activity and their growth. It is clear that the biggest drag on the U.S. economy and the small business segment has been the US and global de-levering process. Federal, state, and local governmental bodies are shrinking in size and scope. Banks and other financial institutions due to losses during the credit crunch are reducing their balance sheet and ability to provide finance to this sector. Despite a federal reserve 0% interest policy, equity and debt capital are hard to come by and find for small businesses. The Small Business Authority is an active participant in providing debt and financing to all U.S. based businesses under certain guidelines and programs.(business dictionary .com)

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As a small business owner, you may have trouble securing conventional (bank) financing. Here at the Small Business Authority, we work with small business owners to effectively identify, evaluate and structure financial needs unique to small businesses. The loan programs listed below can help you develop, expand or sustain your small business.

Flexible Term Lending Program: These loans can range in size from $50,000 to $5 million with terms of 7-25 years, based on the use of proceeds. These loans are structured without balloon payments with floating interest rates (up to 2.75 percent over prime). This lending program is good for many industries, including manufacturing, wholesaling, retailing and construction. To be eligible for this type of loan, your business must be operated for profit, be located in the United States and must be owned by a U.S. citizen or resident alien. As the business owner, you have to demonstrate repayment ability from earnings and cannot be involved in investing in real estate, religion, politics or sex. (Kwesiga, A 2013)

Fixed/Floating Rate Program: This type of loan program is structured so that there are no balloon payments, with interest rates fixed based on current market rates. The term of the loan is based on use of proceeds. To be eligible for this type of loan, your business must be operated for profit, be located in the United States and must be owned by a U.S. citizen or resident alien. As the business owner, you have to demonstrate repayment ability from earnings and cannot be involved in investing in real estate, religion, politics or sex.(Kwesiga, A 2013)

Conventional Real Estate Loan Program: This type of loan program is a financing tool that can help you acquire commercial real estate. You can use the money from these loans to purchase, renovate, expand or refinance commercial real estate. With this program, you may be able to

secure a loan up to $5 million with terms up to 30 years. There are fixed/variable rates and multiple prepayment options.(Kwesiga, A 2013)

2.2 The importance of loans on performance of SSEs

It gives people a large sum of money in a short amount of time so that they can make large purchases when they need in the new business etc. Then it allows them to pay it back a little at a time so as not to crush them in debt.

The advantage of loans is that it enables business men to keep cash on hand to use as operating capital or for personal survival during a down period in your business so this showsthe need of financial resources in order to boost small-scale enterprises.

The procedures for advancing loans to small-scale enterprises have been simplified. This makes the access to loans in the banks become for easy hence increasing on the production of goods and services by small-scale enterprises. (Gayol,A 2009)

It is important to understand the classification and to avail the benefits accordingly, as some of the sectors are specifically reserved for SSEs and there are also priority sector lending from Banks which helps some of the sector specific SSEs to avail loans relatively easily and at lower interest rates.(Shekhar, KC (2009)

A small business loan is convenient and accessible if you have a fantastic credit rating with collateral, as well as if you agree to pay a large portion of the costs yourself. A bank will rarely fully fund a new business. Business loans are only convenient and accessible to people who do not need the money. Even with a good personal credit history, they will not give a loan for a new company, even if the company has a guaranteed contract to purchase a large order.

Convenient and accessible; Banks are always accessible since they are used regularly for depositing savings or withdrawing them. After being bank customers for years, the bank becomes convenient and familiar, and personalized service makes it the first place to consider for a loan.(Shekhar, KC (2009)

Multiple Loan options; all banks advertise various types of schemes to woo entrepreneurs setting up or running a business. The real earnings for a bank come from the interest they charge on these loans. Options like term loans, standard business loans and others are available for the entrepreneur.(Shekhar, KC (2009)

Non profit sharing; Venture capitalists and angel investors agree to provide a loan in exchange for part ownership, the right to influence decision making and a share of the profits. Banks do not ask for any of these. If they do sanction a loan, they are only interested in getting their interest and partial loan payment installments. (Gayol,A 2009)

Lower rates of interest; though tough to get, banks provide loans at lower rates of interest than other lending agencies and instruments like credit cards.

Bank loans offer tax benefits; Small businesses taking loans from banks enjoy some relief from tax, since the percentage of profits used to repay the loan is exempted from tax. (Gayol,A 2009)

2.3 The disadvantage of business loans

According to Balunywa w (2015) the biggest disadvantage of these types of loans however, is that they are almost impossible to get. Angel investors are far more likely to give to a third world startup company than a first world one, and are going to need solid proof of the businesses future success, even though that proof is impossible (in most cases).

Banks do offer lower rates of interest for their loans, but they compensate for those lower charges with bigger account fees. Even depositing money into the account manually will cost the business owner money. They do offer lower rates of interests, but the account they attach the loan or overdraft to will no doubt cost a lot of money to maintain.(Gayol,A 2009)

Some bank loans are eligible for tax benefit, however most debt is eligible for some form of tax relief or benefit (in most countries anyway). Consider hiring a tax attorney before considering business loan tax relief a benefit.

Business loans have a very long application process. You will have to jump through a lot more hoops than you would for a personal loan. The bank will need to verify every item you put into your application and then judge your eligibility for the loan on a points system which will need to be adjusted as new information comes in. This is a very long and lengthy process. They are always going to give preference to businesses which have a long standing account with them. Unless you are one of those people, you will have to beg and plead with the bank in order to get your business loan. The many prerequisites needed for a business loan are often too difficult to obtain. Quite often the application process is nothing more than a big waste of your time and a kick in the teeth to your credit rating.Lengthy application process; banks need to verify all the credentials and details about the business before sanctioning a loan. Therefore its application process is very long and its review etc. takes a long time. (Salta s, 2003)

Cumbersome; The prospect of getting into the detailing that banks require is really cumbersome, and from the entrepreneur's point of view, totally unnecessary.

Preference given to existing, running businesses; banks prefer running businesses because they can gauge its profitability and credit history before sanctioning the loan.

Long list of prerequisites to qualify for the loan; banks have long list of conditions that a business should fulfill before they clear the loan. It is sometimes not possible to meet all of them.

Risk of losing Collateral; bank loans are generally sanctioned against some collateral, often the entrepreneur's house and property. This stands the risk of being lost to the bank should the business fail to take off.

Entire amount not granted; banks are known to not agree to grant the whole amount requested for a loan. They may grant 70 or 80 % of the sum applied for. This makes it difficult for the entrepreneur to begin since he has to scout around for the remaining balance and find agencies to funs that before he can start.(Gayol,A 2009)

2.4 Impact of grants on the performance of small scale enterprises

Grants are a form of financial or other similar assistance that is given freely without any requirement of repayment. Grants are usually in the form of money, but some types of grants may offer access to resources, services, goods or other aid.

Since the grant recipient is not required to repay the assistance, a grant is basically a free gift unlike a loan. Additionally, recipients are not required to pay taxes on their gifts.

Grants are often offered by government agencies, corporations, non-profit organizations, foundations, educational institutions and trusts. However, small businesses and individuals will also frequently offer grants.

Because grants are free and tax exempt, they are probably the most popular type of assistance among those looking for aid. However, grants tend to be more difficult to acquire as compared to

loans and the cash amount of grants is usually less than what is available through lending assistance.

2.4.1Types of grants in Uganda

Government Grant' financial award given by the federal, state or local government to an eligible grantee; Government grants are not expected to be repaid by the recipient. Grants do not include technical assistance or other forms of financial assistance such as a loan or loan guarantee, an interest rate subsidy, direct appropriation or revenue sharing. There is typically a lengthy application process to qualify and be approved for a government grant. Most recipients are required to provide periodic reports on their grant project's progress.

2.5 Advantages of grants

You won't have to pay a grant back or pay interest on it. This increases the working capital of a small scale enterprises, which also increases their level of output of a given small scale businesses in Hoima district.

You won't lose any control over your business since no one puts the business man under pressure to pay back the money since having control over his business with no panic.

2.6 Disadvantages of grants

You'll have to find a grant that suits your specific project, which can be difficult, there's a lot of competition for grants, You'll usually be expected to match the funds you're awarded, for example a grant might cover part of the cost of a project but you'll have to fund some of it yourself, Grants are usually awarded for proposed projects, not ones that have already started, The application process can be time consuming

2.7 Impact of saving on performance of SSEs

Your personal savings and other assets make a great source of capital. Because you already have them, acquisition costs are minimal, and you won't be paying interest on a bank loan or sharing returns with investors. The drawbacks, of course, are that if you plow your personal savings into a business venture, you could lose it all. Some assets, such as retirement accounts, are safe from creditors and bankruptcy courts; placing such assets at risk may not be good for you, especially if you're approaching retirement age and are running out of time to rebuild depleted accounts. (William,2004)

A significant proportion of the initial capital, both fixed and working for SSEs is obtained from personal savings accumulated from other activities. Similarly, expansion of SSEs is mainly financed from internally generated funds. This situation has frequently led to the argument that SSEs, particularly rural SSEs, do not exhibit a high demand for external sources of finance (i.e. credit). However, the implication being that personal savings alone could not be expected to meet the entire demand for finance by the SSEs given the likelihood of smaller savings because of lower incomes (William, 2004). This study shall explore the above sources to influencing the performance of small scale enterprises.

