COMMERCIAL BANK CREDIT AND PERFORMANCE OF SMALL SCALE BUSINESSES

CASE STUDY: KAKOBA DIVISION

NAMATA LILIAN

2012-BO21-10090

AN UNDERGRADUATE DISSERTATION SUBMITTED TO THE FACULTY OF BUSINESS ADMINISTRATION ANDMANAGEMENT IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF A BACHELORS DEGREE OF BUSINESS ADMINISTRATION AND MANAGEMENT OF UGANDA MARTYRS UNIVERSITY

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DEDICATION

I dedicate this work to my lovely mum, Agatha Arigaba.

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I am grateful to God Almighty for the Strength and wisdom he has granted me to finish this dissertation. I am greatly beholden to my Supervisor, Moses Kibrai, for patience and the professional guidance he gave me throughout the writing of the book. I am equally thankful to all my lecturers for their contributions in making it possible for me to successfully pursue this course of Business Administration and Management.

I find it prudent to thank the Kakoba council for their co-operation and participation in this study's processes by giving the information they had. I am equally very indebted to my family for their understanding and cooperation with my research. Not forgetting all the SSBs owners who operate from Kakoba division in Mbarara Municipality

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMS

C.B	Commercial Banks
DV	Dependent Variable
GDP	Gross Domestic Product
IV	Independent Variable
Max	maximum
Min	Minimum
MDG	Millennium Development Goals
S.D	Standard Deviation
SSBs	Small Scale Businesses
UBOS	Uganda Bureau of Statistics

ABSTRACT

Small scale businesses are the catalyst for economic growth in most developing countries thus, the basic objective of this study was to examine the effect of commercial bank credit on Small scale businesses (SSBs) in Mbarara, Municipality Kakoba Division. The specific objectives of the study were; to assess the relationship between mortgage loans and SSBs, examine the relationship between secured loans and SSBs and to investigate the relationship between business loans and performance of SSBs. Simple random sampling technique was engaged in selecting the 72 SSBs that constituted the sample size of the research. Structured questionnaire was designed to facilitate the acquisition of relevant data which was used for analysis. Descriptive statistics which involved simple percentage mean and standard deviation was tactically applied in data presentations and analysis.

The findings of the study revealed that commercial bank credit has been advantageous to Small scale businesses though only few of them were capable enough to secure the required amount needed. Interestingly, majority of the SSBs acknowledge positive contributions of loans towards their development especially in business world. Commercial banks should assess their interest rate towards small scale businesses since their profits are low and margined and also share best practices with their SSB customers especially on the efficient use of loans; this will boost their productivity and support SSBs.

Therefore, the first and complete means for analyzing and monitoring the overall Commercial bank credit to the performance of small scale businesses which can be designed to observe the SSBs needs as it takes their characteristics into account hence a base for further research in the field of Small Scale Businesses and bank credit performance.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

The performance and effectiveness of small scale businesses as a tool of economic growth and development in Uganda has long been under analysis by different scholars (Reuben, 2013; Fitzsimons 2012; Delberg, 2011). This intense study has been against the background of the low performance and inefficiency that characterizes small scale businesses particularly in assessing its role on economic growth and development. Despite different policies those governments institutional have embedded, and support to enhance the capacity of small scale businesses, the small scale businesses have still dropped in their performance (Edusah, 2011).

The small scale businesses (SSBs) have generated serious concern on whether they can bring about economic growth and national developments in Uganda. The concern is more disconcerting when comparing SSBs in Uganda with other countries particularly where Small Scale Businesses have become a forerunner of economic re-enactment and transformation (Ihua, 2009). These small scale businesses are known to experience unstable and declining performance to the extent that some close down before their first anniversary (Arinaitwe, 2006).

However, the role of commercial bank credit (loans) has been viewed as a critical element for the development of small scale businesses (Nwanyanwu, 2012). Previous studies have highlighted the limited access to bank loans or credit available to small scale businesses compared to larger organizations and the consequences for their growth and development (Levy, 1993). Typically, small scale businesses face higher transactions costs than larger enterprises in obtaining credit (Saito and Villanueva, 1981) whereas, insufficiency in funding has been addressed by the availability of finance working capital provided for by commercial banks (Peel and Wilson, 1996). Poor management and accounting practices have hindered the ability of small businesses to raise finance (Kinyui, 2014). Information asymmetries associated with lending to small scale borrowers have restricted the flow of finance to them (Lin 2007). This low performance has further exacerbated poverty, unemployment and low standards of living of people in a country whose economics is ailing like Uganda.

The current problems of poverty and unemployment have undermined the capacity of the economy and small scale businesses are seen as mechanism for intervention to addressing these long term problem of the economy (Fashola, 2013). Unfortunately, SSBs have not been able to propel economic growth and development which are ideal of mitigating the effect of Poverty, unemployment, and low standard of living on the economy. The challenge of addressing the problem of hunger, poverty and unemployment is even more troublesome when considering the actualization of the millennium development goals by the country 2015. (United Nations, MDGs, 2000)

Commercial banks are therefore expected to fill this gap and provide financial and other business support to small scale businesses. In Ghana SSBs has the tendency to serve as sources of livelihood to the poor, create employment opportunities, generate income and contribute to economic growth. (Cited in the research work of (Tawiah 2013), despite its increasing roles, access to credit by SSBs remains one major constraint.

1.1 Background of the study

Interest in the role of small scale businesses in the development process continues to be the front policy debates in developing countries. The advantages claimed for small scale businesses are different but include: encouragement of entrepreneurship (Safariyu and Njogo, 2012; Ayozie 2010), greater utilization of labor intensive technologies (Muritala,et al., 2012; Samali, 2003) thus, these have an immediate impact on employment generation (Aigboduwa and Oisamoje, 2013). SSBs, when well established, they usually encourage rapid growth and quick returns. More generally, the development of Small Scale Businesses is seen as accelerating the achievement of wider economic and socio-economic objectives, including poverty alleviation (Safiriyu and Njogo, 2012).

Studies indicate that in both developing countries and developed countries, small scale businesses contribute 60 percent of total formal employment in the manufacturing sector (Ayyagari et al., 2007). This is keeping with Tsamenyi, (2012) who asserted that, Africa cannot develop without developing the small scale business sector because they are primary drivers of African development.

It is estimated that small scale businesses in Uganda constitute 90 percent of the private sector, with 80 percent being located in urban areas and are largely involved in trade, agro- processing businesses and small manufacturing which has helped in the high performance of the small scale businesses and in their development (UBOS, 2003).

Cognizant of the fact that, small scale businesses contribute approximately 75 percent of the gross domestic product (GDP) and employing2.5 million people signifies their importance to the economic development of Uganda (Farouk, nd.) These small scale businesses are mostly managed by the owners who are assisted by family members (Okello and Obura et al., 2009).In this regard, the decision making system is quiet flexible, informal and dependent on the personal drive of one or more of the executives. However, there is need to assess the effect of commercial bank credit (loans) on the performance of small scale businesses.

The position of using loans by Small scale businesses has been viewed as a critical element for their development (Olaniran, 2011). Preceding studies have highlighted the limited access to financial resources especially loans (credit) by small scale businesses compared to larger organizations has consequently affected their growth and development (Levy, 1993). Typically, smaller scale businesses face higher transactions costs than larger organizations in obtaining credit (Saito and Villanueva, 1981). Insufficient funding has been made available by commercial banks to finance working capital (Peel and Wilson, 1996). Poor management and accounting practices have hampered the ability of small scale businesses to raise finance. Information asymmetries associated with lending to small scale borrowers have restricted the flow of finance to SSBs. In spite of these claims however, some studies show a large number of small scale businesses fail because of non-financial reasons (Liedholm, MacPherson and Chuta, 1994).

1.2 Statement of the problem statement

The performance of small scale businesses has been credited in developing and developed countries despite the fact that most of the small scale businesses in Uganda do not reach their first anniversary (Iloh, and Okolo, 2013). The key problem facing most of the small scale businesses is insufficient finance (Philip, 2013), whether for establishment of new-fangled industries or to carry out developmental strategies. Other different reasons to the failure of small scale businesses have been identified as; inadequate managerial competencies (Waston, 2003), insufficient government support for SMEs (Omika, 2014), increased competition (Bowen et al 2009) and most especially bank loan dependency. The World Bank report (2010) highlighted that one major cause of SSBs failure is weak management competences. This has made most of them fail to grow into larger businesses before they take off. This study therefore, seeks to establish if commercial bank credit explains the dismal performance of small scale businesses in Uganda.

1.3 Objectives of the study

1.3.1 Broad objective

To assess the relationship between the commercial bank credit and the performance of small scale businesses in Uganda.

1.3.2 Specific objectives

a) To assess the relationship between mortgage loans and the performance of small scale businesses.

b) To examine the relationship between business loans and the performance of small scale businesses.

c) To investigate the relationship between secured loans and the performance of small scale businesses.

1.4 Research questions

a) What is the relationship between mortgage loans and the performance of small scale business?

b) What is the relationship between the business loans and the performance of small scale businesses?

c) What is the relationship between secured loans and the performance of small scale businesses?

1.5 Scope of the study

1.5.1 Geographical scope

The study is conducted from Kakoba division in Mbarara district (Municipality) which is located about 288 kilometers from Kampala, which is one of the fastest growing districts in Uganda. This has led to its development and the establishment of the many commercial banks and is a high concentration centre of SSBs.

1.5.2 Subject scope

This identifies the variables and their dimensions that will be studied in this research. The variables of this study are commercial bank credit and the performance of small scale businesses, where by the independent variable (IV) is the commercial bank credit and its dimensions are; mortgage loans, business loans and secured loans. And the performance of small scale businesses is the dependent variable (DV) with its dimensions which are; profits, assets and turn over.

1.5.3 Time scope

The researcher collected data for a single period from January 2015 to April 2015.

1.6 Significance of the study

The outcome of this research may guide the formulation of new policies, and the existing policies may be amended by use of this study in Uganda which will help in decision making about SSBs over certain years.

Further research in this area will rely on findings of this study as well as the literature review which may be used as an additional guide by economic policy makers into SSBs in Uganda especially Mbarara municipality Kakoba Division. The use of this study by different people will also help in indicating the activities carried out by commercial banks in granting loans (credit) to various SSBs under study and also will help in the development of better knowledge and techniques in conducting research.

1.7 Justification of the study

The purpose of this study is to give knowledge to those that are interested in understanding the performance of small scale businesses (SSBs) as a critical contributor to wealth creation in this country, and commercial bank credit which is currently the most popular source of financing to SSBs.

Small scale businesses are highly dependent on bank loans when it comes to financing their activity and accomplishing their growth ambitions (Daniela, 2012). Though small scale businesses sometimes fail to access finance from commercial banks at all, or face strongly unfavorable lending conditions, which is more pronounced following the recent financial crisis (European Commission, 2011). Many small businesses start out as an idea and mainly by one or two individuals who invest from its own resources and in some cases borrow from family and friends (Govori, 2013). SSBs' financing constraints limit their investment opportunities and stagnant growth, financial institutions' lending policies often determine the access problem when credit terms and provision of supplementary services do not suit borrowers they will not apply for loans or their applications will be rejected (Guirkerger, 2006). Hence, small scale businesses are more constrained in acquiring credit than big firms (Obamuyi, 2011).

1.8 Definition of key terms

Commercial banks: these are financial institutions which accept deposits, issue out loans and offer related services. They facilitate the transfer of funds in the economy.

Small scale businesses: these are the businesses that employ a small number of workers and do not have a high volume of sales. They are generally privately owned and operated sole proprietorships, corporations and partnerships.

Secured loans: these are loans in which the borrower pledges some assets (car, property, land) as collateral for the loan which then becomes a secured debt owed to the creditor who gives the loan.

Mortgage loans: this is a common type of debt instrument used to purchase real estate. Under this, property, commercial banks are given security alien on the title to the house until the mortgage is paid off in full.

Business loans: this is a debt that the company is obligated to repay according to the loans' terms and conditions. The interest rate and monthly payments are fixed over a specific given period of time which is always a short term period.

1.9 CONCEPTUAL FRAME WORK

The conceptual frame work was developed out of a review of the existing literature about commercial bank credit and performance of small scale businesses; SSBs are highly dependent on commercial bank loans when it comes to financing their activities and accomplishing their growth ambitions (Daniela, 2012).