Saving is income not spent, or deferred consumption. Methods of saving include putting money aside in, for example, a deposit account, a pension account, an investment fund, or as cash. Saving also involves reducing expenditures, such as recurring costs. In terms of personal finance, saving generally specifies low-risk preservation of money, as in a deposit account, versus investment, wherein risk is higher; in economics more broadly, it refers to any income not used for immediate consumption.(William, 2004)

"Saving" differs from "savings." The former refers to an increase in one's assets, an increase in net worth, whereas the latter refers to one part of one's assets, usually deposits in savings accounts, or to all of one's assets. Saving refers to an activity occurring over time, a flow variable, whereas savings refers to something that exists at any one time, a stock variable. This distinction is often misunderstood, and even professional economists and investment professionals will often refer to "saving" as 'savings".(William, 2004)

There is some disagreement about what counts as saving. For example, the part of a person's income that is spent on mortgage loan repayments is not spent on present consumption and is therefore saving by the above definition, even though people do not always think of repaying a loan as saving. However, in the U.S. measurement of the numbers behind its gross national product (i.e., the National Income and Product Accounts), personal interest payments are not treated as "saving" unless the institutions and people who receive them save them.(Dell'Amore,1983)

Saving is closely related to investment. By not using income to buy consumer goods and services, it is possible for resources to instead be invested by being used to produce fixed capital, such as factories and machinery. Saving can therefore be vital to increase the amount of fixed capital available, which contributes to economic growth.(Dell'Amore,1983)

However, increased saving does not always correspond to increased investment. If savings are stashed in or under a mattress, or otherwise not deposited into a financial intermediary such as a bank, there is no chance for those savings to be recycled as investment by business. This means that saving may increase without increasing investment, possibly causing a short-fall of demand (a pile-up of inventories, a cut-back of production, employment, and income, and thus a

recession) rather than to economic growth. In the short term, if saving falls below investment, it can lead to a growth of aggregate demand and an economic boom. In the long term if saving falls below investment it eventually reduces investment and detracts from future growth. Future growth is made possible by foregoing present consumption to increase investment. However savings kept in a mattress amount to an (interest-free) loan to the government or central bank, which can recycle this loan. In a primitive agricultural economy savings might take the form of holding back the best of the corn harvest as seed corn for the next planting season. If the whole crop were consumed the economy would deteriorate to hunting and gathering the next season. (Dell'Amore, 1983).

2.7.1 Saving in personal finance

Within personal finance, the act of *s*aving corresponds to nominal preservation of money for future use. A deposit account paying interest is typically used to hold money for future needs, that is to say an emergency fund, to make a capital purchase (car, house, vacation, etc.) or to give to someone else (children, tax bill etc.). Within personal finance, money used to purchase shares, put in a collective investment scheme or used to buy any asset where there is an element of capital risk is deemed an investment. This distinction is important as the investment risk can cause a capital loss when an investment is realized, unlike cash saving(s). Cash savings accounts are considered to have minimal risk. In the United States, all banks are required to have deposit insurance, typically issued by the Federal Deposit Insurance Corporation or FDIC. In extreme cases, a bank failure can cause deposits to be lost as it happened at the start of the Great Depression. The FDIC has prevented that from happening ever since.In many instances the terms saving and investment are used interchangeably. For example many deposit accounts are labeled as investment accounts by banks for marketing purposes. To help establish whether an asset is

saving(s) or an investment you should ask yourself, "Where is my money invested?" If the answer is cash then it is savings, if it is a type of asset which can fluctuate in nominal value then it is investment. (Modigliani 1988).

2.7.2 Advantages of savings on the performance of small scale enterprises

All businesses set aside cash for meeting emergency needs for business purpose. Successful businesses also have cash surplus for short term which is used for meeting the regular expenses of business. The business owner sees to it that this money is not locked for longer investment products as this will create a crash crunch. To enjoy a little growth in the amount deposited in the account, storing the funds in business savings account will prove to be profitable for businessmen.(Dell'Amore,1983)

a) Transactions made from business accounts are generally cheaper than that made from other accounts. In case of transfer from another account to the business account, the charges levied are very less. Some banks also offer fifty to hundred free transfers to encourage customers to opt for business savings account. A personal account on the other hand offers only five to ten free transactions before each transaction starts attracting charges.

b) Having a business savings account also facilitates availing of business credit card. This is because a business savings account offers greater financial credibility than normal savings accounts.

c) Business savings account helps in maintaining a record for the different transactions that take place. This helps filing for taxes easier.

d) A business account that is attached to a business lends validity to the business. This helps in drawing more clients who can check the legitimacy of the business. Moreover business related payments can be made through checks.(Dell'Amore,1983)

2.7.3 Disadvantages of savings on performance of small scale enterprises

a) The interest rates on the business accounts are lower than the savings accounts. To counter this problem, a businessman can open a savings account under the name of the company. This will help him earn higher interest rates.

b) While the transactions are not charged, there are other charges that are levied on a business account which is absent in personal savings account.

c) In case of overdraft on business account, the interest rates charged are higher. This is because the bank does not have valid credibility that will ensure that the business will run successfully and not fail.

d) As the premiums involved in the opening of a business savings account are higher, when opening an account, the credit history of the applicant is checked. In case of poor credit history of the applicant it becomes very difficult to avail a business savings account.

e) The paper work needed for opening a business savings account is more comprehensive as compared to a normal savings account. The processing time taken is also very long.

2.8 Theoretical Literature

Kauffmann (2004) in his study financing Small scale enterprises came up with growth borrowing theory. In his theory, financial institutions are determinants in fostering growth of small scale enterprises through improved performance in terms of profitability, level of sales, and asset

acquisition. This is because they act as financial problem solver to those who are enterprising but without enough capital by acquiring loans and pay back at a future date literally from the profits generated such that the lending institutions grow as well as the borrower also growing thus creating a vicious cycle of borrowing, in which the borrowed funds are invested in productive ventures, which results into profits of which part of the profits are used to pay back the borrowed money. However, Woller and Schreiner (2006) found out that the interference of lending institutions was negatively skewed because the benefits were found to be enjoyed by the lenders than the borrowers. This was found to be more applicable to small scale enterprises that were found to be accessing little funds inform of loans savings and more others, with shorter repayment period and high costs of borrowing. Small scale enterprises are enterprises that operate with high risks and uncertainties. This is because they lack skills and knowledge of running businesses, they lack infrastructure to support their businesses, most of them operate with no permanent premises, they don't' have a strong asset base and financial resources, and face acute competition in accessing markets for their goods and services. It is due to such problems that small scale enterprises have become less attractive to commercial banks in accessing loans, grants and savings. This gap of not easily accessing funds from commercial banks has been covered by microfinance institutions, which are profit oriented. Microfinance institutions offer loans to small scale enterprises by charging various charges that include the following: interest which is the cost of borrowing, insurance fee to cater for risk and uncertainties small scale go through that in case of failure to repay then the insurance should cover the loss. MFIs have also introduced a membership fee in trying to create the element of ownership which has become a precondition for accessing the loans. In catering for the bad debts, MFIs have also introduced the contingency fee. Faroque (2007) found out that much as

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there are different contributions put in place by lending institutions of which some tend to favor the borrowers like the membership fee which tends to indicate that one becomes a member of the lending institution, it is a cost of borrowing. Faroque further found that how much to charge in each category of the costs of accessing funds, depends on the level of loan management. If there is efficient and effective management, the charges are likely to be low but if theirs is poor management, then the inefficiencies are likely to be shifted to borrowers and this will have a negative impact on the performance of borrowers.

2.9 Conclusion

The working conditions in the Informal sector that encompass the Small Scale enterprises are extremely poor due to the traditional apprenticeship system that is used which does not facilitate the evolution towards a more efficient Organization of the small scale enterprises. Hence training should be imparted on the financial resources and their services such the loans, grants and more others through repetitive practices to increase productivity of SSEs.In my findings a found out that financial resources and the performance have a positive significant relationship in chapter four that is by providing capital SSEs inform of loans, savings, grants and more others such as training of the business operators on how to manage and also use loans appropriately.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the background against which data wasgathered. It discusses the research design, area of study, study population, sample size, sampling techniques, sources of data, data collection methods and instruments, data reliability and validity, data management and data processing, data analysis and presentation, ethical considerations of the study and limitations of the study.

3.1 Research design

The researcher used a cross sectional survey design that involved studying the sample subjects at one particular point in time (on spot), where the researcher went toKiryateteHoima town and collected data and the researcher used both qualitative and Quantitative approaches to establish the relationship between financial resources and performance of small scale enterprises (Amin, 2005). This design was used for profiling, defining, segmentation, estimating, predicting, and examining associative relationships. Cross Sectional studies easily provide a quick snapshot of what's going on with the variables for the research problem for given period of time say from 1992-2015.

Quantitative approach establishes statistically significant conclusions about a population by studying a representative sample of the population; the population consists of the entire group being studied. It does not matter if the population is broad or narrow; only that it includes every individual that fits the description of the group being studied.

Since it is impractical to conduct a census (include everyone in the population) because of constant turnover and resource constraints, a representative sample is chosen from the population.Chosen properly, the sample was statistically identical to the population and conclusions for the sample can be inferred to the population.

Quantitative approach was also used to describe an event in its natural setting. It is a subjective way to look at life as it is lived and attempts to explain the studied behavior between variables for a given period of time say from 1992-2015.

Some researchers think that quantitative research is better than qualitative research at establishing causality because of the precise measurements and controlled environment of experiments; however qualitative studies can also be used to establish causality but with less external validity.

Qualitative researchers use anthropological and ethnographic methods to study the participants. As little intrusion as possible should occur in qualitative research and a researcher was frequently observe the participants unnoticed.Instead of providing a broad view of a phenomenon that can be generalized to the population, qualitative research seeks to explain a current situation and only describes that situation for that group. Since only a current situation is observed, all qualitative research is done in the field. A possible exception is the focus group, which is conducted with 3-10 persons and uses a script of questions. The moderator asks the questions and the recorder records the responses.

3.2 Area of the study

This gives a specific and brief description of the geographical position of the area in which the researcher's choice of the accessible population is located. The researcher carried out research in

Kiryatete industrial area Hoima district which is located along Hoima – Fort-Portal road near to Hoima town church. It is just a 45 meters for Hoima town. This location is best for accessing maize from various areas of Hoimadistrict since maize is the widely grown crop in Hoima and can withstand hush conditions, consumed by everyone in form of posho and more others hence making it a favorable crop to the farmers.

3.3 Study Population

This refers to the group of interest to a researcher. Here the researcher identified the target population and the accessible population which is homogeneous since the researcher concentrated on looking at the maize mills in Kiriyatete village in Hoima municipal council. The study targeted small business owners/operators in Kiriyatete village board and microfinance customers from within and also from the local customers and workers of the maize mill business operating with in the area. Given the national wide spread of SSEs in Uganda, the population of interest is the maize milling business since it takes over a large population than that of other business. Maze mill business is a great source of income since most of them employ more than 5 employees.

3.4 Sample Procedure

This contains of the process of determining the sample size and finding ways of identifying the subjects that are to make up the sample size using a number of sampling techniques.