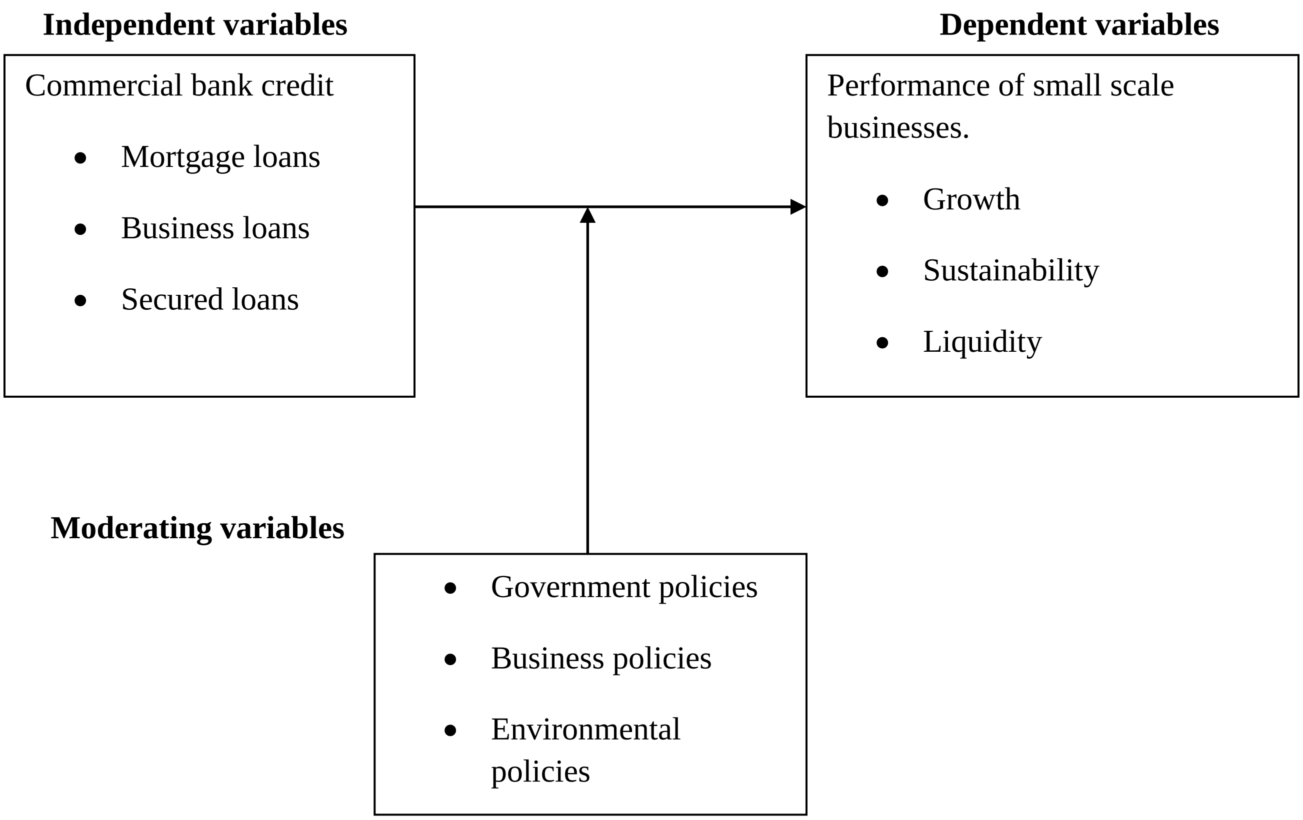
The model portrays commercial bank credit as the independent variable, performance of small scale businesses as the dependent variable. According to Ismael (2013), commercial banks improve the performance of SSBs through providing favorable terms for credit accessibility. It is believed that commercial bank credit influences small scale businesses putting into consideration that credit terms influence credit accessibility, and access to credit improves the performance of SSBs, (Ismael, 2013). The financing of small scale businesses has been of great importance to policy makers and researchers because of their significance in private sector around the world (Thorsten, 2008).

The collateral security required by commercial banks indicates that for SSBs to acquire credit should have security or assets since several authors put forward that Bank financing would depend on whether the lending can be secured by tangible assets, (Berger and Udell, 1995).

Liquidity, growth and sustainability are the other factors that influence the performance of small scale businesses are that lead to the expansion of small scale businesses. In other words, the level of performance attained by the SSBs depends on their level of access to finance (Harvie, 2011).

The government through the formulates policies and amendments that have to be followed by the small scale businesses like paying taxes, registration of their businesses, and how they should manage their businesses through sensitization from the government.

Figure 1.1 Conceptual Frame work



Source: Developed from literature review (Daniela, 2012; Berger and Udell, 1995; Harvie, 2011).

Description of the conceptual framework

The conceptual frame work above shows the relationship between variables, it presents the relationship between the commercial bank credit and the performance of small scale businesses as the dependent and the independent variables respectively. There is also the relationship of both variables with the moderating variables; the moderating variables in this study are examined but rather only recognised.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents work of past scholars whose work relates with commercial bank credit and performance of SSBs. The work was reviewed and presented in accordance with the study the objectives which included; assessing the relationship between mortgage loans and the performance of small scale businesses, examining the relationship between business loans and the performance of small scale businesses, investigating the relationship between secured loans and the performance of small scale businesses.

The literature review analyses each of the study variables separately, together with the dimensions and attempts to link each of them to develop a consistent understanding about their relationships. In this literature review both empirical and theoretical sources, controversies and agreements regarding commercial bank credit and the performance of small scale businesses have been discussed (Wennberg, 2009). In addition, each variable is discussed in relation with the topic. The researcher also attempts to show how the various objectives are discussed by the various scholars. The various objectives are reviewed according to how they are arranged; the gaps were identified and the criticism was shown.

2.1 Commercial bank credit

Commercial bank operations are usually done with high level of prudence (Omika, 2014). He emphasizes that prudence is observed in relation to cash management and proper cash management is regarded a necessity in the banking sector as most products and services traded revolve around cash. Similarly, Ningi and Dutse (2008) revealed that in Nigeria, commercial banks total loans to small scale enterprises increased from N20.4 Billion in 1992 to about N42.63 Billion in 1998, representing an average of about 21.5% of the aggregate loan granted by commercial banks during the period.

Commercial banks are fundamental for economic and financial growths in every economy and they participate in the development of economies most especially in the developing and developed countries (Pasha, 2014). According to Ignore and Kusa (2013), commercial banks play a vital role in the economic resource allocation of countries especially in developing countries. They channel funds from depositors to investors continuously, and some funds are channeled to small scale businesses which are given as credit to them for their operations. They always do so, if they generate necessary income to cover their operational costs they incur in the due course. In every economy, resource surpluses or deficits exist. These resources, especially financial resources, must be bridged between economic units. The bridging processes must be covered by adequate profitability in order to create cost effectiveness.

Belayneh, (2011) studied determinants of commercial banks profitability and found that, most commercial banks in Africa increase their equity hence, have a lower cost of capital and consequently are more profitable. In addition, Lawrence (2014) elaborates that the desire to grow the commercial banks and business together for the long term has been outstripped by a profit driven approach to boost the commercial performance of the bank and it profitable areas.

Similarly, Majeeb (2014) asserts that, measuring the commercial bank profitability can be done by taking the bank's performance into account. He further explains that commercial bank performance is easily measured by examining the financial performance, and this helps in measuring the company's ability to achieve its goals. Banking performance means comparing the banking targets with the achieved results (Taha, 2003). It can also be defined as the necessary tools and various activities run by the banks to meet the goals (Salam, 2008). So the banking performance is vivid portraits reflecting the bank's ability to achieve objectives according to suitable standards. However, commercial banks are considered as one of the important financial institutions (Shaik, 2014).

Notably, commercial banks and also community banks are a critical source of funding for small scale businesses, due to information advantages inherent in the local focus of the banks. This makes commercial banks one of the key factors in determining macro-economic stability and growth in any economy (De young, 2012).This has been evidenced through commercial banks providing credit to small scale businesses and this has helped resolving problems in providing external finance to informally small scale businesses (Ivashina and Scharfstein, 2010).

Ismael (2013) explains that access to credit is an important instrument for improving the welfare of the poor directly (consumption smoothing that reduces their vulnerability to short term income shocks) and for enhancing the productive capacity through financing investments

Some authors have further explored the relationship between small business credit scoring and small business lending. Petersen and Rajan, (2002) attribute at least part of the increase in median borrower-lender distance to the adoption of credit scoring by some banks.In credit scoring, commercial banks assess borrowers' creditworthiness. The financial consumer agency (2010) reports that commercial banks gives small businesses credit and their information is sent to the credit reporting agency. Credit-reporting agencies, also known as credit bureaus, are businesses that collect information about the borrower and how long it takes them to pay back money they have borrowed, hence recording the history of the borrower which helps in the checking of the credit worthiness of the borrower. However, that has not stopped commercial banks from poor performance since there are loan defaulters and non – performing loans (Mukhtar, 2014).

2.2 Loan portfolio management in Small scale businesses

Small Scale Businesses (SSBs) are the main catalyst in developing and strengthening zonal integration (Reuben 2013). Several studies have indicated that thousands of small businesses start up every year but a significant numbers of them fail before or by the first year of their operation while majority shut down before their second year (Abdulraheem, 2014).

Globally SSBs sector has been reporting difficulties in access to finance (Scott, 2010; Yongqian et al., 2012). Access to external finance to SSBs has become more costly and troublesome while their accessibility has sharply declined. SSBs' financing constraints limit their investment opportunities and stagnates growth. Financial institutions' lending policies often determine the access problem when credit terms and provision of supplementary services do not suit borrowers; and consequently, they will not apply for loans or their applications will be rejected (Guirkerger, 2006). The access problem is further complicated by the restriction of credit to a few sectors of the economy (Jaime, 2006).

Furthermore, poor information sharing between Banks and SSBs is another huddle. It is imperative to note that, inadequate information escalates the cost of borrowing and constrains access to the required credit (UNCTAD, 2002, Berger and Udell, 1994). Although Banks usually do not provide all the required information to small borrowers except the lending rates, on the other hand, SSBs also do not supply all the information required by the banks, thereby constraining their own access to credit (Izere, 2005).

Contemporary literature contains that, SSBs are the pillars to most development initiatives of most governments both developed and under developed countries although a number on them face challenges in accessing the necessary finances they need to promote their growth initiatives (Global Development Advisors, 2011).In addition, Delberg (2011) confirmed that SSBs are a fundamental part of the economic fabrication in developing countries, and they play a crucial role in furthering growth, innovation and prosperity. Unfortunately, they are strongly restricted in accessing the capital that they require for growing and expanding due to bank consolidation of funds, nearly half of the SSBs in developing countries rated access to finance as a major constraint, though Dennis (2010) states that; nearly all small business owners indicated they had their most recent credit request approved.

Similarly, Graig and Hardec (2004) in their examination of the implication of consolidation on the amount of credit available to small scale business found out that access to credit was significantly reduced by banking consolidation. Consequently this leads to a decline in the productivity of small businesses and their overall contribution to the economy in terms of increasing employment creation and social welfare. The implication of lack of credit to small and medium scale enterprises is that they now increasingly turn to non-bank sources of finance to provide access to credit. However, this source comes with an associated cost to this class of business hence increasing the cost of production.

The dominant issue in this literature is one of credit availability, given that small scale businesses have historically faced significant difficulties in accessing funding for creditworthy (i.e. positive net present value) projects due to a lack of credible information. Small scale businesses are typically the most informally opaque than large corporations because small firms often do not have certified audited financial statements to yield credible financial information on a regular basis. In addition, SSBs usually do not have publicly traded equity or debt, thereby yielding no market prices or public ratings that might scrutinize their quality.

2.3 Mortgage loans and the performance of small scale businesses

A number of theories have suggested that improvements in collateral values ease credit constraints for borrowers and can have multiplier effects on economic growth (Cyrnak and Hannan, 2000; Degryse and Ongena, 2002).

The successful development of efficient and stable mortgage finance systems is now of global importance. While significant skills and resources presently go into improving the efficiency of mortgage finance systems in advanced economies, most of the global latent new demand for housing finance services over the next 30 years is in emerging markets (Bertrand, 2004). He continues to explain that the absence of credible comparative studies and terms of mortgage finance systems in emerging economies might be attributed to their potential cost, the scarcity of relevant skills, the lack of private profit incentives for global investors to fund such work, and from the viewpoint of regulators to the perceived lack of systemic risks that a fragile housing finance system might create for regional or global financial markets.

Turnham and Jefferson (2011) notes that, mortgage loans have been very simple to get that is pre-purchase counseling programs are expected to result in better subsequent mortgage performance because they create well informed consumers and promote responsible home ownership that reduces risks of default lenders.

Buyinza and Bbaale (2013) asserts that, the importance of commercial bank credit in enhancing the process of economic growth and development through availing finances to small scale businesses cannot be underscored. It should thus, be emphasized that mortgage loans improves access to credit which also enhances the possibility of firms to increase their capital stock by acquiring capital goods that may not be possibly produced in the less developed countries.

In addition, Campbell (2012) explains that borrowers and investors can benefit from house price appreciation over a short horizon. He further stressed that using Massachusetts data from the 1980's through 2009 to compare the prices of houses sold by mortgage lenders after fore-closer with the prices of comparable properties sold by owner occupants and find an average for closer discount of twenty seven percent. The discount is large for cheaper houses in the neighborhoods with low house prices, suggesting the relevance of vandalism which occurred during the crises period.

Collateral lending builds on the idea that information asymmetries between commercial banks and firms can be more easily alleviated when collateral values are high and therefore firms can have higher leverage (Rampini and Viswanathan, 2010).

Most recently, Greenstone and Mars (2012) used the sharp reduction in credit supply following the 2008 crisis and the heterogeneity of this effect among banks originated from the decrease in small business loans which led to the decrease in the country's employment and business formation during 2007 to 2009 period.

However, firms are allowed to rely on borrowers' self-certification of income where this is deemed to be appropriate. Lenders must have and operate in accordance with a written policy that sets out the factors it will take into account in assessing a borrower's ability to repay. Where a borrower is given a recommendation on a particular mortgage product, the firm is also required to establish the suitability of that product (Sue 2007).

Notably, credit terms refer to the conditions under which a firm grants credit to customers (Kakuru, 2007). Credit terms contain key variables that commercial banks must closely match to suit its customer’s needs and reduce on the possibility of delinquent loans.

Although, mortgage loans have helped in the performance of small scale businesses, in practice, small scale business managers often complain of not being able to borrow enough capital at reasonable rates (Rajan, 1994). Similarly, Greenstone (2012), states that the crisis that began in 2007 in United States of America has made it abundantly clear that problems in mortgage lending have to destabilize the financial systems and the economy. Accusations of unscrupulous lender behavior abounded, for example, excessive fee, high interest rates, prepayments penalties and clauses barring borrowers from seeking judicial redress for predatory behavior by lenders (Engel and McCoy, 2002).

The detrimental impact of credit and property boom-bust cycles on consumption and growth has received much high-pro attention in the aftermath of the global financial crisis (Mian et al., 2013; Dynan et al., 2012). Separately, an empirical literature on non-financial corporate has shown that debt overhang can negatively impact from investment (Aivazian et al., 2005; Cai and Zhang, 2011; Coricelli et al., 2012).

Santos (2010) hypothesizes that, the banks that incurred larger losses in the subprime crisis increased the interest rates on loans to corporate borrowers by more than other banks. Whereas, Banks that lost heavily became riskier. As a result, their cost of funding most likely rose, putting pressure on them to raise their loan interest rates. He extensively expounded that, the massive losses that banks incurred with the meltdown of the subprime mortgage market have raised concerns about their ability to continue lending to corporations.

Furthermore, Cole (1998), Berger (1995), Peterson and Rajan (1994), express that credit availability as one of the fundamental issues facing small businesses has of recent received much attention in the academic literature especially when credit is obtained by use of mortgage facilities. In addition, Keys et al., (2013) and Mayer (2009) stressed that, those loans without any principle payments for a predetermined period of time with payment penalties is common with many financial institutions. However, such loan facilities have increased affordability of mortgage for low income borrowers by increasing leverage and reducing initial monthly payments. However, this has resulted in increase in sensitivity for loans repayment to continued house price appreciation in many economies.

Berger and Udell (1995) focus their analysis on loan rate lines of credit obtained by small businesses, arguing that relationships are less important when obtaining what they characterize as ``transaction-driven'' loans, such as mortgages and motor-vehicle loans. They argue that the loan-rate premium over the lending bank's prime rate is negatively related to length of the firms' relationship with the lending bank. They also provide evidence that the age of them and the length of the firms' relationship with its lender decrease the probability that the lender will require collateral to secure the loan, cited in the work of (Cole, 1998)

Commercial banks interest rates are generally much higher than other financial institutions loans, which reflects high risk business credit, but also reflects the supplier has the credit advantage when providing commercial credit to the buyer, they are always rendered to those with mortgage.

The reliability of previous claims that personal wealth and access to credit encourages business start ups (Lausadi, 2004; and Desney, 2009).

Michael (2001) explains that mortgage portfolios are also subject to interest rate risk, including prepayment risk, exposure to which is typically managed through a variety of hedging strategies.

Tutton (2007) contends that, many lenders and brokers do not ensure that borrowers understand the risks of entering into a mortgage, or that they can afford to make the increased payments when discounted or fixed rates ended. In some cases, lenders do not appear to have checked whether the borrower can afford the mortgage repayments from the outset.

In addition, businesses often have a difficult time raising capital when their prospects are difficult to judge by outsiders. This asymmetric information problem creates a dilemma for potential lenders. Because low quality borrowers are more likely to default, their demand for credit is less sensitive to interest rates than high quality borrowers. Thus, borrowers willing to accept a high interest rate will tend to be lower quality than average (Philip, 1999).

Further still, Evannoff (2011), Suru and Vig (2010) compared the role of securitization on for closure and loan modification activity by mortgage services, while Campbell and Pathak (2011) evaluated the impact of for closures on neighborhood house prices. According to Schwartz (2006), mortgage borrowers normally fail to understand the terms of their mortgages. However, Ward and Hall (2012) affirm that, complex mortgage terms are associated with higher fees paid to mortgage brokers, especially by less educated households.

However, firms are allowed to rely on borrowers’ self-certification of income where this is deemed to be appropriate. Lenders must have and operate in accordance with a written policy that sets out the factors it will take into account in assessing a borrower’s ability to repay. Where a borrower is given a recommendation on a particular mortgage product, the firm is also required to establish the suitability of that product (Sue, 2007).

2.4 Secured loans and the performance of small scale businesses

The provision of financial services, especially credit and saving facilities plays an important role in the development of the economy (Bwira and Njiwakale, 2013). Habibulla (2010) and John (2011) in their studies found that commercial bank loans increased the income of SSBs operators and poor people the in Bangladesh and Zimbabwe respectively. Their studies focused on business performance especially when credit like secured loans is in terms of increased sales, acquisition of asset and technology while household studies focused on increased income from firms as profit or wages and salaries to establish a link between the availability of commercial bank lending and overall well-being of the poor.

Mkazi (2007) discuses that the commercial banks' lending on SSBs performance has so far yielded mixed results that are inconclusive especially for developing countries. Commercial banks have been able to manage the secured loans through effective monitoring of the borrower, the performance of the enterprise and ensuring that the enterprise is abiding by the initial terms of the loan, the enterprise is making satisfactory business progress; the necessary means are available to ensure that the interests of the lender are being respected (Charles, 2011).

Allen and Lamont (2010) posed that "our empirical analysis matches data on United States small businesses, the banks that lend them, the contract characteristics of these loans and information from several other data sources to test the empirical implication of the current paradigm. The data includes the identification of fixed assets-lending technologies used by banks to make small businesses loans, analyzing the role of relationship lending in lines of credit without fixed asset as security.

However, a number of studies have shown that financing is a greater obstacle for small scale businesses (SSBs) than it is for large firms, particularly, in developing countries and that access to finance adversely affects the growth of the SSBs sector more than that of large companies due to failure of small scale businesses to have security for the loans (Schiffer and Weder, 2001; Becker et al., 2006). Small scale businesses in Uganda suffer from constraints that lower their resilience to risk for loans without enough security and prevent from growing and attaining economies of scale (Kasekende and Opondo, 2003).

Nofsinger and Wang, (2011) explain that SSBs tend to have a much less developed bank-client relationship, which can be important for successful access to finance. These difficulties can be further compounded in the cases of start-up and young enterprises, which can have difficulties in providing the necessary collateral, and may be seen as potentially offering high returns but at high potential risk. In addition, historically there has been a strong negative relationship between small business lending and distance. Wherefore, according to Brevoort and Hannan (2006) distance highlighted as a statistically and economically significant deterrent to lending within local markets. Similarly, Wolken and Rohde (2002) established that, most SSB headquarters and the financial institution making the loan was only ten miles (Elizabeth 2013).

In comparison however, large banks appear to have been aggressively perusing small businesses credit with hard information about the securities one has, at least before the recent financial crisis, banking giants such as bank of America, were loosening their standards on small credits to small businesses by relying on' hard' information such as owners' personal credit scores and securitization of that credit (Enrich, 2007). Notably, recent research shows that large amounts of funding and other services to small firms in other nations as cited in Torre, Martinez and Schmuckler, (2010) have increased.

Young (2014) explains that many finance companies or commercial banks charge the high interest rates immediately when the promotion for the secured loans has expired and this affects the borrowers especially small scale business operators and also some retail stores charge the highest legal interest rate when extending credit.

The impact of asymmetric information in financial markets has long been of interest to economists and the recent financial crisis has intensified research on the effects of asymmetric information in securitization (Elul, 2011; Keyset et al., 2010). Most of this research has focused on asymmetric information about characteristics of the borrower such as their income prospects. According to Karma (2012) almost 60% of responding businesses did not apply for credit in the last year and with half of them citing a lack of confidence in securing credit. Such businesses also known as discouraged, tended to be younger and aren't captured by the industry associations.

The potential for miss-selling where consumers lack the experience or capacity to properly assess information about financial products is not a new concern. It is evident that the complexity of financial products and the relatively low level of consumers' financial capability create an information imbalance that may mean consumers cannot make informed decisions neither exercise much influence on the way that lenders and intermediaries behave (Edwards, 2007).

In some cases where required security and provision of supplementary services do not fit the needs of the target group like small scale businesses, potential borrowers will not apply for credit

(Yitayal, 2004). This is manifested in the form of prescribed minimum loan amounts, loan terms, complicated application procedures and restrictions on credit for the specific purposes and conditions imposed by lenders.

Such monitoring, however, is difficult due to a lack of transparency in the operation of SSBs, which are less likely to follow expected norms of corporate governance. This is compounded by the fact that SSBs experience greater volatility in profitability, growth and earnings in comparison to larger firms, and their survival rate is much lower (Storey and Thompson, 1995).

Beger and Udell(2006) stress that recent research recognizes the possibility that financial statement lending may not represent hard technologies as a whole and that some of other hard technologies may be particularly useful in lending to the smallest, least transparent firms. In addition, Adegbite (2009) points out that, another critical issue in securing loans from any formal credit institutions is lack of knowledge on the part of small scale business operators, of how to prepare and present a loan application to a bank and what specific information the bank might require.

A survey by Bevan et al., (1989) established that entrepreneurs often complain of being denied credit by commercial banks even though they are willing to pay the market credit rates, and those who are able to get loans frequently cannot secure as much finding as they would like. Similarly, businesses financed by highly secured loans are more likely to fail (Berger and Udell, 1990) this is consistent with finding that self. Financed entrepreneurs have lower survival rates than those relying on bank finance, (Reid 1993). Further still, Abunyuwah and Kofi (2012) emphasized that banks lend money only when they are convinced that the projects are profitable. In addition, the borrower repayment capacity is best addressed with the elaboration of a good business plan.

2.5 Business loans and the performance of small scale businesses

Small scale businesses (SSBs) are the main driving forces of economic growth & job creation that have a special importance, not only in developed countries but also in developing and emerging economies (Cabbar,2000). The growth of the small businesses was mainly supported by commercial banks, their primary sources of funding, as the financial structure of the CEE countries is mainly bank-based and the capital markets are still underdeveloped relative to developed countries (Lukasz, 2014).

Most SSBs in Uganda have had access to financial resources from financial institutions (James, 2014) and they highly depend on bank loans when it comes to financing their activity and accomplishing their growth ambitions (Silivestru, 2012).

However, commercial banks always make different types of SSB loans than community banks, so that the competitive effects on community banks are likely to be relatively small in most cases unless the marginal cost benefits to commercial banks for the types of SSB loans made by community banks are relatively large (Berger, 2004).

Lamont (2010) hypothesized that, commercial banks loan officers have more flexibility to evaluate credit using techniques based primarily on "soft" qualitative information that is difficult to quantify and communicate by the loan officers such as personal knowledge about the subjective circumstances of the firm, its owner, and its management in order to easily manage the business loans lent out to small scale business operators.

Harvie (2011) explains that commercial banks firstly need to be able to effectively monitor the performance of the enterprise and ensure that the enterprise is: abiding by the initial terms of the contract, making satisfactory business progress and has the necessary means available to ensure that the interests of the lender are being respected. Such monitoring, however, is difficult due to a lack of transparency in the operation of SSBs, which are less likely to follow expected norms of corporate governance. This is compounded by the fact that SSBs experience greater volatility in profitability, growth and earnings in comparison to larger firms, and their survival rate is much lower.

The work of Clark (1995) affirms that, in recent years, changes in laws and regulations have greatly increased the opportunities for commercial banks and other depository financial institutions to expand their operations. With reduced restrictions on which state or branch to bank in on coupled with the narrowing of limitations on the types of services depository institutions can offer has enabled banks to easily give business loans on a small interest to small scale businesses.

However, a significant percentage of small businesses struggle and/or fail due to their inability to adequately manage their cash flows (Jesse, 2014). She continues to explain that a business cannot operate very long when cash outflow exceeds cash inflow; every small business must monitor its cash flows to prevent a serious business disruption. Many businesses' cash flow issues stem from an absence of cash flow projections that adequately address day-to-day activities.