3.4.1 Sample size

This refers to the number of respondents that should be contacted in order to accomplish the research exercise. A sample is a representative portion of the entire population. The study will

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use a mathematical approach in the determination of the sample size for the research. The mathematical sampling approach was based on Miller and Brewer (2003) formula that is stated as follows:

$$n = \frac{N}{1+N(\alpha)^2}$$

Where n = sample size

N = Population

α = margin of error

Using a confidence level of 95% and a total population of 45 SSEs the sample size was 40 calculated as follows;

$$n = \frac{45}{1+45(0.05)^2} = \mathbf{40.45}$$

Table 3.1: Showing sample size

Category of the area	Total of maize mills	Sampling size total	Percentage
Kiryatete East	14	12	85.7
Kiryatete West	9	8	88.9
Kiryatete North	12	11	91.7
Kiryatete South	10	9	90.0
Total	45	40	88.9

Source: filed survey data 2016

3.4.2 Sampling techniques

The researcher used both purposive and random sampling. The purposive sampling was used on various sampling units that satisfy certain criteria of interest. Random sampling technique (Lottery Method) was also employed to ensure fair representation of individual members in the groups selected for the study. Each group was chosen randomly entirely by chance, such that each individual has the same probability of being chosen at any stage during the sampling process, and each individual has the same probability of being chosen for the sample (Yates, Daniel, Moore and Starnes, 2008). This minimized bias and simplified analysis of the results. Basing on the fact that the researcher is well knowledgeable about the economic activities parameters and that the respondents were believed to have appropriate information pertaining to the study for purposes of obtaining the relevant information, the researcher targeted small scale enterprise managers and management officials (credit officers) from financial institutions.

3.5 Sources of Data

The researcher used both primary and secondary sources of data. Primary data refers to data collected from original sources for current purpose while secondary data refers to data that has been collected in the past but used by researchers to acquire data for current purpose.

Primary Data was obtained from small scale managers and from management. The information was obtained by the use of self-administering of questionnaires and interviewing.

Secondary Data was obtained from published materials, which included journals, textbooks magazines, internal reports dissertations and newspapers. They included among others, minutes, internal and credit officers' reports of FINCA, which shall talk about the impact of financial

resources on the performance of small scale enterprises(Yates, Daniel, Moore and Starnes, 2008).

3.6 Data collection method and tools

This study also used both primary and secondary data sources for the purpose of this research. The researcher used cross sectional data for this purpose to examine empirical data and holistic information.

3.6.1Questionnaire

The data collection techniques that were employed for the research included the use of structured questionnaires. The questionnaires were used for the collection of primary data from the entrepreneurs from SSEs in KiryateteHoima district. The questionnaires represented both open and closed-ended questions for randomly selected members of the various groups. A survey questionnaire was designed to apply to a heterogeneous sample selected from the large population of SMEs (Burns, 2000). A questionnaire is defined as a formalized schedule or form which contains an assembly of carefully formulated questions for information gathering (Wong, 1999). The questionnaire was structured in three broad areas that included general information, a rating on the effect of MFIs on the growth of SMEs capital, the effect of MFIs on the growth of SMEs human resource and the ways of how MFIs can improve their financial assistance towards SMEs growth.

3.6.2 Interview schedule

The researcher designed an appropriate questions relating to the topic of discussion and then presented the questions to small scale manager respondents noting the responses thereof. The collected responses shall then be analyzed by the researcher and collect were necessary.

3.6.3 Observation

The researcher employed the observation method to note whatever was taking place in the organization and its clients. For instance, the general appearance of the small scale premises, staff attire, interior and exterior design, equipment in use, staff attitudes (disgruntlement, receptive faces and others), the dressing code of clients, their health plus other attributes.

3.7 Data processing and Analysis

The respondents were requested for their time prior to sending the actual questionnaire. A pilot test involving 5 respondents was carried out to evaluate the completeness, precision, accuracy and clarity of the questionnaires. This ensured the reliability of the data collection instruments used. After the amendment of the final questionnaire, the researcher explained the purpose of the research and sought permission from the institution to carry out the actual research. The final questionnaires were distributed to the respondents with the help of research assistants. This enhanced the speed of data collection. Each completed questionnaire was treated as a unique case and a sequential number given to each. Filling the questionnaire took approximately 10 minutes. The collected data was edited and entered into the Statistical Package for the Social Sciences (SPSS) software, excel and E-views to enable the carrying out of the analysis.

The process of evaluating data using analytical and logical reasoning to examine each component of the data provided. This form of analysis is just one of the many steps that must be completed when conducting a research experiment. Data from various sources is gathered, reviewed, and then analyzed to form some sort of finding or conclusion. There are a variety of specific data analysis methods that can be applied to analyze data.

Analysis of data is a process of inspecting, cleaning, transforming, and modeling data with the goal of discovering useful information, suggesting conclusions and supporting decision-making.

The data that was captured on the questionnaires was coded and entered in SPSS, E-views whichwere used to analyze data and analyzed data of the same software and Microsoft excel for some tests that were appropriate for SPSS and E-views.

Data Analysis Methods

To ensure easy analysis, the questionnaires were coded according to each variable of the study. This study used descriptive and inferential statistics. According to McDanile andGates (2001), descriptive analysis involves a process of transforming a mass of raw data into tables, charts, with frequency distribution and percentages, which are a vital part of making sense of the data. In this study, the descriptive statistics such as percentages and frequency distribution were used to analyze the demographic profile of the participants. In order to describe the data, the study used means of each variable and correlation analysis between the independent and the dependent variable.

3.7.1 Quantitative analysis

Data was analyzed using SPSS statistical package and E-views. Descriptive analysis was done mostly by means of frequency tables, pie charts and graphs. Equally, on top of that correlations and regression analysis were applied to establish the relationship between variables.

Data was edited immediately after each interview so as to ensure completeness and uniformity into meaningful categories for easy interpretation.

3.7.2 Qualitative analysis

Quantitative data analysis was helpful in evaluation because it provided quantifiable and easy to understand results. Quantitative data was analyzed in a variety of different ways.

Qualitative data was analysed continuously at the end of each field day. Filed notes taken were reviewed each day when the issues were still fresh and gave a code according to categories of the data that were being collected and categorized into themes, which formed the basis for drawing conclusions.

3.7.3 Univariate analysis

Univariate analysis was performed in SPSS and excels on data that was collected to ascertain the characteristic of the data. This included frequency tables, graphs and pie charts that were used to demonstrate the data. This analysis guided the researcher with descriptive statistics regarding the data that was collected.

3.7.4 Bivariate analysis

This analysis was performed to establish a relationship between any two variables and the strength of the relationship using chi-square method because all the variables that were incorporated in the study were both categorical and continuous in nature.

3.8 Data presentation

Data was presented in tabular form, pictorial form, and graphical form

3.9 Ethical considerations

According to the dissertation of Kwesiga(2013) these refer to rules, regulations, and guidelines that a researcher must put in to consideration while collecting information about participants under the study.

Ethics in this context refers to code or rules which govern those practices of a profession. The proposal of the researcher is reviewed to ensure that safety, well-being, dignity and rights of participants are protected.

Bordent and Abbott(2011) state that the rules that define ethical research did not emerge overnight instead, they evolved slowly over a number of years and in reaction to various ethical issues that emerged along the way.

Bordent and Abbott(2011) also noted that provide ethical practices considered while dealing with human participants and these include the following.

Respect for persons. The researcher has to treat the participants as persons capable of making their own decisions.

The researcher should not carry out research on things that cause harm to the participants instead they should be beneficent to the participants.

3.10 Limitation of the study

According to GAY, R(1996) defines limitation as hindrances or problems the researcher normally face when conducting research exercise in getting the appropriate findings for the study, these may be from respondents, during data collection and after data collection will compiling work and these include the following.

Hostile respondents will in the process of collecting data in the field. This can be one of the limitations that hider reach to go on smoothly.

Financial problems of high transport costs of moving up to Hoima district, printing costs designing a questionnaire and more others that may limit research financially.

Harsh climatic conditions such as the rains that have destroyed the questionnaires after and during the collection of data

Poor handling of the questionnaire by the respondents were some information may be destroyed by termites due to poor storage.

Language barrier were the researcher does not understand the langrage used by the respondents hence limiting the collection of enough data in such an area.

Accidents engaged in by the researcher such as robbery, car accidents, ambush and for others that may discourage researcher to carry out research.

CHAPTER FOUR

DATA ANALYSIS, DISCUSSIONS AND PRESENTATION OF RESULTS

4.0 Introduction

This chapter presents a detailed discussion and analysis of findings of the study with much emphasis on the responses received, findings of the study, tables and figures and other related charts that are useful to the study. The chapter again seeks to present detailed discussions on the profile of SSEs who are beneficiaries so the products of the respective, the contribution of financial resources on the entrepreneurial activities of maize mills that lead to sustainable growth of SSEs in Hoima district. Additionally, the challenges SSEs face in accessing credit, and the utilization of credit by SSEs for business growth are also discussed and analysed in this chapter. Data collected for the study were quantitatively, qualitatively, econometrically,univariate, biavariate, and multivariate analysis.

4.1 Demographic characteristic of the respondents

This section presents the gender distribution, age, education levels/years of schooling, marital status of the respondents and those with maize mill businesses all this tries to describe the respondents that where accessed in this research.

Table 4.1: Showing gender, age, year of schooling, marital status, respondents with businesses and employees distribution of respondents

		Number of respondents	Valid percentages
gender	Male	28	70
	Female	12	30
	Total	40	100
Age			
	31 to 35 years	5	12.5
	36 to 40 years	12	30
	41 to 45years	15	37.5
	46 and above	8	20
	Total	40	100
Years of schooling			
	Primary level	2	5
	Secondary	3	7.5
	High school	20	50
	Tertiary	10	25
	University	5	12.5
	Total	40	100
Marital status			
	Single	4	10
	Married	25	62.5
	Separated	11	27.5
	Total	40	100
People with businesses			
	Agreed	35	87.5
	Disagreed	5	12.5
	total	40	100
Employees			
	1 to 2	3	7.5
	3 to 5	8	20
	6 to 8	12	30
	9 to 10	15	37.5
	11 to 13	0.0	0.0
	13 and above	2	5
	Total	40	100

Source: Filed survey data 2016

From the table above 4.1, shows

The respondents interviewed by gender

According to the result in table 4.1 above the percentage completion of the respondents interviewed by sex, was 70 percent and 30 percent for males and females respectively, implying that more male respondents participated in the study than female respondents? This implies that men like maize mill business so much compared to the women since it is a tricky business and the few women are helped by their husbands and male children.