According to Bukenya and Kinatta (2011) the main financial challenge facing SSBs is access to affordable credit over a reasonable period. They attribute that despite the financial reforms aimed at improving SSBs, access to business loans to improve their performance and growth, access to finance for SSBs remains a recurrent problem. This is even pronounced for commercial loan financing and as long as banks apply the same lending principles to SSBs as to big firms, small businesses will be deprived of key access to finance. The structure and management of majority of SSBs is less developed with weak internal controls making the availability of information for risk analysis by the banks and micro- finance leaders inadequate.

In addition, empirical evidence also generally suggests that banking relationship affects the pricing and availability of business loans to small businesses benefit from these relationships, stronger relationships (strength measured in various ways) are empirically associated lower loan interest rates (Degryse and Cayseele, 2000), reduced collateral requirements, lower dependence on trade debt (Peterson and Rajan, 1995). Further still, Udell (1995) avers that small firms usually depend on financial intermediaries, particularly commercial banks. Given the asymmetric information problems tend to be much more acute in small firms than in large firms, it is surprising that the ways in which these respective groups obtain credit financing differ significantly, most small scale businesses use business loans to develop their businesses.

Pietro victor and Chando (2012) quoted that "in spite of the study of the importance of topic, relatively little research exists on whether, why and how commercial banks finance small scale businesses around the world." This is compounded by the fact that comprehensive data on SSBs finance is still to be more consistently collected and monitored overtime. Nonetheless, commercial banks are not interested in dealing with SSBs by taking them to be strategically segmented in their importance since business loans are always preferred.

Furthermore, Togoe et al. (2005) explain that the criteria used by commercial banks for lending to private sector are too tight and technically excludes borrowing by small scale businesses (business loans) which finds it difficult to meet the eligibility criteria**.** Similarly**,** David (2003) explains, that a drop in loans at large domestic commercial banks and at United States and of foreign banks that a drop in loans at large domestic commercial banks and at foreign institutions accounts for the entire contraction in borrowing loans since January 2001. In contrast, the real growth of business loans at small commercial banks, though it has declined appreciably, has averaged four percent annually since early 2001.

The problem for SSBs is that they have small accounting departments and often have no accounting departments and often they have no accounting departments at all. The absence of a sound accounting system in small scale businesses usually result in to poor business performance, insufficient information limits commercial banks in giving business loans since they don't have what to rely on. That's why SSBs do not succeed in acquiring credit from banks (European committees, 2003) cited in (Bukenya and Kinnata, 2011).

Banks in developing countries are in turn hampered by the lack of lender information and regulatory support to engage in SSB lending (Dimitar, et al., 2014). On the other hand Small business owners must have a "reasonable" amount invested in their business to receive favorable consideration for a loan. This ensures that, when combined with borrowed funds, the business can operate soundly, (Torres, 2014).

Nwoye (2005) posits that inadequate technical capacity to access, acquire and adapt technological knowledge and skills, lack of practical application of technical matters and details disregard irritation for manual and lack of access to improved production technologies. Despite their perceived weaknesses, related to their relatively small size and limited resources, the region retains a dynamic, entrepreneurial and increasingly internationalized SSB sector (Charles, 2011).

Interestingly, the small-scale sector has emerged as an engine of growth in most of the developing and newly industrialized countries of the world. In India the SSI has played a catalytic role in socio-economic transformation of the country. This sector has exhibited tremendous capacity for employment generation, greater resource use efficiency, and technical innovation, promoting inter-sector linkages, raising exports and reducing regional imbalances.

2.6 The growth and performance of small scale businesses

Small scale business development and growth have been a focus for policy makers in the developed and developing world (Dalrymple, 2004). Several researchers suggest growth as the most important performance measure in small firms (Fitzsimmons, 2012), they discuss that with growth being a more accurate and easily accessible performance indicator than accounting measures, therefore it is a superior indicators of financial performance of small scale businesses (Wiklund, 1999). Lumpkin and Dess, (1996) suggested that performance is multidimensional in nature and as such multiple measures of performance should be considered. Also the contribution of SSBs has been recognized as the main sustenance of the economy because of their capacity in enhancing the economy output and enhances human welfare (Akingunola, 2011).

The development of Small scale businesses via effective financing options has stem debates and growing interest among researchers, policy makers and entrepreneurs, recognizing the immense contribution of the subsector to economic growth. In view of small scale businesses as a major driving force for industrial growth and development (Richard 2011) and the fact small scale businesses clearly exist to expand their profits hence, their development facilitates the mobilization of human and capital resources towards economic development in general and the rural sector in particular.

According to Goswami, (2014) economic factors have also influenced the development of small enterprises for example; change in Income, change in Inventory Level, improvement in Business

Assets, and Associated Employment, have been easily assessed and interpreted to find their influence on the development of small scale businesses. This development has been observed through the accumulation of revenues and profits which are useful resources for future growth of small scale businesses (Gin Chong 2008).

Research conducted by Olsen and Johannessen, (1994) cited that the experiences and competence levels of SSB owners are also an important factor influencing SSBs' growth performance hence, leading to their development, as Kessy and Temu (2010) studies found that firms that are recipient of business training record higher levels of performance than enterprises without this training.

Markman, (2002) explains that, the use of growth as a measure of firm performance is generally based on the belief that growth is a precursor to the attainment of sustainable competitive advantages and profitability. Davidson (2004) elaborated that outcomes of a firm’s performance depend on whether the firm has achieved its goals. Based on the Global Competitive Surveys conducted by the World Economic Forum which rank participating countries according to their performance in business climate, in overall statistics, Uganda was ranked 118 out of 139 countries in 2010–2011, compared to 80 out of 102 countries in 2003–2004.

Tambunan (1999) found that small business owner-managers having entrepreneurial values such as creativity, integrity, achievement, among others, were more likely to have superior performance in managing organizations than owner-managers without these values. However, Delmar et al, (2003) argues that firms grow in many ways and that a firm’s growth pattern is related to age, size and industry. He also points out that firm growth is not static in nature and there may be considerable variation in firm growth over time.

Although growth and the performance of small scale businesses has been credited and considered to be the most important measure to small scale business survival, it has been argued that Small Scale businesses scarcely grow rather they stagnate and most of them eventually die off mainly die off before their first birthday (Edusah, 2011). Although many instances have been identified that contribute to the failure of the small scale businesses, lack of access to relative cheap and effective source of finance have been identified as the major factors hindering their contribution to economic growth**(**Akingunola, 2011).

Geographic location has its implications for access to markets and other resources like finance, skilled labor, subcontractors, infrastructure, distribution and transport logistics and other facilities. SSBs success also depends on neighborhood appearance and continued or maintained future business operations in that location (Tustin, 2001).

Limited access to differentiated markets forces SSBs to operate in low-income market segments, which limits their sales/profits as they compete for the same customers (Sengendoet al., 2001). This may discourage firms' future investments and, therefore, constrain their growth potential/performance. Moreover, SSBs' limited access to external financing forces them to depend on their internal sources (i.e. profits which as noted above are limited by lack of market) to finance investment (Ishengoma et al 2005). SSBs' limited performance has been associated with limited access to finance (Johnson and Nino-Zarazua, 2011; Okurut and Bategeka, 2006; Mugume and Obwona, 2001), inadequate provision of public services (Svensson and Reinikka, 2001), unfavorable system of taxation, high regulatory burden (Keefer, 2000) and corruption (Svensson, 2002). Other factors are limited access to differentiated markets (Sengendoet al., 2001), low education and managerial skills (Nalumansiet al., 2002; Nel and Shapiro, 2003).

Overall, it is difficult to imagine sustained growth without profitability. Without funding growth through retained earnings, the firm must rely on additional debt or equity finance (Steffens, 2011). Whereas, Sexton et al., (2000) found that firm profitability was correlated with sustainable growth, Chandler and Jensen (1992) contend that sales growth and profitability were not correlated.

But while increasing the absolute amount of dollar profit is desirable, it has minimal significance unless it is related to its source. This is why firms use measures such as profit margin and profit rate. Profit margin measures the flow of profits over some period compared with the costs, or sales, incurred over the same period. Thus, one could compute the profit margin on costs (profits divided by costs) or the profit margin on sales (profit margin divided by sales) (Richard, 2011).

Conversely, most SSBs operators are illiterate thus lack the knowledge and skills in certain acts of business such as record keeping which is key to success (Ormin, 2008). However, it is imperative to note that, different small business owner-managers have different goals. Hence, growth may or may not lead to a balanced situation but rather it's dependent on the view of the firm's principal stakeholders (Davidson, 2005). Although, growth changes the owner-managers' situation in many ways, and many of them may not be willing to trade, e.g., increased financial gain for reduced autonomy (Sapienza, Korsgaard, & Forbes, 2003).

2.7 Sustainability and the performance of small scale businesses

Sustainable development has been defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs (James, 2014). Additionally, Thompson, (2014) notes that, SSBs contribution towards sustainable development has a very large impact on the development quality of a specific geographic area noting that the more the presence of SSBs in the economy of a particular area; the more important is the SSBs role for achieving sustainability (Welford and Gouldson, 1993).

Sustainability is important to small and medium size businesses. A quarter (25 per cent) of Britain's Small and Medium Sized Enterprises (SMEs) say sustainability is one of their top three priorities for 2014, reflecting a renewed confidence and a desire to focus on developing their businesses' in the New Year, according to new research from (Lloyds Bank Commercial Banking 2013).

Initially sustainability was viewed primarily as a cost reduction and risk management measure, but is increasingly being viewed as a source of innovation and growth (Webb, 2012). Business sustainability makes firms resilient so they are better able to adapt to change so that they can are prepared for the future, create long-term financial value, understand how their actions affect the natural environment and try to reduce their impacts (Spence, 2012).

Furthermore, Kimberly (2012) adds that, considering sustainability, small scale businesses take into account not only the economic bottom line, but also the impact of the business upon society and the wider environment both currently and in the future. Sustainability reporting involves reporting this impact to a broader base of business stakeholders including customers, suppliers, local communities, employees, and society at large. Previous research indicates that several factors influence business performance that lead to sustainability includes among many others: their professional background, their entrepreneurship capabilities and preferences, cultural and religious beliefs, as well as the technology and micro –environment (Buttner, 2001, Makhbul, 2011).

The development of many countries is often measured by such indices as the level of industrialization, modernization, urbanization, gainful and meaningful employment for all those who are able and willing to work, income per capital, equitable distribution of income, and the welfare and quality of life enjoyed by the citizens (Laraba, 2011). However, O'Gorman (2001) posits that, the sustainability of growth in SSBs sector firms and explores the debate between the 'strategic choice of entrepreneurs' explanation of SSBs growth and the 'industry structure' explanation.

The virtual importance of small and medium scale enterprise in advanced and developing countries has led and continued to lead to a reassessment of the role of Small and Medium Scale businesses in the economy of different developing countries (Labara 2011). Similarly, small scale businesses are recognized as an integral component of economic development and a crucial element in the effort to lift countries out of poverty (Wolfenson, 2001). They are seen as driving forces for economic growth, job creation, and poverty reduction in developing countries. They have been the means through which accelerated economic growth and rapid industrialization have been achieved (Harris et al, 2006; Sauser, 2005). Wherefore, SSBs desiring to gain a competitive advantage in the marketplace should not view sustainability simply as a defensive measure but rather as a window to new opportunities and growth. This requires SSBs to take a long term approach and to treat sustainability as an investment rather than a cost.

The sustainability reporting process does not only considers the economic bottom line, but also includes consideration of how a business impacts society and the environment. The challenges involved in establishing sustainable practices and reporting will be significant (Thompson 2014).

Sustainable development is recognized as an essential requirement for achieving economic goals without degrading the environment; major problems arise in implementing the concept of sustainability. At the most basic level, researchers dealing with sustainable development have suggested that the achievement of sustainability requires ecologically sustainable political and economic systems, organizations, and individuals (Starik and Rands 1995; Costanza and Daly 1992; Gallup International Institute 1992). Specifically, governments, consumers, and enterprises contribute and play crucial roles in reaching sustainable development.

As a result, if goals of sustainability are to be achieved, small and medium-sized enterprises must be reformed to minimize their negative ecological and social impacts (Gladwin, 1992). This can be achieved by addressing sustainability issues from a strategic perspective and changes in operational strategies could reveal new opportunities to pursue (Hodge 2012).

At the early stages of industrialization, Japan's economy was characterized by traditional industries and large number of small firms who as of that time draw their strength not from an abundant supply of capital, but from their vast supply of labor. So in Japan "during the interwar years (1919 - 1938) and after government policies accorded and continue to accord due priority to country small scale businesses (Mosk, 2010).

Furthermore, other researches does show that small scale businesses do still tend to focus their efforts on more traditional sustainable business practices, including environmental activities (89 per cent) such as recycling and energy saving. SSBs are less likely to offer a clear business code of conduct (46 percent); work responsibly within a supply chain (42 per cent); operate an ethical sourcing policy (25 percent); work with local charities (24 per cent); or offer apprenticeship schemes (17 per cent) but as sustainability reporting is a rapidly growing business trend found in large multinational corporations (LMCs) and a growing number of small scale businesses (SSBs).

However, while the contributions of small businesses to development are generally acknowledged, entrepreneurs in this sector face many obstacles that limit their long term survival and development. Scholars have indicated that starting a business is a risky venture and warn that the chances of small-business owners making it past the five-year mark are very slim (Ilo, 2005). Some researches into small-business development have also shown that the rate of failure of small scale businesses in developing countries is higher than in the developed world (Marlow, 2009).

Most SSBs in developing countries particularly in Nigeria die within their first five years of existence. It is also revealed that smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent of young companies survive, thrive and grow to maturity (Ayanda, 2011).

Adeyemi, (2011), the findings indicate that high levels of technical inefficiency, which reduce their potential output levels significantly and failure to sustain the businesses, characterize the developing countries SSBs. There is therefore strong need to assist SSBs to improve their technical efficiency through adequate supply of inputs, markets, and credit facilities, and undertaking extensive infrastructural development and training could be important measures.

While there are significant differences between countries, regions and sectors, in general small scale businesses tend to have lower relative financing requirements for fixed as opposed to working capital, because of their high degree of labor intensity. Small scale businesses often have fairy long production and marketing periods, which also lead to relative high working capital (Auren, R 2004).

2.8 Liquidity and the performance of small scale businesses

Liquidity management, which refers to management of current assets and liabilities, plays an important role in the successful management of a business and secures future growth(Robert and Ojera, 2013). The liquidity position of a business is about the degree in which it can dispose money. Liquidity management is necessary for all businesses, small, medium or large.

According to Olagunju, Adeyanju and Olabode, (2011) liquidity may be viewed as a measure of the relative amount of asset in cash or which can be quickly converted into cash without any loss in value available to meet short term liabilities, while liquid assets are composed of cash and bank balances, debtors and marketable securities liquidity is the ability of a firm to meet all obligations without endangering its financial conditions.

Small scale businesses have been ranked as main boosters of the efficient performance as the primary condition for development of any industry with the help of liquidity (Saikia, 2012). Qazim and Ramiz, (2011) hypothesize that liquidity management is very vital for every organization that means to pay current obligations on business that include operating and financial expenses that are short term.

Studies have been conducted by different scholars on small scale businesses and the main critical issues of their financial management that causes liquidity (Irena, 2013). Globally, the adequacy of liquidity plays very crucial roles in the successful functioning of all Small scale business. However, the issue of liquidity, though important to other businesses, is most vital to banking institutions (Jonathan, 2013).

Research findings have shown that the liquidity, profitability and solvency position of most Small Scale Businesses (SSBs) are in average position with the causal factors behind this position being unsound financial management, inadequate working capital, slow conversion of receivables and inventory into cash, lower position of sales and higher amount of debt. (Robert et al, 2013).

Banks play a central role in the economy through their liquidity- and credit-creation functions. But their asset-liability structure makes them fragile and any loss of confidence can produce bank runs. Bank assets are risky loans while their liabilities are not contingent claims but relatively short-term deposits (Calem, 2001).

However much their contributions to development are generally acknowledged, SSBs face many obstacles that limit their long-term survival and development Nyakundi, (2013). Research on small-business development has shown that the rate of failure in developing countries is higher than in the developed world with the chances of small-business making it past the six-year mark in the developing countries being very slim (Sauser, 2005). A study by Nazrul and Shamem, (2012) established that the liquidity, profitability and solvency position of most of the firms are in average position with the causal factors behind this position being unsound financial management, inadequate working capital, slow conversion of receivables and inventory into cash, lower position of sales and higher amount of debt.

Also as established by Sunday (2011), most SSBs do not engage their working capital in such a way as to enjoy maximum profit and their combination of debtors' management strategy, cash management, account payable (or creditors) and stock management strategy leaves much to be desired. Most SSBs do not worry about their working capital position, most have only diminutive view for their working capital position and most do not even have standard credit policy. Many do not care about their financial position, they only run business, and they mostly focus on cash receipt and what their bank account position is hence are in most cases characterized by signs of overtrading and illiquidity.

Furthermore,(Irena, 2013) says that many people who start to run a business do not engage themselves in financial matters. The reason may be because they do not have enough knowledge or interest in recording transactions, preparation and analysis of financial statements and secondary they are extremely involved in other aspects of business like managing people, sales purchasing and production.

To sum it up, unless illiquidity is remedied, it can give rise to insolvency and eventually bankruptcy as the Business's liabilities exceed its assets (Cooper, et al., 1998; cited in Ojera, 2013) and the only better option to sustainable economic growth and development is strengthening the SSBs through improving their loan acquisition and empowering them with knowledge and skills on business management and sustainability.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

In this chapter, the researcher provided the procedure for conducting the research. It specifically, covered the research design, study population, sample size, study area, data sources and sampling techniques, methods of data collection. It also included reliability and validity of the research tools, measurement of variables, ethical considerations and study limitations.

3.1 Research design

The study was conducted among small scale businesses in Kakoba Division in Mbarara municipality using the survey design. Survey design is popular as it allows collection of large amounts of data from a sizable population in an economical way (Saunders, Lewis and Thornhill, 2007). The authors emphasize that the survey method is also perceived as authoritative by people in general and is both comparatively easy to explain and to understand. The survey method also allows the researchers to collect quantitative data which they can analyze quantitatively using descriptive and inferential statistics.

The study adopted both quantitative and qualitative research methods which explained the variables and their relationship whereas the qualitative approach focused on explaining the in-depth analysis of the variables as experienced by the people who directly use it.

The time dimension of the study was cross sectional. This mainly focused on a snap shot assessment of the variables for a single period. This also implied that data was collected, analyzed and results presented for a single period.

3.2 Study area

The study area shows the place, areas and geographical location where the research was conducted. In this case, the study was conducted in Kakoba Division in Mbarara Municipality, Mbarara district which is located in the western part of Uganda, about 288 kilometers south west of Kampala. The choice of the area was because of its proximity to the researcher and the fact that there are many small scale businesses that are engaged in several business activities and availability of commercial banks in the area.

3.3 Study population

The study population was the abstract idea of the large group of many cases from which the researcher drew the sample from and to which the results from the sample were generalized (Neuman, 2011). Similarly, Amin (2005) explains that a study population is the aggregation of items or objects from which samples are drawn, constituting the entire collection of observations to which study results are generalized. In this study, the population constituted the small business enterprises operating in Mbarara Municipality. The total population of the SSBs obtained from the office of District Commercial Office was seventy two (72) (Mbarara Municipal Council Commercial Office, 2014).

3.4 Sampling procedures

3.4.1 Sample size

The sample size for this study was determined using Krejice and Morgan table (1970). The table provides columns for population (N) and corresponding sample (S). In this case, the researcher compared the corresponding sample to the population figure obtained from the Municipal Council. Accordingly, the sample size which corresponds to the population of 72 is 60.

Table 1: Population of the respondents

Group of people	**Population**	**Sample**
Female	27	22.5
Male	45	37.5
Total	**72**	**60**

Source: (primary data 2015)

Female $27/72 \times 60 = 22.5$ approximately 23

Male $45/72 \times 60 = 37.5$ approximately 38

Total $= 60$

3.4.2 Sampling technique

Based on the type of population (i.e. homogenous), the appropriate sampling technique is simple random. This approach allows every element in the population to have the same chance to be selected. This approach allows the samples to be selected at random by use of random numbers (Saunders, Lewis, and Thornhill, 2007).

For the case of this study, since the businesses in the Municipal Council are literally homogenous, the researcher used simple random sampling during the selection of the samples for examination. In applying this sampling technique, the researcher assigned numbers to all the business units. In performing the selection, the researcher picked at random one number at a time and recorded it, thereafter replaced it to maintain the same population until the appropriate number was attained.

3.5 Data sources

3.5.1 Primary data

The researcher used primary sources especially by collecting data from respondents who consented either to be interviewed or fill the questionnaires. The primary data sources allowed the researcher to obtain first-hand data specifically for the study.

3.5.2 Secondary sources

Secondary sources were also used in the study. These included published documents prepared for different purposes but were of relevance to the research. Secondary sources allowed the researcher to access information that was processed and had minimal errors thus, supplemented the results and discussion.

3.6 Data Collection Methods

The study used both questionnaires, and interview to collect data for the research. Questionnaire method was adopted because of the quantitative research approach which required presenting results in figures, graphs and charts. While the interview method was adopted to collect data for qualitative research approach which required in-depth analysis from the people that were directly involved in the study.

3.6.1 Interviews

Interview method was adopted to collect data from owners and managers of small scale businesses. The interview targeted their experience, knowledge and perceptions about the variables. The interviews schedule provided simple and specific questions which were pretested and were found to yield the same meaning. This tool was found to be easily understood by the respondents. This enabled them to provide simple and logical answers to the questions; the researcher had an interview guide to ensure that all the required information was collected.

3.6.2 Questionnaires

The Questionnaire method was used to collect data about the perceptions of the respondents. The questions/statements were ranked on five-point Likert scale from strongly disagree (denoted as 1) to strongly agree (denoted as 5) while in between, there are disagree, neutral, and agree taking values 2, 3 and 4, respectively (Lewis, Saunders and Thornhill, 2007).

3.7 Quality assurance

Quality control refers to the procedures followed by the researcher in order to ensure that the research tools are efficient as possible in gathering the research data. This was done to ensure that the researcher collects the intended data that can be replicated. Quality assurance was achieved through tests of validity and reliability.

3.7.1 Validity

Bryan (2008) defines validity as integrity of the conclusions that are generated from a piece of research. Validity involves collecting data that the researcher intends to, and it involves achieving meaningfulness and efficiency.

The researcher achieved validity by conducting a review with experts. The comments of experts were incorporated in draft instrument, thus achieving validity. The experts included those with advanced knowledge and skills in small scale business management as well as those that owned them. This also included the supervisor and other lecturers who possess competences in this field.

3.7.2 Reliability

Drost (2012) states that reliability is the extent to which measurements are replicable when the measurements are performed on the same respondents in different occasions but producing close results. The results obtained confirmed reliability of the toll used.

3.8 Measurement of variables

The researcher measured the variables that are used in the study by using the Likert scale. The scales include; 1. Strongly agree, 2. Agree, 3. Neutral / undecided, 4. Disagree and 5. Strongly disagree.

The advantage if using the Likert scale is that it is very flexible and can be easier to manage than other scales (Lewis, Saunders and Thornhill, 2007).

3.9 Data analysis and presentation

3.9.1 Quantitative data

This process of involved: organizing, cleaning, sorting and analysis of data. The researcher used software called Statistical Package for Social Scientists version 16.0 (SPSS: 16). The results generated were descriptive (frequencies, mean and standard deviation) and inferential statistics (correlation).

3.9.2 Qualitative data

Qualitative data was analyzed using categorization and creating themes. Responses were categorized according to the respondents' answers. Presentations were through narratives and verbatim statements.

3.10 Ethical issues

The main ethical issues in this study included;

An introductory letter was obtained from the Dean faculty of Business Administration and Management of Uganda Martyrs University introducing the researcher to the study area.

Informed consent was sought for from the respondents before administration of the questionnaire the commencing interview. Only those who consented were enrolled into the study.

The researcher officially introduced the data collection team to the management of each business unit that participated in the exercise. During data collection, the researcher explained to the respondents the purpose of the research and how its findings would be presented, especially by ensuring that confidentiality of respondents and availing the results to authorized persons.

The researcher cited all the sources accessed and used in the study. The citations are presented both in text and at the reference section.

3.11 Study Limitations

The study used a cross sectional survey design which only examined SSBs in short period thus not obtained adequate understanding about the variables. However, because the study used a multi-approach in data collection, it attempted to minimize this limitation.

The study adopted measurement models developed by other researchers. This implies that any errors embedded in them could have affected the results of this study. However, since the study used a multi-method, it minimized the limitation.

The time dimension followed for this study is cross sectional. This implies that the study is conducted within a single period. In this study, data was collected, analyzed and results presented only for a single period. This therefore, means that the research result is not comprehensive enough to offer clearer understanding. However, because the study used a mixed approach, this limitation has been minimized.

CHAPTER FOUR

PRESENTATION OF RESULTS AND DISCUSSION OF FINDINGS

4.0 Introduction

The chapter presents analysis results based on study objectives. The results are arranged from background information of respondents to specific objectives. The background information is presented in frequencies and percentages while results for study objectives are presented in means and stand deviations. In addition, the mean and standard deviation for each statement are then discussed by relating them to earlier studies and establishing whether they support them or not.