The Age distribution of the respondent

The findings from table 4.1, shows that 20 percent of the respondents that were intervened where above the age of 46 years, the age of 41 to 45 years had 37.5percent of the respondents, the age of 36 to 40 had 30percent of the respondents and lastly 31 to 35 years had also 12.5pecent this implies that the majority of the small scale enterprise owners in Kiryatete industrial area Hoima district are aged 46 years and above this shows that the micro financial institutions provide financial services such as the loans , grants, capital to the elder people compared to the youth since the elder people can be trusted with their money.

The respondent's level of education

The study in table 4.1 shows that 5% of the respondents had spent 7years of education that is primary education, 7.5 percent of the respondents had finished secondary education, 50 percent had finished the high school level, 25percent of the respondents had finished tertiary education, and the last percentage that is 5percent had reached the university. These results however indicate that literacy level of the small scale enterprises owners and operators is very high. Due

to the improved education system people have been able to start and operate their own business that is maize miles in the industrial area of KiryateteHoima district. The study shows that at least the biggest numbers of people are educated to be able to run their business

The marital status of the respondents

The findings of the study in table 4.1 also reveal that 62.5% were married, 10% of the respondents were single, whereas 27.5% of the respondent had separated. This result suggests that majority of the SSEs owners or operators in Kiryatete industrial area Hoima district are married. The married mostly engage in maze mill business to cater for their families since they enjoy large profits from them and enjoy good standards of living and better maintain to expand their business. This implies that financial institutions have more trust in the married people compared to the unmarried people are more committed to their business compared to the single people.

The number of respondents with maize mill businesses

This shows that most respondents that where sample had maize mill businesses this is shown with a bigger percentage of 87.5% and those that did not have business such as the management officials in financial institutions such as Pride micro finance, FINCA and more others.

The number of people employed by maize mill businesses

Findingsin the table 4.1 revealed that (7.5%) of the respondents employ 1 to 2 people, followed by (20%) maize mills that employed 3 to 5 people, then (30%) of the other maize business employed 6 to 8 people, (37.5) of the maize mills employed the 9 to 10 and this is their biggest percentage which means that SSEs employ many people, none of the maize mills employed

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between 11 to 13 and (5%) of the maize mill employed above 13. These findings therefore reveal that majority of the SSEs in KiryateteHoima municipal council does not employ many people given their size. And many employees would cost a business a lot of money such as salary, meals transport among others.

4.2Univariate analysis

Under this analysis, the descriptive properties including; frequencies, percentages and charts for each variable of analysis were established.

4.2.1 Objective 1: The impact of loans on the performance of small scale enterprises

This section presents findings on income earned; where capita was obtain from, years of operation, purpose of establishing the maize mill business, financial services offered, meeting loan criteria, problems with loan criteria and problems repaying loans on the performance of SSEs.

Table 4.2: Showing the income obtained by the respondents

Income	Number of respondents	Percent of respondents
1 to 1,400,000	5	12.5
1,500,000 to 3,500,000	10	25
3,600,000 to 5,600,000	12	30
3,700,000 to 7,700,000	11	27.5
7,800,000 and above	2	5
Total	40	100

Source: Filed study 2016

Finds of the study from table4.2 shows that 12.5 percent of the respondents earn between 1 to 1400000 from their maize mill business, 25 percent of the respondents earn between 1500000 to

3500000, 30 percent of the respondents earn 3,600,000 to 5,600,000 and this is where most people lie, 5 percent of the respondents earn between 3,700,000 to 7,700,000 and lastly 2.5 percent of the respondent earn more than 7,800,000 and this shows that maize mill business is a profitable business if managed very well. This information was obtained by looking at the gross profits of various SSEs and measurability was how profits where obtained by various small scale enterprise all this was done to see where SSEs makes profits even when it has a loan pending to it.

Table 4.3: Showing where most people obtained capital from

Obtaining capital from	Number of respondents	Percent of the respondents
Savings	15	37.5
Loans	20	50
Grants	2	5
Capital	2	5
Friends and relatives	1	2.5
Total	40	100

Source: Field data; 2016

The finds from the table 4.3 above reveal that (15) respondents with a percentage of 37.5% had saved their money in the financial service providers, 20 respondents with a 50% obtained capital in form of loans to start their maize mill businesses, 2 of the respondents with 5% obtained capital in form of grants from the micro finance and government, 2 of the respondents with 5% had capital to start their maize mill businesses, and 1 respondent with 2.5% obtained capital from friends and relatives. The study shows that most of the people use the financial services such as the loans and savings in order to run their maize mill businesses.

4.2.2 Years of Operation

Majority of businesses, about 30% percent out of the 40 respondents (SSEs) begun their operations between the period 1992 and 2004, It goes on to show that about70% of SSEs began their operations in 2005-2015 and these where 12 respondents out of 40. The study alsoidentified that most of the respondents of SSEs started their businesses between 2005-2011.This could be sufficient evidence to support the fact that most SSEs began operations just within the same time frame as the inception of many financial service within the area of KiryateteHoima district. Owing to this, one can generally allude to the fact that most of the SSEs sampled for the study were established in 2005-2015. This indicates the joint relationship between financial services and SSEs in KiryateteHoima district.

Figure 4.1: Showing years of operation/starting of business operations
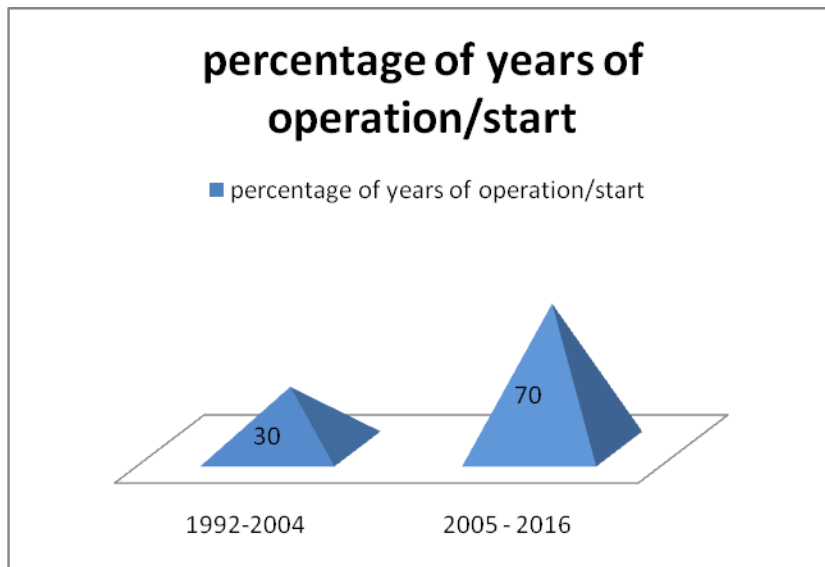
4.2.3 Purposes of establishing businesses

In establishment of business, various objectives are taken into consideration before such establishment come into existence. When respondents were asked about these objectives; varied objectives were given such as:

To generate income to support their families where about 15 respondents this is 37.5% of the respondents

To serve the community and the respondents who suggested that where 5 this is 12.5% of the respondents

For better growth of Ugandan economy and the district, those who suggested that where 9 this is 22.5% of the respondents

To create employment opportunities for people living in Hoima district and neighbouring districts and Uganda at large, these where 11 respondents who suggested to create employment opportunities and this makes 27.5%

Figure 4.2: Showing the purpose of establishing the maize mill business by the respondents

A graph showing the purpose of establishing the maize mill business

	to generate income to support their families	to serve the community	for better growth of the district/economy	to create employment opportunity for the people
■ number of respondents	15	5	9	11
■ percentage of respondents	37.5	12.5	22.5	27.5

(frequences and percentages on y-axis, scale 0 to 40)
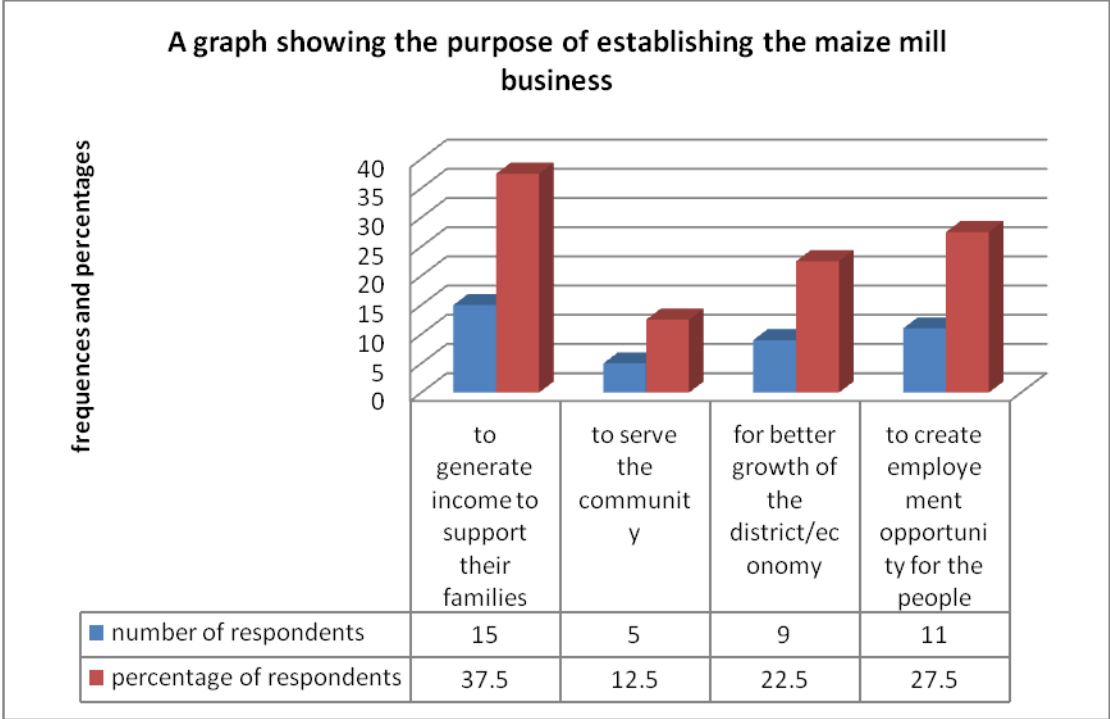
4.2.4 Financial services offered to SSEs

Most of the respondents who had knowledge of financial services alluded to the fact that savings, grants and loans from Financial Institutions save to some extent of enhancing their managerial, financial and management skills of their businesses this is evidenced by the table4.3 which shows that 37.5% use more of savings, 50% use more of loans, 5% used grant services and 5% used capital services. This was due to the fact that the need to pay back the loan with its interest made them vigilant and cautious in the usage of money in the running of the business. In terms of applying forced facility, 50% of respondents had done so by getting loans, accessing savings and grants from the financial institutions. This outcome gives much evidence that, not all the SSEs are granted loans but also other financial services are granted from the Financial Institutions. It further reveals that, much of the loan facilities granted by the FIs are either used as an add up of the accumulated amount towards the expansion of their business or for the day to

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day operation of their business as FIs do not always grant some part of the full amount of credit facility applied for by SSEs (Henry 2016).

4.2.5 Meeting Loan Criteria

The study intended to find out if the criteria for issuing the loan were met. The findings in the Figure below show that 64% of the respondents suggested that the criteria for the loan was met as compared to 36% of the respondents who disagreed.

Figure 4.3: Shows the percentage of respondents who agreed and disagreed
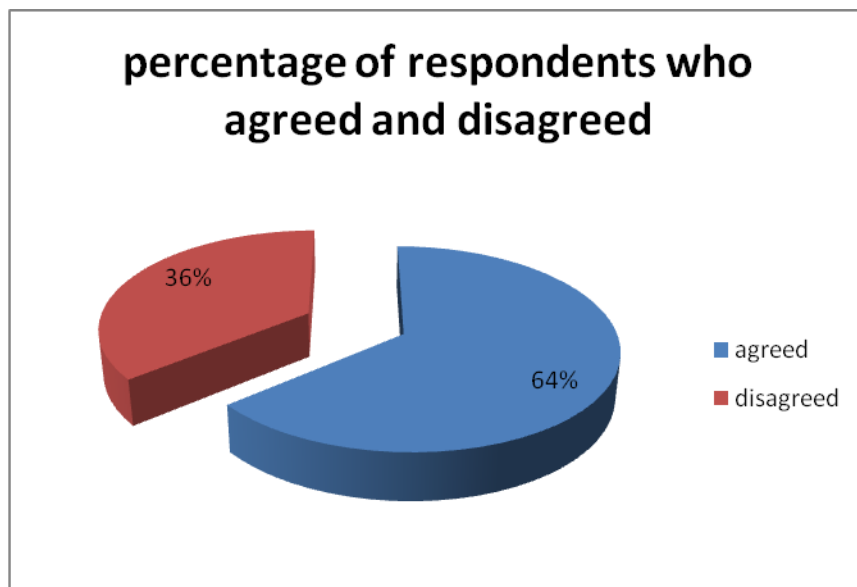
Table 4.4: Problems with Loan Criteria

Problems with Loan Criteria	Frequency	Percentage
Strict/inflexible terms	5	12.5
Long procedure	12	30
Too much paper work	5	12.5
Lack of collateral required by SSEs	13	32.5
Mandatory savings	1	2.5

Cost of process in applications and follow up of loans	4	10
TOTAL	40	100

Source: Filed survey data 2016

Figure 4.4: Shows Problems with Loan Criteria

graph showing problems with loan criteria
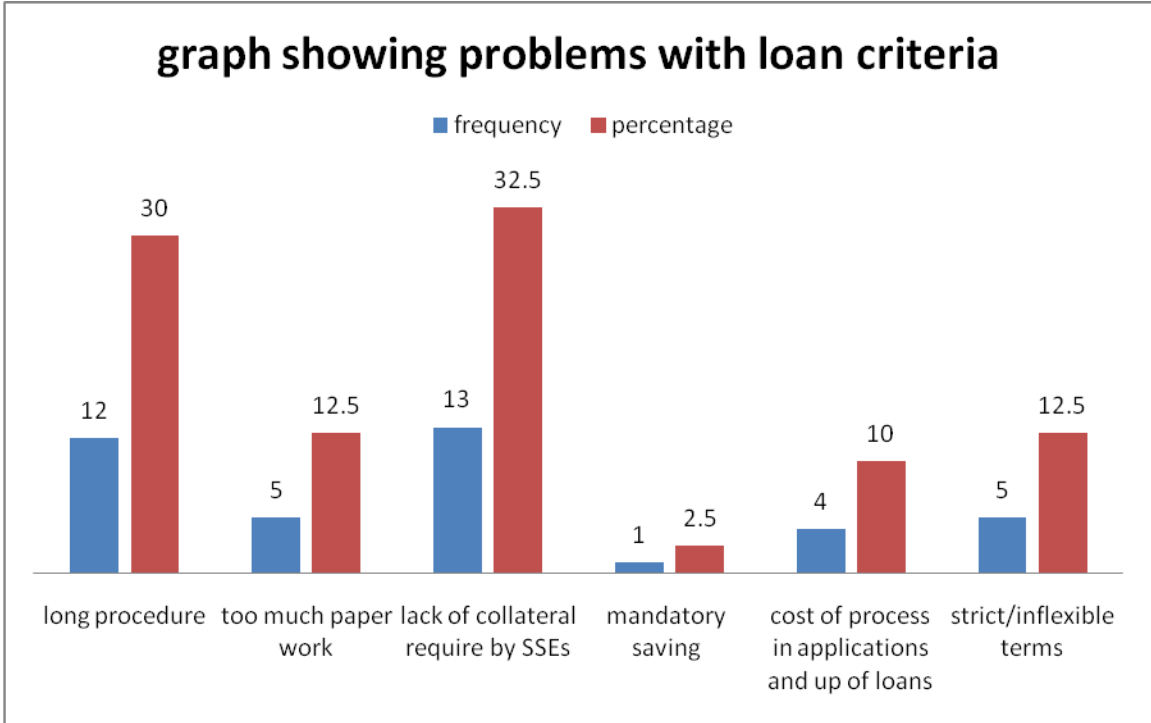
The findings in Table4.4and figure 4.4 indicate that 12.5% of the respondents suggested that there were strict or inflexible terms, 32.5% stated that there was lack of collateral required by FIs, 10% suggested that the cost of processing the applications and follow up of loans was high, 30% suggested that there was a long procedure in acquiring loan, 12.5% suggested that there was too much paper work and 2.5% of the respondents suggested that there was mandatory savings.

4.2.6 Problems in repaying back the Loans

The study intended to determine whether the respondents had problems in repaying the loans. The findings show that 65% of the respondents agreed that they had problems in repaying the loans compared to 35% of the respondents who stated otherwise.

Figure 4.5: Problems in Paying Back the Loan

percentage of respondents

- 35% — ■ had problems in paying back the loan
- 65% — ■ had no problems in paying back the loan
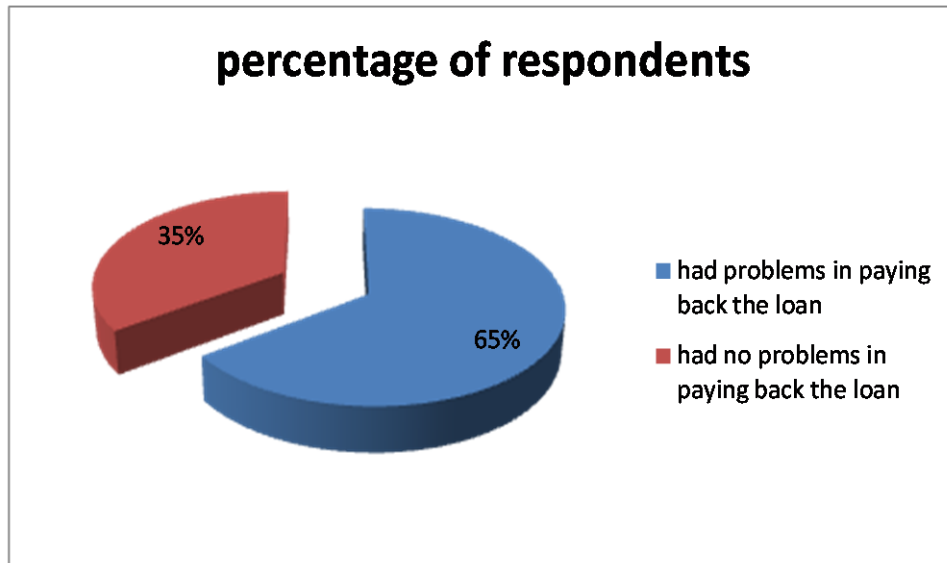
Table 4.5: Shows challenges in paying back the loan

Challenges in Paying Back the Loan	Frequency	Percentage
Strict repayment schedules.	4	10
Mandatory savings services.	3	7.5
Lack of user friendly system.	2	5
Large initial capital requirement are given shorter payment periods in relation to annual cash flows created by the investment.	10	25
Unsatisfactory credit needs.	4	10
High interest rates.	5	12.5
Shortage of finance, in particular working capital, worsened by the problems of access to available finance and its cost.	12	30
TOTAL	40	100

Source: Filed survey data 2016

Figure 4.6: Shows Challenges in Paying Back the Loan

Agraph showing the challenges faced by respondents inpaying back the loan

frequency percentage

Category	frequency	percentage
Strict repayment schedules.	4	10
mandatory savings services	3	7.5
lack of user friendly system	2	5
large intial capita requirement are given shorter payment periods	10	25
unsatisfactory credit needs	4	10
high intrest rates	5	12.5
shortage of finance, in particular working capital	12	30

The findings in Table 4.5 and the figure 4.6 above indicate that majority of the respondents (30%) suggested that there was shortage of finance, in particular working capital, worsened by the problems of access to available finance and its cost, 25% stated that the large initial capital requirement are given shorter payment periods in relation to annual cash flows created by the investment, 12.5% suggested that there were strict repayment schedules, 10% suggested that there was high interest rates, 10% suggested that there was unsatisfactory credit needs, 7.5% suggested mandatory savings services and 5% suggested that there was lack of user friendly system.