4.1 Background information of the respondents

In order to enrich the quality of the report in analysis, the background information of respondents was considered and the variables such as; gender, age, experience in business, forms of partnership and levels of education and the form of management were analyzed and presented in tables. The details of each category of background information are presented in separate tables.

4.1.1 Gender of respondents

Gender characteristics of each respondent were analyzed and details of the results are presented in table 4.1 below.

Table 4.1 Gender characteristics of respondents

Gender	Frequency	Percentage
Male	35	58.3
Female	25	41.7
Total	**60**	**100.0**

Primary data, 2015

The above table 4.1 indicates that the majority of the respondents are males, representing 58.3 %. With the frequency of 35, while females represent 41.7% with also the frequency of 25. This suggests that males constitute majority among the respondents in the study.

4.1.2 Age group of respondents

The study also analyzed age groups of respondents. Details of the analysis are presented in table 4.2 below;

Table 4.2 Age Group of respondents

Age	Frequency	Percentage
Below 18	2	3.3
30 – 40	16	26.7
41 – 50	24	40.0
Above 51	6	10.0
Total	**60**	**100.0**

Source: Primary Data, 2015.

Table 4.2 shows the results of the analysis of age group of respondents. It shows that the majority of the respondents are in age group 41-51 years, representing 40%, followed by those in age group of 30-40 years, representing 26%, while the age group with the lowest number in the study is that of below 18 years with only 2 respondents. This implies that the majority of the respondents who participated in the study were those in adult stage.

4.1.3 Education level of respondents

The study also analyzed the education level of respondents in category. A detail of the results is as presented in table 4.3 below.

Table 4.3 Education level of the respondent

Education level	**Frequency**	**Percentage**
UPE	6	10.0
UCE	16	26.7
UACE	17	28.3
Diploma and certificate	11	18.3
Degree and above	9	15.0
Others specify	1	1.7
Total	60	100.0

Source: Primary Data, 2015.

In table 4.3 above, it is indicated that the majority of the respondents are UACE holders with a percentage of 28%, followed by those holding UCE, representing 26.7%. The study also establishes that 15% of the respondents hold degree certificates while 18.3% hold diplomas. The study also found out that only 10% of the respondents completed UPE. This however, indicates that the literacy level of the respondents is reasonable to transact business.

4.1.4 Experience gained in business

The study assessed the level of experience gained in conducting business and the results are presented in table 4.4 below.

Table 4.4 years in conducting the business.

Years in business	Frequency	Percentage
Below 5 years	22	36.7
Between 5 – 10	24	40.0
Above 10 years	14	23.3
Total	**60**	**100.0**

Source: Primary Data, 2015.

The above table 4.4 indicates the number of years and corresponding frequencies respondents spent in business. The results show that majority of the respondents have been in business between 5 and 10 years, followed by those who have been in business in less than 5 years. Only 23.3% of the respondents have been in business above 10 years. This result established that, up to 63.3% of respondents have over 5 years experience in business, implying that they are familiar with the kind of business they manage and possess reasonable experience about business management.

4.5 Mortgage Loans and Performance of SSB

This is one of the study objectives on which data was collected and analyzed. The results of analysis for different statements are presented in form of mean and standard deviation as shown in table 4.5 below.

Table4.5 Mortgage loans

Details	N	Min	Max	Mean	S.D
Acquired mortgage loans	59	0	1	0.24	0.429
Knowledge about loans	14	2	5	4.21	0.802
Operation about mortgage loans	14	2	5	4.07	0.802
Mortgage loans being beneficial	14	1	5	3.57	1.158
Loan repayment	14	1	4	3.79	0.802
Appropriate interest	14	2	5	4.00	0.961
Ability to raise funds	14	1	4	2.86	1.099

Source: Primary Data, 2015.

4.5 Acquisition of Mortgage Loans

Table 4.5 showed that the response on acquisition of mortgage loan has a mean of 0.24. This implies that the respondents agreed with the statement on acquisition of mortgage loans from any commercial banks. It further implies that the respondents in this study have not been acquired mortgage loans for their businesses. However, in this presentation, there was a low standard deviation of 0.429 which indicates that the respondents gave varying responses about the mortgage loans, and this could be due to different reasons as to why they don’t acquire mortgage loans from commercial banks.

This is in line with Ward and Hall (2012) who emphasizes that there are complex mortgage terms associated with higher fees paid to mortgage brokers, especially by less educated households.

4.5 Knowledge about mortgage loans

Based on the details in table 4.5 above, the mean is 4.21 which imply most of the respondents have knowledge about how mortgage loans operate, and they seem to have agreed with the statement, this also implies that most of the respondents in the study were aware about the procedures of acquiring mortgage loans from commercial banks.

However, the responses appear to vary as shown by the standard deviation of 0.802, implying that the respondents had varying opinion about the knowledge they have on mortgage loans. This could also mean that the rest of the respondents have never bothered to acquire knowledge about mortgage loan or have low interest in it.

This finding is supported by Schwartz (2006), who affirms that mortgage borrowers normally fail to understand the terms of their mortgages.

4.5 Operation of mortgage loans

From the table above4.5, the respondents seem to agree that operation of mortgage loans is easily understood by them as evidenced by mean scores of 4.07which are tending towards the maximum score of 5. The responses did not vary as much as shown by the standard deviations of

0.829, which proved that the respondents were satisfied by the operation of mortgage loans from commercial banks.

Although the above standard deviation implies that different opinions were given by different respondents who concluded that they face greater risks of banks objectivity.

This finding seems to agree with Hongbo, (2009)who explains that SSBs face greater risks in operation, they usually operate in a short period, their probability of exiting from the market is high, which increases the risks of banks objectively.

4.5 Benefit of mortgage loans

In the above table 4.5, respondents were asked about the usefulness of mortgage loans and their responses showed a mean of 3.57. This indicated that the respondents agreed with the statement that the mortgage loans are beneficial to the growth of their small businesses. They however, showed variations in responses by the standard deviation of 1.158, implying that they had varying responses about the statement like the financial system of the economy being destabilized that leads to inflation.

This finding seems to agree with, Greenstone (2012) who stated that the Americas' financial system destabilized their economy when there was a crisis of mortgage loans in United States of America.

4.5 Mortgage loan repayment

Further still, in Table 4.5 above, respondents were asked about repayment of mortgage loans and their responses showed a mean of 3.79. It implied that the respondents agreed with the statement of payment of loans on time back to the commercial banks in the study. On the other hand, the variation in their statement showed a standard deviation of 0.802, which indicates that the respondents gave varying responses about the loan repayment and different reasons of their delayed loans repayment to the commercial banks despite the fact that they knew the lenders' documented policies which stipulates the prerequisites that a borrower must have before accessing a loan and his or her ability to repay it. Similarly, although borrowers were given recommendations on a particular mortgage product they always fail to understand the policies. Attributable factor to this failure is that they sometimes become very busy in that they end up forgetting the loans rules leading to default and inability to repay on time.

This finding is in agreement with Sue (2007) who explains that lenders must have and operate in accordance with a written policy that sets out the factors it will take into account in assessing a borrower's ability to repay. Consequently, where a borrower is given a recommendation on a particular mortgage product, the firm is also required to establish the suitability of that product.

4.5 Appropriate interest rate on mortgage loans

In table 4.5, it can be seen that the mean from the above statement is 4.00, which implied that the respondents agreed with the statement on the relevance of the interest on the mortgage loans being appropriate when obtained from commercial banks. This shows that the respondents in this study have ever acquired mortgage loans at a low interest rate. However, in this discussion, the standard deviation of 0.961 indicates that the respondents gave varying responses about high interest rates charged by commercial banks.

This finding seemingly agree with Lausadi, (2004) and Desney, (2009) who articulated that commercial banks interest rates are generally much higher than other financial institutions loans, which reflects high risk business credit.

4.5 Raising funds for repayment of mortgage loans

Table 4.5 above, shows that the mean is 2.86 which indicates that the respondents disagreed with the statement of the business being able to raise funds for repayment of the loan. This could also imply that the respondents in the study have not been able to raise funds to repay mortgage loans to the commercial banks or due to low security required, commercial banks are not willing to increase the loan funding. These explanations justifies the reason as to why the standard deviation is high at 1.099 which shows that most of the respondents gave varying respondents in regard to the statement above as to why they fail to raise funds to pay mortgage loans.

This finding is in keeping with Addotei (2012) who attributed the problem to banks unwillingness to increase loan funding without an increase in the security given yet the SSB owners who are often entrepreneurs and sole proprietors may be unable to provide the required security thereby, leading to stagnation of growth and in certain instances unable to expand to enjoy economies of scale necessary to serve their potential of being an engine of national growth and are thus collapsing.

4.6 Secured loans and Performance of SSB

Table 4.6 Secured loans

Details	N	Min	Max	Mean	S.D
Knowledge about loans	9	3	5	3.78	0.667
Operation of loans	9	2	5	3.56	0.882
Obtaining from bank	9	3	4	3.56	0.520
Interest charged	8	2	4	3.25	0.707
Loan repayment time	9	2	5	3.44	1.014
Benefits of the loan	8	4	5	4.38	0.518

Source: Primary Data, 2015.

4.6.1 Knowledge about secured loans

According to the above table 4.6, it shows that the mean is 3.78 which signifies that the respondents agreed with the statement of having knowledge about the secured loans they obtain from the commercial banks, through reading news papers like New Vision, commercial banks articles and attending workshops. However in this presentation, there was a low standard deviation of 0.667 which indicates that the respondents gave varying responses about having knowledge about secured loans, for example, lack of experience or capacity to assess the information about the assets their securing like their businesses or other aside assets.

This finding is in agreement with Sue Edwards (2007) who asserts that consumers who are the small scale business operators lack the experience or capacity to properly assess information about financial products or assets they have secured with the commercial banks. More significantly, Adegbite (2009) argues that, another critical issue in securing loans from any formal credit institutions is lack of knowledge on the part of small scale business operators, on how to prepare and present a loan application to a bank and what specific information the bank might require.

4.6.2 Operation of secured loans

The above table 4.6 shows that the mean is 3.56 which mean that the respondents understand how secured loans operate by agreeing with the statement of operation of secured loans. This indicates that the respondents are well sensitized about them by the commercial banks before they are acquired especially the way how to generate profits from their businesses and keep paying the discussed amount to the commercial bank accounts of loan repayment. However in this presentation, a low standard deviation of 0.882 implies that, the respondents provided differing responses about the knowing the operation of secured loans, most of the respondents explained that they don’t understand how secured loans operate because they are younger and have not coped up with the industry operations, lack of confidence in securing credit and also less collateral for acquiring secured loans which makes not bother of knowing how secured loans operate.

This finding is supported by Karma (2012) who clarifies that almost 60% of small scale businesses do not apply for credit especially of secured loans since they lack of confidence in securing credit. Such businesses are also known as discouraged, tended to be younger and aren’t captured by the industry associations.

4.6.3 Obtaining secured loans from the bank

From the table above 4.6, the respondents seem to agree with the statement of obtaining secured loans from any commercial banks. This is evidently shown by the average score of 3.56 that was attained from the responses with a standard deviation of 0.527. This means that the respondents themselves are able to obtain secured loans from commercial banks. However, the standard deviation indicates that the respondents had different opinions about the statements of obtaining secured loans and also gave varying responses about the secured loans saying that they face complications in applying for secured loans and also considering the procedures they pass through to get the loans not forgetting the fact that relationship and behaviors of different lenders vary. Some are rough and harsh especially when they go to visit their assets in far villages from the Kakoba division town.

This finding is supported by Yitayal (2004), who explains that the situation has been manifested in the form of prescribed minimum loan amounts, loan terms, complicated application procedures and restrictions on credit for the specific purposes and conditions imposed by lenders. Also Laderman (2013) adds that, there has been a strong negative relationship between small business lending and distance between the center of the census tract in which a borrower is located and the nearest office of the lender thus, distance operates as a statistically and economically significant deterrent to lending within local markets.

4.6.4 Appropriate interest rate on secured loans

With reference to table 4.6, it shows that the mean is 3.25; this designate that the respondents agreed with the statement on the relevance of the interest on the secured loans being appropriate when obtained from commercial banks.

However, in this discussion, there was a standard deviation of 0.707 which indicated that the respondents in Kakoba Division in Mbarara Municipality gave varying responses about the interest rate charged over the secured loans they acquire from the commercial banks. For example the respondents agreed that they usually pay a lower interest rate when they borrow money on a secured basis since they are always carrying a lesser risk and when they fail to pay, the commercial banks always sell off the collateral to pay the balance off than being jailed for years. This justifies the reason as to why there is a low standard deviation of 0.961 from the responses that were given by the respondents. However, this standard deviation implies that the respondents gave various opinions about the statement stated above saying that when they sometimes borrow when there is a lower interest rate mainly on promotion but then later the interests promotion ends after some months and the commercial banks adjust the interest basing on the present inflation leading to the increase of the interest rate hence, they fail to pay back the loan and their assets are sold off.