4.2.7Objective 2: The impact of saving on the performance of small scale enterprise

This finds looked at financial institutions helping in promoting maize mill business through encouraging saving, show whether savings lead to business performance, how respondents use their savings and how much is saved per respondent.

Table 4.6: FIs Help in Promoting maize mill business by encouragingsavings

FIs Help in Promoting Business	Frequency	Percentage
Provision of saving accounts	16	40
Reducing on the savings interests	10	25
Access to microfinance saving services.	4	10
Teaching how to use saving accounts and it's benefits	10	25
Total	**40**	**100**

Sources: Filed survey data 2016

Figure 4.7: Shows how financial institutions promote maize mill business
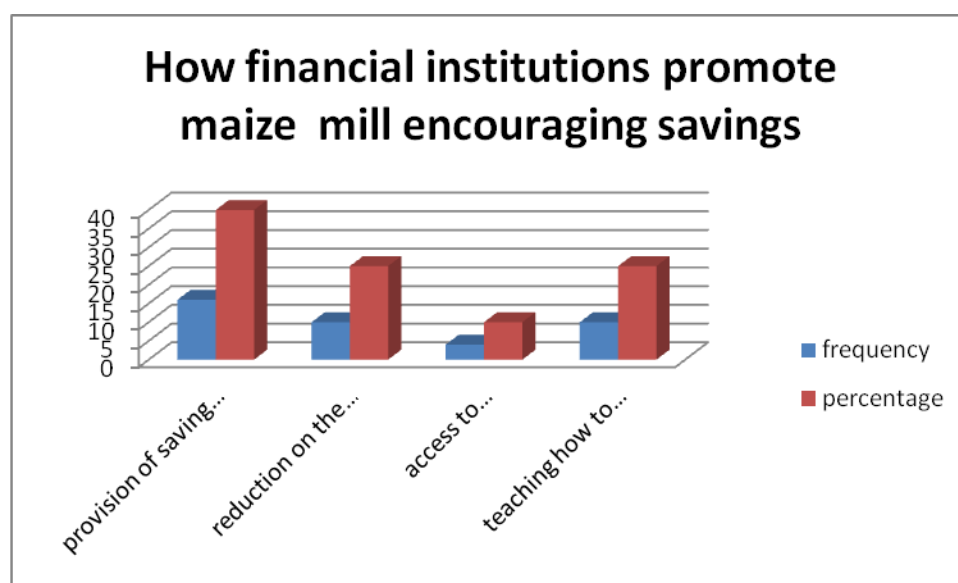
The findings in figure4.7 and table4.6 indicate that majority of the respondents (40%) suggested that there was provision of savings accounts, followed by 25% of the respondents who suggested that there was reduction on the saving's interests, 25% suggested that there was access teaching services on how to save and the benefits of saving and 10% suggested that there was access to microfinance saving services and this showed that most people have used the saving services of financial institutions.

Table 4.7: Showing whether savaging lead to growth in their businesses

Savings to growth	Frequency of respondents	Percentage of respondents
Agreed	35	87.5
Disagreed	5	12.5
Total	40	100

Source: Field survey data 2016

From thetable 4.7 above most people agreed that savings lead to growth and performance of the maize mill business(SSEs) and this is represented by the biggest percentage of 87.5%. They also argued that saving leads to the accumulation of capital which widen their business. The remaining percentage of 12.5% disagreed and they reasons that due to many expenses incurred in the operation of the maize mill discourage them from saving and the charges by the financial institutions. So this shows that savings have an impact on the performance of SSEs (maize mill) in KiryateteHoima district.

Table 4.8: Showing how respondents use their saving granted for business activities

How savings are spent	Frequency of respondents	Valid percentage
For expansion	11	27.5
Increase in capital	8	20
Re-investments	11	27.5
For emergency	10	25
Total	40	100

Source: Field survey data 2016

From the table 4.8 shows that most maize mill operators use savings to expand their businesses this is evidenced by the a big percentage of 27.5% and re-investing in the same business this is evidenced by also the same percentage, 25% use the savings for emergency out breaks in the maize mill business for example break down of machines that need repair and more others. 20% use the savings to expand their capital that runs the business. From the above information this shows that saving is essential for the performance of SSEs (maize mill) in KiryateteHoima district.

Table 4.9: Showing how much is saved per business operators per month

Income saved in Ug shillings	Frequency of respondents	Valid percentage
100,00-300,000	5	12.5
300,001-500,000	13	32.5
500,001-700,000	9	22.5
700,001-900,000	6	15
900,001 and above	7	17.5
Total	40	100

Source: Field survey data 2016

The finds in the table shows that all maize mill business at least save in order to survive this is evidenced by a bigger percentage of 32.5% who save between 300,001-500,000 Ugandan shillings per month. This is followed by 22.5% who save between 500,001-700,000 Ugandan shillings, followed by 17.5% who save over Ugandan shillings 900,001, followed by 15% who save between 700,001-900,000 Ugandan shillings and the last one are the business operators who save the most little about and theses are evidenced with a percentage of 5% those that save between 100,000-300,001 Ugandan shillings.

4.2.8Objective 3: The impact of grants on the performance of small scale enterprise

Table 4.10: Shows the respondents that ever obtained grants from financial institution

Obtained grants	Frequency of respondents	Valid percentage
I agree	28	70
I disagree	12	30
Total	40	100

Source: field survey data 2016

The table 4.10 shows that most maze mill operators where granted grants to expand their businesses and this is evidenced by a bigger percentage of 70%. They also say that this grant was provided in order to encourage and boost the small scale enterprises in KiryateteHoima district. The remaining percentage that is 30% did not get grants since their business where a little booming and had enough capital to sustain it. This shows that grants are essential to business performance in KiryateteHoima district which shows a positive relationship between grants and performance of SSEs (maize mill).

Table 4.11: Showing how grants where beneficial to their businesses

Benefits of grants	Frequency of respondents	Valid percentage
To start the business	17	42.5
To expand the business	12	30
To increase on output	5	12.5
Purchasing equipment	4	10
Increase on sales	2	5
Total	40	100

Source: survey field data 2016

The findings in the table 4.11 show that most respondents used the grant for starting up businesses and this is evidenced by 42.5% followed by the respondents who used the grants to expand their business and this is evidenced by 30%, this is followed by the respondents who benefited from the grants by purchasing equipment for the smooth running of the business this is evidenced by 10% lastly 5% of the respondents suggested that the grants helped them to increase on their sales. The evidence above shows that there is a positive relationship between the grants and the performance of small scale enterprises in KiryateteHoima district.

4.3 Bivariate analysis

4.3.1 For the fast objectivethat is the impact of financial resources on the performance of SSEs

In this analysis, the relationship between the dependent variable and each independent variable was established by using chi-square method because some of the variables incorporated in the study are categorical while others are continuous. The test was carried out at a 5% level of significance and the results are presented in tables as shown below.

Table 4.12: Relationship between loan and the performance of small scale enterprise

	Years spent accessing loan services	Annual amount of loan services accessed	Specific skills attained from a loan servicers	Loan amount disbursed to respondents	Years of schooling
Chi-square	3.917	4.767	4.667	5.000	2.167
Df	4	60	3	3	4
Asymp.sig.(2 side)	0.023	0.850	0.001	0.002	0.000

Source: filed survey 2016

4.3.2 Relationship between years spent accessing the loan services **and the performance of SSEs**

Results in the table 4.12 above indicate a positive relationship between years spent accessing the loan services form financial institutions and the performance of SSEs since the significant value (0.023) is less than 0.05. This means that spending for years accessing the loan has got a direct positive impact on the performance of SSEs. Basing on this fact, we therefore fail to accept the null hypothesis that says that loans have no significant impact on the performance of SSEs

4.3.3 Relationship between annual amounts of loan services accessedand performance of SSEs

Data in table 4.12 above confirms a positive but insignificant relationship between annual amount of loan accessed and performance of SSEs, since the value (0.850) is greater than 0.05. Therefore this implies that there is no significant positive influence on the performance of SSEs.

Therefore we accept the null hypothesis that loan has no significant impact on the performance of SSEs.

4.3.4 Relationship between specific skills attained after getting a loanand performance of SSEs

Evidence from the table 4.12 above provide a positive significant relationship between specific skills attained from obtaining a loan from the financial institutions and the performance of SSEs since the significant value is (0.01) is less than 0.05.

4.3.5 Relationship between years of schooling and performance of SSEs

The result in the table 4.12 above indicates a positive significant relationship between years of schooling and the performance of small scale enterprises, since the significant value (0,002) is less than 0.05. Therefore it implies years of schooling have got a strong positive influence on the performance of SSEs.

4.3.6 Loan portfolio performance

The study results revealed that loan portfolio performance form the financial institutions was still low, this was due to the high interest rates that the FIs levied on its loans which discouraged potential borrowers from obtaining the FIs' loans. Furthermore, it was found that the FIs lost a lot of funds in write offs and in loan recovery, although there was a well-designed procedure for screening loan clients, loan default cases generally increased the number of court cases handled by the FIs which means that the level of default risk increased within the FIs' loan portfolio which reduced the portfolio performance of the small scale enterprises (maize mills). But as time

went on the interest rates where reduced and people started getting loans for the financial institutions and the maize mill business started booming again.

4.3.7 The second objective: impact of savings on the performance of small scale enterprise

Table 4.13: The impact of saving on the performance of small scale enterprise (maize mills)

Achieving effective savings	
Chi-Square	40.333
Df	4
Asymp.sig	0.001

Source: field survey data; 2016

Data in the table 4.13 above confirms a positive significant relationship between savings and their impact on the performance of SSEs, since the significant value (0.001) is less than 0.05. Therefore, it implies that accumulating savings has got a positive impact on the performance of maize mill business like expansion, increasing on sales, increase on output and more others.

Table 4.14: Shows the relationship between savings and the performance of SSEs

		saving opportunities	Performance of SSEs
saving Opportunities	Pearson Correlation	1.000	0.838**
	Sig. (2-tailed)	.	0.000
	N	40	40
Performance of SSEs	Pearson Correlation	0.838**	1.000
	Sig. (2-tailed)	0.001	.
			)

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

From the findings in the table 4.14, there is a strong positive relationship between savings and the performance of small scale enterprise with correlation coefficient value of 0.838. This implies that for every saving done by business owners there is a positive impact on the performance of small scale enterprise. For instance, each activity done in the small scale businesses requires finance in order to expand and also increase on its production so effort should be done in the saving in order to develop the SSE business.

4.3.8 The third objective: impact of grants on the performance of small scale enterprise

Table 4.15: The relationship between grants and performance of small scale enterprise

	Benefits from grants to SSEs	Contribution of grants to the performance of SSEs
Chi-square	70.533	115.083
Df	1	4
Asymp.sig	0.022	0.032

Source: felid of survey 2016

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Data in the table 4.15 above indicates a positive significant relationship between the grants and the performance of small scale enterprise, since the significant value (0.022) is less than 0.05. Therefore it implies that benefit individuals get form grants has a positive impact on the performance of the maize mill business. From this result we fail to accept the null hypothesis that grants has no significant impact on the performance of the maize mill business.

4.3.9 Discussion of the findings

The study indicate positive significant relationship between the impact of financial services and the performance of small scale enterprise (maize mills) that is, savings with value of (0.001), loans (spent accessing loans) with significant value of (0.023), skills developed while obtaining loans has a significant value of (0.001), the grants with a significant value of (0.022) and the performance of small scale enterprises (maize mills). This implies that the financial services offered to the SSEs (maize mills) in Hoima district have got a positive impact on the performance of SSEs. This finding in agreement with Rogal (2008) who states that the provision of financial services focuses on three core dimensions of poverty alleviation; these are centered on the promotion of individual and households out of poverty and protection of people from vulnerability because of fluctuations of incomes. The finding is in line with Polakoe (2010), who argues that financial institutions also offer loans for consumption and asset development to SSEs which helps owners of these maize mill businesses to build up asset base or stock certain products that they would not purchase if they were earning low incomes. This may be enhanced through encouraging of loans savings especially using low or no fee small deposit saving accounts. Saving are financial assets that the poor can accumulate against emergencies and long term needs. Okiocredit (2005) also states that insurance and income protection services are also offered such that people protect themselves from income fluctuations and become financially

protected from life misfortunes such as illness, death and accidents through insurance, by raising of distress funds and forming of small scale insurance cooperatives, financial institutions can assist the individuals and groups who have maize mill business to become more secure savings can also act as guarantee against outstanding loans and mandated payments especially for emergencies.

4.4 Multivariate analysis

This analysis was carried out to measure the magnitude of the impact of independent variables such as loans, savings, and grants on the dependent variable (the performance of small scale enterprise). This was carried out by running a joint analysis using regression model with E-views. The results in the model where got from the loan reports, corded in excel, and then a regression was taken in E-views for analysis which is demonstrated in the table below showing the relationship between loans, grants and savings on the performance of SSEs.

Table 4.16: Showing the relationship between independent variable on dependent variable

Dependent Variable: PERFORMANCE_OF_SSES
Method: Least Squares
Date: 04/21/16   Time: 12:03
Sample (adjusted): 1 22
Included observations: 21 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOANS	0.3982884871 524338	0.11962954768 44593	3.32934876760 5297	0.003970297 190388122
GRANTS	-1.9651986633 83057	1.82109544034 8763	-1.07912996751 3782	0.295603488 9976686
SAVINGS	1.0176263405 5726	1.68697178911 402	0.60322664974 24395	0.554321548 4558631
C	22.531616762 85858	30.3996657211 3077	0.74117975406 54166	0.468700080 6065464

R-squared	0.8266775685 205712	Mean dependent var	14.97338095 238095
Adjusted R-squared	0.7960912570 83025	S.D. dependent var	2.533014123 059532
S.E. of regression	1.1438143344 173	Akaike info criterion	3.276257523 087639
Sum squared resid	22.241290937 51433	Schwarz criterion	3.475214177 892101
Log likelihood	-30.400703992 42021	Hannan-Quinn criter.	3.319436210 310491
F-statistic	27.027697347 83327	Durbin-Watson stat	0.505943826 4396681
Prob(F-statistic)	1.0696920395 03816e-06		

Source: filed survey data 2016

4.4.1 Interpretation of the results

The result in the table 4.16 shows that constant values (22.53), shows that the performance of SSEs improves without taking into account the independent variable (financial resources offered to small scale enterprises) this implies that without the above mentioned factors being considered by small scale enterprise owners/operators, the performance of their maize mill business in KiryateteHoima district is likely to improve by(22.53).

The result of the filtered model above indicates a positive and statistically significant coefficients of loans (coef=0.3983). This implies that, if maize business operators/owners is obtaining loans from the financial institutions the performance of maize mill business is positively increased by (0.3983) more times than the SSEs entrepreneurs who don't enjoy getting of loans from the financial institutions. The finding is in agreement with Robinson (1999) who noted that Micro Finance Institutions (MFIs) are increasingly a central source of credit for the poor in many countries. Weekly collection of repayment installments by bank personnel is one of the key features of micro-finance that is believed to reduce default risk in the absence of collateral and make lending to the poor viable.

The coefficient of capital got form the financial institutions was positive and statistical (coef= 1.0176). This implies that getting capital form the financial institutions as a small maize mill business, increases the chances of performing well by 1.0176 more than the maize mill business owners who did not go for capital since these who go there are given advice on how to manage the business effectively in fear to lose their money. This shows that capital has a substantial positive impact on the performance of small scale enterprise in KiryateteHoima district since

more people have problems with cash to start a business especially maize mill business since it is expensive to start.

The coefficient number of grants is positive and its statistical values which is bigger than other independent variables which is (coef=1.966), this means that when the operator/owner of the maize mill business who obtain grants are on a higher advantage of a bigger coefficient of 1.966 more times than the people who got loans and capital to startup the maize mill business. According to Natarajan (2004), this method of providing grants to the poor is most used by microfinance and government that provides grants without collateral. The interest charged on loans is much in the commercial banks but no interest is charged on individuals who get grants from financial institutions.

4.5 Chapter Summary

The study established that savings, loans and grants remain the most important source of finance throughout the business cycle. Financial resources play a bigger role in economic empowerment of SSEs in Hoima district, as most of the respondents, depended on loans, grants and capital from financial institutions in generating their business startup capital. Without finance, small scale enterprises cannot grow or compete in the turbulent business environment so financial resources play a bigger role on the performance of SSEs. Financial services relatively make the labour force to be more productive. FIs service provision to SSEs at an affordable rate is a means to empowering them.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

In this chapter, the conclusions and recommendation of the study are presented. The summary presents a short presentation of the findings while the conclusion summaries the most significant issues found out in the study and their recommendations are proposed as priority action that could be undertaken.

5.1 Summary of the findings

The study findings revealed that there was a positive and significant relationship between the dependent variable and all the independent variables whose significant values were all less than 0.05.

The findings also revealed a positive and statistical coefficient of loans for the business operators that implied that loans to the business operators/owners has a substantial positive impact on growth of SSEs (maize mills), due to the factors like experience in obtaining loans and proper management of it in the maize mill business.

The result also showed a positive and statistically significant relationship between grants obtained from financial institutions and the performance of SSEs in KiryateteHoima district. This confirms that respondents who enjoyed grants have a higher positive coefficient than that of financial resources such as the loans, and savings and this gives a great positive influence on the performance of maize mills inKiryateteHoima district.

The coefficient of number of capital is positive with (coefficient = 1.0176), this means that even if the capital has a positive impact on the performance of SSEs, it is still reliable factor on the performance of SSEs

5.2 Discussion

5.2.1 The impact of saving on the performance of SSEs

The most significant impact of MFIs is on the growth of SSEs capital. However, much of SMEs business start-up capital was generated from the entrepreneur's savings (37.5%). Savings remains the most important source of finance throughout the business cycle. The results were similar to a survey conducted by Daniels, Mead and Musinga (2005) who found that almost 95 percent of the interviewed entrepreneurs used savings as the primary source of working capital. Savings accumulation furnishes an important tool to generatebusiness growth. Sengsourivong (2006) suggests that investing savings is an intermediate form is another option (such as cash or in a bank account). There is also evidence that entrepreneurs have a higher propensity to save than salaried workers (Huddle, 1977).

The findings indicated that 37.5% of the respondents had started their business with own savings. Tankha (2002) explains that Self-Help Groups can also promote savings and yield moderate economic benefits that reduce the dependence on moneylenders. Though a small proportion of the respondents (50%) borrowed money for their business start-up capital is an indication that most of business equity come from MFIs. These figures suggest that 37.5% of the entrepreneurs surveyed were actually using savings instead of borrowed funds.

The study also revealed that there was a significant relationship between access to microfinance services and access to savings services (p=0.001, p<0.05). This means that for anyone who access to microfinance services, they were likely to access working capital and savings services. Youssoufou (2002) also observes that access to finance has been identified as a key element for small scale enterprises to succeed in their drive to build productive capacity, to compete, to create jobs and to contribute to poverty alleviation. Without finance, small scale enterprises cannot grow or compete in the turbulent business environment.

5.3 Conclusion of the study

The study indicated a positive and significant relationship between financial resources on the performance of small scale enterprises, therefore this can be concluded that if small scale enterprise owners/operators access the financial resources such as savings, loans and grants; these can generally impact on the performance of small scale enterprises.

The study findings also clearly showed a positive and significant relationship between financial resources on the performance of small scale enterprise implying that financial services have got a positive impact on the performance of SSEs. And in order for SSEs to perform they should embrace them and access them to improve their performance.

From the data collected, the study revealed a positive significant relationship between the impact of financial services and the performance of small scale enterprise since the significant values (0.001) was less than 0.05. Therefore, financial services should be continuously accessed by SSEs operators or owners and also the financial institutions should always make it available to small scale enterprise to encourage more business to develop.

5.3.1 Impact of saving on the performance of SSEs

The study established that savings remains the most important source of finance throughout the business cycle. The MFIs play a bigger role in economic empowerment of SSEs in Kiryatete, Hoima district, as most of the respondents, depended on financial loans, self-help groups (SHG) and from family members in generating their business start-up capital. SHGs can also promote savings and yield moderate economic benefits that reduce the dependence on moneylenders. Access to finance has been identified as a key element for small scale enterprises to succeed in their drive to build productive capacity, to compete,to create jobs and to contribute to poverty alleviation in the county. Without finance, small scale enterprises cannot grow or compete in the turbulent business environment.