This finding concurs with Young (2014) who explained that many finance companies or commercial banks charge the high interest rates immediately when the promotion for the secured loans has expired and this affects the borrowers especially small scale business operators and also some retail stores charge the highest legal interest rate when extending credit.

4.6.5 Repayment of the secured loans on time

According to table 4.6 the mean of 3.44 points out that most of the respondents supported the statement that they are able to pay the secured loans on time, this has been supportive to respondents in Kakoba division in Mbarara municipality in their small business operations. However, in this presentation, the standard deviation was 1.014 which indicates that some of the respondents gave varying responses about the secured loans, in the event that they fail to pay back the loans their assets are taken up by the commercial banks.

Since most respondents operate on a small scale, they earn less as their profit yet some times the commercial banks give them a very short period of time to repay back the loan or the assets they secured with the loan have to be sold off hence, finding it tough to repay in time. Another reason was most small scale business operators lack enough security to use to acquire secured loans from the commercial banks leading to their failure to repay back the loans on time.

This finding agrees with Kasekende and Opondo, (2003) who affirms that, small scale businesses in Uganda suffer from constraints that lower their resilience to risk for loans without enough security and prevent them from growing and attaining economies of scale. This is also supported by Yitayal, (2004) who expresses that, in some cases where required the security and provision of supplementary services do not fit the needs of the target group like small scale businesses, potential borrowers will not apply for credit.

4.6.6 Helpfulness of secured loans

The above table 4.6 shows that the mean is 4.38 which indicate that most of the respondents supported the statement that the secured loans have been helpful and led to their growth in their small business operations. This therefore, implies that, most of the respondents in Kakoba division in Mbarara municipality have been acquiring secured loans since they have been helpful to their growth; the respondents agreed that secured loans are helpful because they pay less since the loan already has a security backing it up and also, failure to pay doesn’t require much since the security is the one taken.

However, in this presentation, the standard deviation was 0.518 which indicates that the some of the respondents gave differing responses about the secured loans that commercial banks only lend money to the small scale businesses which are profitable or look profitable and operating on business plans which makes it to know their cash flows.

This finding is in agreement with Abunyuwah and Kofi (2012) who contends that, banks lend money only when they are convinced that the projects are profitable. In addition, the borrower repayment capacity is best addressed with the elaboration of a good business plan.

4.7 Business Loans and Performance of SSB

Details	**N**	**Min**	**Max**	**Mean**	**S.D**
Knowledge about loans	3	2	5	4.00	0.947
Operation of loans	3	2	5	3.63	0.964
Obtaining from bank	3	1	5	3.73	1.048
Interest charged	2	2	5	3.10	0.939
Loan repayment time	3	1	5	3.27	1.337
Benefits of the loan	3	2	5	3.77	0.774

Source: Primary Data, 2015.

4.7.1 Knowledge about business loan

With the above table 4.7, it shows that the mean is 4.00 which entail that most of the respondents agreed with the statement of having knowledge about the business loans they obtained from the commercial banks. This arithmetically indicated that, most of the respondents had knowledge about business loans acquired through attending business workshops that were conducted by the commercial banks, visiting loans for more information about the loans. Although they been able to have knowledge about business loans, in this presentation, there was a low standard deviation of 0.947 which signifies that the respondents gave varying responses about having knowledge about business loans, most of the respondents agreed that they lack practical application of technical matters and details disregard irritation for manual and limited access to improved production technologies about business loans which makes them fail to acquire them due to the above complications.

This finding concurs with Nwoye, (2005) who posits that inadequate technical capacity to access, acquire and adapt technological knowledge and skills, lack of practical application of technical matters and details disregard irritation for manual and lack of access to improved production technologies have led to the failure of having knowledge about business loans.

4.7.2 Operation of business loans

Table 4.7 above shows that the mean is 3.63 which imply that the respondents agreed with the statement of knowing how the business loans operate right from the date of application for the loan up the payment time. This also implied that most of the respondents have become more skilled at how business loans operate. Most of the respondents said that they find it simpler to acquire business loans for their businesses since they are sensitized about their operation by the commercial banks. However in this presentation, there was a low standard deviation of 0.964 which indicates that the respondents gave varying responses about the business loans operation, and different reasons as to why they are not conversant with the operation of business loans from commercial banks, where some respondents correctively said that commercial banks always require their businesses to have been able to raise some profits and to have invested some amount of money in their businesses in order to receive business loans from commercial banks yet most of them can have just started operating like three months old in the business hence, fail to acquire business loans for their operation.

This finding is supported by Charles (2011) who says that small scale businesses have relatively small size and limited resources and are weak in raising many profits, they always fail to re invest the less gained profits back in the businesses for them to sustain their operation.

4.7.3 Obtaining business loans from the commercial banks

According to table 4.6, the mean is 3.73 which implies that the respondents agreed with the statement of obtaining business loans from any commercial banks, this showed that most of the respondents have been able to obtain business loans from commercial banks since they have provided a section of giving reasonable business loans by providing to them soft loans to small business operators, they are flexible to evaluate credit using techniques based on primary information. However, in this presentation there was a standard deviation of 1.048 which indicates that the respondents had different opinions about the statements of obtaining business loans and also gave varying responses about the business loans saying that most of the time, commercial banks do not give them business loans since they are small, not having quantitative information, and even they always need soft loans that commercial banks do not give because they prefer lending to large companies and industries.

This finding is supported by Allen and Berger (2010) who posits that loan officers at large banks are hypothesized to focus on lending to large, transparent firms using their comparative advantages in lending technologies based primarily on “hard” quantitative information that the loan officers may credibly communicate to others in the bank such as financial ratios from certified audited financial statements, collateral values, and credit scores. Loan officers at small banks have more flexibility to evaluate credit using techniques based primarily on “soft” qualitative information that is difficult to quantify and communicate by the loan officers such as personal knowledge about the subjective circumstances of the firm, its owner, and its management.

4.7.4 Appropriate interest rate on business loans

With allusion to table 4.7, with the mean 3.10; it indicates that the respondents agreed with the statement on the relevance of the interest on the business loans being appropriate when obtained from commercial banks. This is verified by most of the respondents in Kakoba division in Mbarara municipality to have been able to pay back the business loans on the interests they are offered by the commercial banks who explained that the lenders (commercial banks) effectively monitor the performance of their businesses. This is to ensure that their businesses are abiding by the initial terms of the contract which the interest is agreed upon with the bank. Businesses which are making satisfactory business progress their success is attributed to the necessary means available to ensure that the interests of the lender is being respected and has helped the small scale operators to accept the interest subjected to them on the business loans they acquire from commercial banks.

However, in this discussion, there was a standard deviation of 0.939 which indicates that the respondents gave varying responses about the interest rate charged over the business loans they acquire from the commercial banks. However, most small scale business operators lack transparency in their operations which make them fail to follow the norms of commercial banks. Notably, because small scale businesses experience greater instability in their profitability from their transactions, their survival rate is much lower to be relied on even when they have to repay using the given interest rate, hence they find quite inflexible to agree with the given interest rates.

This finding is in agreement with Harvie (2011), who elucidates that, commercial banks and other financial institutions effectively monitor the performance of their borrowers (small scale business operators) and ensure that they abide by their initial terms of the contract. Consequently, making satisfactory business progress requires necessary monitoring means to ensure that the interests of the lenders are being respected although such monitoring is difficult due to lack of transparency in the operation of SSBs.

4.7.5 Repayment of the business loans on time

According to table 4.7, the mean is 3.27 which points out that most of the respondents supported the statement that they are able to pay the business loans on time. Most of the respondents explained that commercial banks assesses the respondent's businesses by looking at how much profits they can generate over a given period of time and how much credit should be given to them to inject into their business without forgetting to give them a reasonable payment time basing on the profits they make in their business operations. However in this presentation, the standard deviation was 1.337 which indicates that the some of the respondents gave varying responses about the business loans. The reasons they gave as to why they fail to pay back the loans on the agreed time were because their businesses grow slowly and it's hard to accumulate credit. They further asserted that they don't have a wide financing channel which makes them fail to pay the loans on time.

This finding seems to agree with Hongbo (2009) who explains that the macro environment in which SSBs live at present has a relative economic surplus. As a result, SSBs grow slowly and it is hard to accumulate a higher credit. They do not have a wide financing channel; they mainly depend on state-owned banks. However, the state-owned commercial bank does not enter the market completely. Therefore, with this worry, commercial banks usually set restrictions for issuing loans for the repayment of business loans and raising funds for the loan repayment.

4.7.6 Benefit of business loans to the businesses

The above table 4.7 shows that the mean is 3.77 which indicate that most of the respondents supported the statement that the business loans were helpful and have helped them increase their operation in the businesses. Therefore, this implies that most of the respondents have acquired a business loan since they are helpful to their growth. The respondents agreed that a business loan increases access to credit for small businesses in underserved markets. Also, a number of lenders that can make loans in underserved markets utilize the underwriting knowledge and technical assistance services of mission-oriented enders to manage risk in small business loans.

However, in this presentation, the standard deviation was 0.7741 which indicates that the some of the respondents gave varying responses about the business loans, when they fail to pay back the loan and their assets are taken by the commercial banks.

This is in line with Dimitar et al., (2014) who affirms that commercial banks are hampered by the lack of lender information and regulatory support to engage in small scale business lending.

4.8 Business growth and the performance of SSB

Table 4.8 descriptive statistics

Details	N	Min	Max	Mean	S.D
Sales growth registered	60	1	5	3.57	1.015
Sales generated	60	1	5	3.80	0.777
Cash generated	60	1	5	3.92	0.850

Source: Primary Data, 2015.

4.8.1 Sales growth registered over the years

According to table 4.8 above, it shows that the mean is 3.57 which imply that the respondents agreed with the statement of having registered the sales over the years especially those that have 5 years and above. This also implied that most of the respondents in have been able to register more sales over the years explaining that they have accumulated revenues and profits which are useful resources for growth of small scale businesses, earned experience and competence levels in business which has influenced their performance and growth leading to their development. However in this presentation, there was a low standard deviation of 1.015 which indicates that the respondents gave varying responses about the sales they have registered over the years, and different reasons as to why they have registered less sales over the past years, small scale businesses scarcely grow and the sales are always a low profit margin from what is being sold hence, it's always hard for the business to reap much profit and sales.

This finding is agreement with Edusah (2011) who explains that although growth and the performance of small scale businesses has been credited and considered to be the most important measure to small scale business survival. It has been argued that Small Scale businesses scarcely grow rather they stagnate and most of them eventually die off mainly before their first birthday.

4.8.2 Sales generated by the business

With reference to the above table 4.8, the mean is 3.80 which implies that the respondents approved the statement of the sales generated by their businesses have accumulated by monitoring the change in Income, change in Inventory Level and improvement in Business Assets, though, in this presentation, there is a standard deviation of 0.777. This indicates that the respondents gave different responses about the increase in the sales generated within the small scale businesses and having different opinions like having generated fewer sales in the operation period, all the profits being used to pay the taxes and rent, having seasonal buyers due to limited access to differentiated market forces and end up operating in low-income segments which limits their sales hence affecting the business sales growth.

This finding seems to agree with Sengendo et al., (2001) who says that limited access to differentiated markets forces SSBs to operate in low-income market segments, which limits their sales/ profits as they compete for the same customers.

4.8.3 The cash generated by the business has grown

The above table 4.8 indicates the mean to be 3.92 which implies that the respondents agreed with the statement on the cash generated by the business has grown. This also implied that most of the respondents have been able to generate cash growth in their businesses by accumulating savings in commercial banks, being able to pay off debts and loans. However in this presentation, there was a standard deviation of 0.850 which indicates that a few of the respondents gave varying responses about the cash generated by the business to have grown. This could also mean that they had different opinions on the statement like having debts from friends, loans from the commercial banks that have not yet been repaid, withdraw of cash from the business for personal duties and lack of source of finance to inject in their businesses has led to less cash generation.

This finding seems to agree with Akingunola, (2011) who explains that many instances have been identified that have led to the failure of the small scale businesses, lack of access to relative cheap and effective source of finance have been identified as the major factors hindering their contribution to economic growth.

4.9 Sustainability

Table 4.9 descriptive statistics

Details	N	Min	Max	Mean	S.D
Run uninterrupted business	60	1	5	3.72	1.136
Increase in size and branches	60	1	5	3.15	1.191
Future promising business growth	60	2	5	4.43	0.745
Obligation payment in time	60	2	5	4.37	0.663

Source, primary data 2015

4.9.1 Running uninterrupted businesses

According to table 4.9 above, the statement on running a sustainable business was asked and the responses show a mean of is 3.72 implying that the respondents agreed with the statement. This also suggests that majority of the respondents who participated in the study were able to run their own businesses with no interruptions. However, in the responses also show a high standard deviation of 1.136 which indicates that the respondents had different opinions about them running businesses with interruptions like limited access to finance, unfavorable system of taxation and inadequate provision of public services like roads, electricity and piped water.