5.3.2 Impact of loans on the performance of SSEs

FIs play a bigger role on the performance of SSEs by providing working capital in form of loans. From the findings 50% of the respondents had ever got the loans from the financial institutions, MFIs also play a bigger role in making the labour force to be more productive since the business has more capital to run the various activities. A bigger proportion of the respondents agreed that there were a number of MFIs offering business loans to small scale enterprise entrepreneurs in KiryateteHoima district. The findings in the study shows that there is a significant relationship between the loans and the performance of small scale enterprises and this shows that without finance small scale entrepreneurs cannot run the maize mill business.MFIs should increase the grace period of loan repayment among SMEs. MFIs should collaborate with other MFIs in assisting SMEs and sensitization of SME business management in giving clients information about new loans, saving procedures and any other new products from the MFIs.

5.3.3 Impact of grants on the performance of small scale enterprise

Any government interested in the development of their economy should be involved in the provision of good regulations for business growth. Making credit available to SSEs in form of grants in order to empower the SSEs in Hoima district this improve on their productivity and the performance is good. The positive significant finds shows that there is a significant relationship between the grants and the performance of small scale enterprises in KiryateteHoima district.

5.4 Recommendations

Following the discussion of the findings in chapter four and conclusions made, the researcher recommends the following;

The study recommends that FIs should come up with innovative ways to finance SSEs for successful growth. This would enable FIs play a great role in economic empowerment of SMEs in KiryateteHoima district. FIs should also collaborate with self-help groups and pyramid schemes in generating startup capital for SSEs. SSE owners should be made aware on capital, grants provided by financial institutions, loan interest rates, and grace period in repayments to have confidence in approaching FIs for start-up capital. This will lead to access to adequate finance which is critical for the positive performance of SSEs (maize mills).

The researcher recommends an aggressive research which will help small scale enterprise to understand the role of financial institutions as regards to performance of SSEs. This will be crucial in increasing profits, growth and efficiency of SSEs.

Evidence from Aagladesh by Armendariz and Morduch (2005) suggest that financial institutions with a higher repayment rates have low hazard problems. Therefore, group-based lending should be encouraged, because it will serve as a means to increase its depth since some poor business men and women cannot have access to financial resources. But with the formation of group, members of that group may apply for services and members in the groups can act as guarantors for others.

Looking at the relationship between financial resources with the performance of small scale enterprises, it's vital for future studies to strongly examine the factor that influence a decline in small scale enterprise. This will help business practitioners to avoid repeating similar business mistakes.

The researcher also recommends that the financial institutions should review their loan terms and conditions so that small business owners are able to access the required loans, the business owners should also be allowed to apply the loan amounts suitable to the size and requirement of the individual business, which will reduce cases of failure to pay back the loan.

The researcher recommends that FIs should play a critical attention on the capital that is given to small scale enterprises. This will make SSEs owners to be more productive and make more use of the capital provided to them. FIs should also do some intense and continuous business training to small scale entrepreneurs in KiryateteHoima district. The training should cover critical areas of business management that range from cost control, accounting, market analysis, marketing, and pricing strategies that can stimulate investments in feasible projects and lead to growth and expansion in the long-term. The training can also enable SSEs owners to plan, manage and

evaluate investment, keep the record of all activities of the investment and also to utilize the capital more effectively.

The study recommends that the government should be involved in business growth and performance. FIs should assist SSEs in marketing of their business products and making credit available to SSEs at an affordable rate in case of a loan, capital and grants. The FIs should continuously deal with trust worthy Self Help Groups. FIs should also create flexible periods of loan repayment; collaborate with other MFIs in assisting SSEs and sensitization of entrepreneurs in giving them information about new products. This will enable the SSEs to benefit from the promotions and also diversify their investment portfolio.

From the findings, a grace period should be offered to SSEs owners so that they can have enough time to make good use of the borrowed credit and the repayment period (time to use and service the loan) should be partially determined by the client basing on his/her capacity to pay back the loan in time.

5.4.1 Impact of loans on the performance of SSEs

The study recommends that MFIs should come up with innovative ways to finance SSEs for successful growth. This would enable MFIs play a great role in economic empowerment of SSEs in KiryateteHoima district. MFIs should also collaborate with self-help groups and pyramid schemes in generating startup capital for SSEs. SSE owners should be made aware on loan interest rates, grace period in repayments to have confidence in approaching FIs for capital. This will lead to access to adequate finance which is critical for the performanceof SSEs.Although most of the microfinance institutions are giving out credit, it seems the credit is not large enough to see to the growth of businesses.Based on the finding and conclusion, the study recommends

that the grace period for the repayment of the loans be extended to avoid default of repaying loans. The longer grace period will enable borrowers to pay interest and principal using income generated from the borrowed money.

5.4.2 Impact of grants on the performance of small scale enterprises

Most small business entrepreneurs are ignorant about FIs. FIs should create moreawareness to the public so that those who need assistance may seek their services. This awareness can be created through the mass and electronic media such as television, radio and internet. Other methods include seminars, workshops, leaflet distribution and public rallies. They should expand their activities in order to reach out and assist more SSEs to foster growth in this young and important industry and restructure their grant programs from group-based grant schemes to individual based grant schemes, which are easier toaccess. This is because with the current economic hardships, it is difficult to get groups to guarantee grants.

5.4.3 Impact of saving on the performance of small scale enterprise

The study recommends that the government should be involved in business growth and performance. FIs should assist SSEs in encouraging them to save in order to run their business well since credit will be already available to SSEs at full time since it is their savings. The FIs should continuously deal with trust worthy Self-Help Groups to encourage entrepreneurs to save more. This will enable the SSEs to benefit from the promotions and also diversify their investment portfolio since capital is always a available in form of savings.

5.5 Areas of further research

This study has examined the impact of financial resources on the performance of small scale enterprises. However it has not discussed other financial institution areas that affect business performance such as social factors that influence business performance, it thus be of interest, if further research was carried out to investigate social factors like the family size, family back ground, religion among others and the performance of SSEs.

Other studies can also be conducted on the formal and informal institution's lending policies and access to credit by small scale enterprises in KiryateteHoima district.

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Appendices

Appendix I: Questionnaire

THE IMPACT OF FINANCIAL RESOURCES ON THE PERFORMANCE OF SMALL SCALE ENTERPRISES

Hullo Respondent,

My name is Maganda Julius a student at Uganda Martyrs University pursuing a Bachelor's degree in business Economic. I am conducting a study on the impact of financial resources on the performance of small scale enterprises. The information that shall be obtained will help me fulfill the requirement for the Award of the Degree and will be kept confidential for academic purposes only.

Section A: demography

1 What is your Gender?

(a) Male. ☐   (b) Female   ☐

2 What is your Age bracket?

(a) 16 to 20 years ☐

(b) 21 to 25 years ☐

(c) 26 to 30 years ☐

(d) 31 to 35 years ☐

(e) 36 and above ☐

3. What is your Level of Education?

(a) Secondary level ☐

(b) Tertiary level ☐

(c) University level ☐

4: What is your marital status?

(a) Single ☐

(b) Married ☐

(c) Widowed ☐

(d) Divorced ☐

5 Does your business employ other people?

a) Yes ☐

b) No ☐

6 if yes how many people does your business employ

a) 1 to 2 ☐

b) 3 to 5 ☐

c) 6 to 8 ☐

d) 9 to 10 ☐

e) 11 to 13 ☐

f) 13 and above ☐

Section B impact of loans on the performance of small scale enterprise

7: What is your level of income?

(a) 0 – 1400000 ☐

(b) 1500000 – 3500000 ☐

(c) 3600000 – 5600000 ☐

(d) 5700000 – 7700000 ☐

(e) 7800000 and above ☐

8 What is the physical address of your business?

……………………………………………………………………………

9 Year of business operation

a) 1992 – 2004 ☐

b) 2005-2015 ☐

10 What was the purpose for establishing the maize mill business?

a) To generate income to support their families ☐

b) To serve the community ☐

c) For better growth of Ugandan economy and the district ☐

d) To create employment opportunities ☐

11 What are some of the financial resources offered to SSEs?

……

……

12. Where did you obtain capital from?

c) Loans from micro finance institutions ☐

d) Friends and Relatives ☐

e) Grant ☐

f) Saving ☐

13) If you got a loan, what were the problems with the loan criteria?

a) Strict/inflexible terms ☐

b) Long procedure ☐

c) Too much paper work ☐

d) Lack of collateral required by MFIs ☐

e) Cost of process in applications and follow up of loans ☐

14If you got the loan did you have challenges in repaying back?

   a) Yes ☐

   b) No ☐

15If no, what were the problems with the loan criteria?

Strict/inflexible terms ☐

Long procedure ☐

Too much paper work ☐

Lack of collateral required by MFIs ☐

Cost of process in applications and follow up of loans ☐

16. If you have had problems in paying back the loan, what were the challenges?

High interest rates ☐

Unsatisfactory credit needs ☐

Shorter payment periods for large capital investment ☐

Mandatory savings services ☐

Strict repayment schedules ☐

Section C: The impact of saving on the performance of small scale enterprise

17 Financial Institutions Help in promoting maize mill business by encouraging savings in the following ways. ☐

   a) Provision of saving accounts ☐

   b) Reduction on the savings interests

   c) Access to micro financial saving services ☐

   d) Teaching people how to use the savings and it's benefits ☐

17. Financial resources are provided like savings to small scale enterprises.

      a) I agree   ☐

      b) I disagree   ☐

18 In your own evaluation, do you think clients use savings for business Activities

a)For expansion   ☐

b)Increase capital   ☐

c) Re-investments   ☐

d)Emergency fund   ☐

19 how much your maize mills business save per month.

100,000-300,000   ☐

300,001-500,000   ☐

500,001-700,000   ☐

700,001-900,000   ☐

900,001 and above   ☐

Section D: impact of grants on the performance of SSEs

20 how many of you have ever received grants from the financial institutions.

a) I agree   ☐

b) I disagree   ☐

21. Please give any benefits you got from grants as one of the financial resources

    i)…………………………………………………………………………………
    ii)…………………………………………………………………………………...
    iii)……………………………………………………………………………………
iv)…………………………………………………………………………….

Thanks a lot May the Almighty God bless you