This finding seems to agree with different authors who state that SSBs' limited performance has been associated with limited access to finance (Johnson and Nino-Zarazua, 2011), inadequate provision of public services (Svensson and Reinikka, 2001), unfavorable system of taxation, high regulatory burden (Keefer, 2000) and corruption (Svensson, 2002) hence their businesses are highly interrupted.

4.9.2 Increase in size and branches

In table 4.9 above, the mean or statement on increase in size of branches was asked and the mean is 3.15 which indicate that the respondents agreed with the statement of their businesses increasing in size and branches. However in this presentation, there was a standard deviation of 1.191 which indicates that the respondents gave varying responses about their businesses increasing in size and branches, and some respondents confirmed that they have failed to open up branches because of technical inefficiency in their businesses like credit facilities, extensive infrastructure.

The finding is supported by Adeyemi and Sidikat (2011), who explain that there are high levels of technical inefficiency, which reduce the small business potential output levels significantly and failure to sustain the businesses.

4.9.3 Promising future business

The table 4.9 above shows that the mean is 4.43 which imply that most of the respondents agreed with the statement of the future of the business look promising. However in this presentation, there was a low standard deviation of 0.745 which indicates that the respondents gave varying responses about their businesses having a future promise due to insufficient capital, lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, and lack of proper book keeping, which indicates that most small scale businesses end up failing to have a long last or see their first birthday.

This finding seems to agree with Adeyemi (2011) who explains that many factors have been identified as likely contributing factors to the failure of the small businesses to long last in business which include; insufficient capital, lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping. Also Ayanda (2011) expresses that most SSBs in developing countries die within their first five years of existence. She also revealed that smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent of young companies survive, thrive and grow to maturity

4.9.4 Payment of obligations in time

Table 4.9 above, it shows that the mean is 4.37 this means that most of the respondents agreed with the statement that the business pays all its obligations in time. However in this presentation, there was a low standard deviation of 0.663 which indicates that the respondents had different opinions about the statement of the businesses being able to pay for all the obligations since they use their personal income to inject in the business, payment of higher taxes yet the businesses generate less profits and income to be used for the payment hence failure of the business to pay for its own obligations.

This finding concurs with Al-Yahya and Airey (2012) who contends that with government inefficiencies and burdensome regulatory obligations severely hampers SSBs ability to survive.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the findings that are presented in chapter four based on the study objective which is effect of commercial bank credit and the performance of small scale businesses. It also presents the study conclusions on the findings as well as the recommendations.

5.1 Summary of the findings

The study was to investigate the relationship between the commercial bank credit (independent variable) and the performance of small scale businesses (dependent variable). The broad and specific objectives are summarized and discussed below.

5.1.1 Mortgage loans and the performance of small scale businesses

From the analysis carried out of the research findings, it is revealed that many of the small scale businesses have the ability to acquire mortgage loans since they have knowledge about their operation and the interest rates subjected on mortgage loans being low. However there are varying despondences from different respondents' opinions that some commercial banks have complex mortgage terms associated with higher fees payment to mortgage brokers, especially by less educated households. This is supported by some researchers who found out that most of the small business prefer other financial institutions to commercial banks when acquiring mortgage loans like SSACOs,

5.1.2 Business loans and the performance of small scale businesses

From the research findings it is found out that small scale business have the ability to acquire business loans from the commercial banks basing on the profits they acquire form their businesses. They always use the business loans as working capital mainly to source raw materials for their businesses (stock) that help their business growth. Though it is also revealed that the business loans got from commercial banks are used for settling debts, commercial banks always require their businesses to have been able to raise some profits and to have invested some amount of money in their businesses in order to receive business loans from commercial banks yet most of them can have just started operating hence they fail to acquire the loans.

5.1.3 Secured loans and the performance of small scale businesses

Research findings showed that small scale businesses in Uganda suffer from constraints that lower their resilience to risk for loans without enough security and prevent from growing and attaining economies of scale. This has made many small business to be discouraged from borrowing funds from commercial banks due to lack of security, the business are not capable to pay back since most of them are not secured. It was also divulged that small scale businesses are charged high interest rates immediately when the promotion for the secured loans has expired and this affects them especially small scale business.

5.1.4 The performance of small scale businesses

From the research findings about small scale businesses, it is clearly shown that the businesses are growing at a very fast rate and this has been observed through how businesses have been able to register more sales through accumulation of profits and revenue, earning of experience and competence of how to run small businesses which has influenced their growth and performance.

The sustainability of the small scale business has been discovered through increase of business size and branches, having a promising future business. It was also established that majority of the Small and Medium Enterprises are able to recompense the loans they acquire from commercial banks, and that the SSBs have played a big role in the economy.

5.2 Conclusions

From the findings it is noticeably evident that, small business operators can acquire bank credit from commercial banks since it seen that bank loans help in the overall improvement of their performance and it could also be concluded that bank loans also mostly improves SSBs performance.

Another conclusion that could be drawn is that, there is a major disadvantage of accessing a bank secured loans because of the high cost of capital (interest rate) charged mostly on SSBs. Most commercial banks classify SSBs as high risk thus high tendency of default leading high interest rate charges. Also all respondents indicated that loan application procedures are a major disadvantage of accessing bank loans.

About the sources of finance it shows that there are a number of financing source which gives an opportunity to the business people to chose which is convenient for the that is where they will be able to easily abide with the rules and the condition which will not affect their business in the long run when they are back the charges. However the business people need to be sensitized or educated more about what is needed, the benefits, the implications and the process how to get the funds in case one wishes to get money from any sources.

Most of the respondents agreed that the undue pressure on mortgage loan repayment is a negative impact of acquiring mortgage loans on their performance. It can also be concluded that one advantage of taking a bank loan is that its less risky, per face-to-face interview, some business customers explained that for some banks for example, in the event of default or not being able to repay loan on time, the bank next move is usually to restructure the loan repayment, be it date or monthly payments, to suit the current state of the business making it more flexible and also less risky since their collateral or security that was given to the bank because of the loan application is not confiscated unlike other micro finance institutions.

Additionally, basing on the research findings, the researcher also found out that borrowers find it simpler to acquire business loans for their businesses since they are sensitized about their operation by the commercial banks, financial management advice obtained from business relationship managers in their day to day interactions with owner-managers of the SSBs helps in efficiently managing their businesses when they acquire business loans.

In conclusion, there is no doubt that access to commercial bank credit plays a great role and of significance in the operations of small scale businesses despite of all the challenges the SSBs encounter. It is agreed to that the two variables need to work hand in hand in order to improve on the operations and growth of the economy.

5.3 Recommendations

The Bank should find ways of reducing the ungainliness of loan application procedures by revising the complex terms associated with higher fees paid, terms of mortgage borrowing and also reducing on the mortgage loan analysis time. The credit officers and staff members who respond to loan enquiries should be well trained to be competent enough to answer all issues so that SSBs are not frustrated to go and come back on several occasions.

Loan officer's at commercial banks should focus on lending to large, transparent firms using their comparative advantages in lending technologies based primarily on "hard" quantitative information that the loan officers may credibly communicate to others in the bank such as financial ratios from certified audited financial statements, collateral values, and credit scores. This can be controlled by advising loan officers to be more when evaluating credit using techniques based primarily on "soft" qualitative information that is difficult to quantify and communicate by the loan officers such as personal knowledge about the subjective circumstances of the firm, its owner, and its management.

Many customers to commercial banks lack the experience or capacity to properly assess information about financial products or assets they have secured with the commercial banks due to the complexity of financial products or assets and the relatively low level of consumers' financial capability create an information imbalance that may mean consumers cannot make informed decisions or exercise much influence on the way that lenders and intermediaries behave. This can be solved through sensitization, workshops and attending to customers regularly.

There is insufficient knowledge on the part of small scale business operators, on how to prepare and present a loan application to a bank and what specific information the bank might require. This can be sorted out through teaching the small scale borrowers on how to use the applications or getting some staff to help them fill.

The oath of secrecy between the commercial banks and its customers in acquiring loans is another area is required to enhance trust.

5.4.3 Best Practices To Use Loan Effectively.

It's recommended that Best practices should be shared with SSBs on how to efficiently manage disbursed loans. This will let them realize good returns on their investments. It will also benefit the bank in terms of loan recovery, since SSBs will be able to repay their loans promptly.

5.4.4 High interest rate of SSB loans.

SSBs are the engine of growth for developing economies like Ghana. Bank loans are usually one of the fastest means of acquiring credit for SSBs. This credit is what helps them in boosting their business and in effect economy growing as a result. Thus the cost of such loans should be reviewed downwards to enable smooth repayment and increase in the demand for loans by SSBs to enable growth in their business which will in effect affect the economy as a whole positively.

5.5 Limitations of the Study

There are a number of limitations associated with this study. First, the obtained data were mainly from respondents' perspectives who were mostly owner-managers of small and medium enterprises. Also questionnaires were formulated based on face-to-face interactions with owner-managers of small and medium enterprises, bank relationship managers and some officers from the credit department.

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Appendices

Appendix I: Questionnaires

Dear respondent, this is a research being carried out by Lilian Namata the undergraduate student in Business Administration and Management of Uganda Martyrs University. The research is being carried out to establish the effect of commercial bank credit on the performance of small scale businesses with the case study of Mbarara municipality. The research is purely for academic purposes.

Be assured that the information you give will be treated with at most confidentiality.

SECTION A

Back ground information about respondents

Gender: 1. male ☐ 2. Female ☐

Age: 18 and below ☐ 19 – 29 ☐ 30 – 40 ☐ 41 – 51☐ above 52 ☐

Education level

1. primary education ☐
2. Ordinary level ☐
3. Advanced level ☐
4. Diploma or certificate ☐
5. Degree and above ☐
6. Others specify ☐

Experience in business in years

1. below 5 years ☐
2. Between 5 years and 10 ☐
3. above 10 years ☐

Form of business or partnership

1. Sole proprietorship ☐
2. Partnership ☐
3. Limited company ☐
4. Others specify ☐

Form of management

1. Owner – managed ☐
2. Employee managed ☐

Performance of the loans acquired from commercial banks

Strongly disagree (1), Disagree (2), neutral (3), Agree (4), strongly Agree (5)

Statements	**1**	**2**	**3**	**4**	**5**
Mortgage loans					
You have knowledge about mortgage loans					
You know how they operate					
You have ever taken a mortgage loan					
The mortgage loan was helpful to your business					
You repaid the loan on time					
The interest on the mortgage loan was appropriate					
Your business was able to raise funds for repayments of the loan					
Secured loans					
You have knowledge about secured loans					
You know how they operate					
You have ever obtained a secured loan for the business					
The interest charged on the loan was appropriate					

You repaid the loan on time					
The loan helped you in business growth					
Business loans					
You have knowledge about business loans					
You know how they operate					
You have ever obtained business loan from the bank					
The interest on the loan was appropriate					
You repaid the loan on time					
The loan was helpful to your business					
The loan helped in your business growth					
Business growth					
Your business has registered growth in sales over the years					
The amount of sales your business generates have increased					
The cash generated by the business has grown					
Sustainability					
You have run an interrupted business activities for many years					
The business has increased in size and branches					
The future of the business looks promising					
Your business pays all its obligations in time					

INTERVIEW GUIDE

Dear respondent;

Dear respondent, this is a research being carried out by Lilian Namata the undergraduate student in Business Administration and Management of Uganda Martyrs University. The research is being carried out to establish the effect of commercial bank credit on the performance of small scale businesses with the case study of Mbarara municipality. You have been identified as one of the respondents who can provide relevant information for this study. Your identity and information you provide shall be treated with utmost confidentiality and will be used for academic purposes only. I am requesting you to kindly participate in this study by responding to the following questions.

1. Please provide an explanation about the external financial assistance you have obtained for your business;
   a) Mortgage loans………………….
   b) Business loans…………………..
   c) Secured loans……………………..
   d) Any others specify……………………
2. Could you explain the performance your business in terms of;
   a) Sales
   b) Liquidity
   c) sustainability

Appendix II: Table for Determining Sample Size from a Given Population

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

Note: “N” is population size

“S” is sample size. From : Krejcie, Robert V., Morgan, Daryle W., “Determining Sample Size for Research Activities”, Educational and Psychological Measurement, 1970.

Appendix III: Introductory letter

Uganda
Martyrs
University

making a difference

Office of the Dean
Faculty of Business Administration and Management

Your ref.:
Our ref.:

Nkozi, 6th January, 2015

To Whom it may Concern

Dear Sir/Madam,

Re: Assistance for Research:

Greetings and best wishes from Uganda Martyrs University.

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

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

Thank you in advance.

Yours Sincerely,

UGANDA MARTYRS UNIVERSITY
OFFICE OF THE DEAN
06 JAN 2015
FACULTY OF BUSINESS ADMINISTRATION & MANAGEMENT
SIGN:......................

Moses Kibrai
Dean

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