MICRO CREDIT SCHEMES AND THE PERFORMANCE OF SMALL SCALE ENTERPRSES IN UGANDA

A CASE STUDY OF VISION FUND UGANDA – BUWAMA

BY

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DEDICATION

This thesis is dedicated to all those courageous men and women especially my mother Mrs. Yiga Hadijah who has dared to step out of the dominant culture of resignation and mediocrity and endeavor to create the life of her dreams. I honor and salute her existence.

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I thank the Almighty God, the provider of knowledge and wisdom for seeing me through my studies and for enabling me to undertake my research successfully, without His grace I would not have made it.

I am grateful for the inspiration and wisdom of many thinkers and for trans-generational sources and roots of this wisdom.Interdependence is a higher value than independence.

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May the Almighty Lord bless you abundantly!!

Table of contents

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

AMFIU:	Association of Micro-finance Institutions of Uganda
USAID:	United States Agency for International Development
PAP:	Poverty Alleviation Programs
MFI:	Microfinance Institutions
SMEs:	Small and Medium Enterprises
MSMEs:	Micro, Small and Medium Enterprises
IFC:	International Finance Company
GDP:	Gross Domestic Product

ABSTRACT

This study investigated the role of micro-credit schemes' activitieson performance of SMEs in Uganda. The specific objectives of the study were; to investigate the impact of micro-credit loan terms on the performance of small scale business, to assess the impact of micro-credit savings on performance of small scale business and to examine the impact of micro-credit training schemes on performance of small scale business. The study used a comprehensive literature review based on the study objectives. The study also adopted the cross-sectional study design with quantitative and qualitative research techniques. A total sample size of 101 respondents was used with the help of Self-administered questionnaires and face to face interviews. Univariate descriptive frequencies that were used included frequencies, tables and graphs. Bivariate analysis was performed with the use of Pearson Chi-square (X^2) test to establish the relationship of the categorical variables.

From the study, it was revealed that micro-Credit loans have helped them start some income generating businesses and that the schemes enable Quick decision making without the red tape as compared to banks and that the small loans have enhanced technology adoption, productivity and growth. The study also proved that Microcredit Savings can help the SMEs to buy assets which can be used as collateral for bigger loans and that it enables poor ones with little or no savings to acquire inputs for their small businesses. It can also be seen from the study that clients are able to get training in business and related skills and that credit trainings guarantee effective use of credit and improvements in productivity. Finally, it is recommended that the government needs to supplement efforts of microcredit institutions and allow more microcredit institutions to operate in all areas of the country especially the rural areas so as to meet the increasing demand of their services in such areas. It was also recommended that microcredit institutions should also establish programs that sensitize SMEs on performance improvement through training and educating the communities on how to save and gain.

CHAPTER ONE: INTRODUCTION

1.0 Introduction

Micro credit institutions are organizations that provide savings and credit facilities to micro and small scale business people. These institutions provide financial services to poor people who have experienced difficulties obtainingthese services from most formal financial institutions because their businesses, savings levels and credit needs are all small.

The evolution of Micro credit institutions in Uganda is a direct response to the failure of the past attempts by government and donor funded rural credit programs to reach poor families and landless households within the rural areas (Abbink 2002). Micro credit scheme is a fast growing and dynamic part of Uganda's financial sector but its knowledge and extent of contribution towards the economic development of the country has not been fully and widely researched into. Regardless, the following research was carried out so as to assess the contribution of such schemes by analyzing their impact on small scale businesses and how they support through these enterprises by provision of working capital loans. This survey was necessary to provide an overview with regard to the micro-credit operations, in order to enhance a better understanding of their existence in relation to small scale enterprises.

In this chapter, the researcher looked at the impact of micro-credit schemes on the performance of small scale businesses in Uganda while closely relating to Vision Fund Uganda, Buwama branch. The main target of the organization and the back ground of the study were presented so as to show what brought about the need for the study and were the purpose/ general objectives of the study were generated.

1.1 Background of the Study

1.1.1 Historical/ Theoretical Background

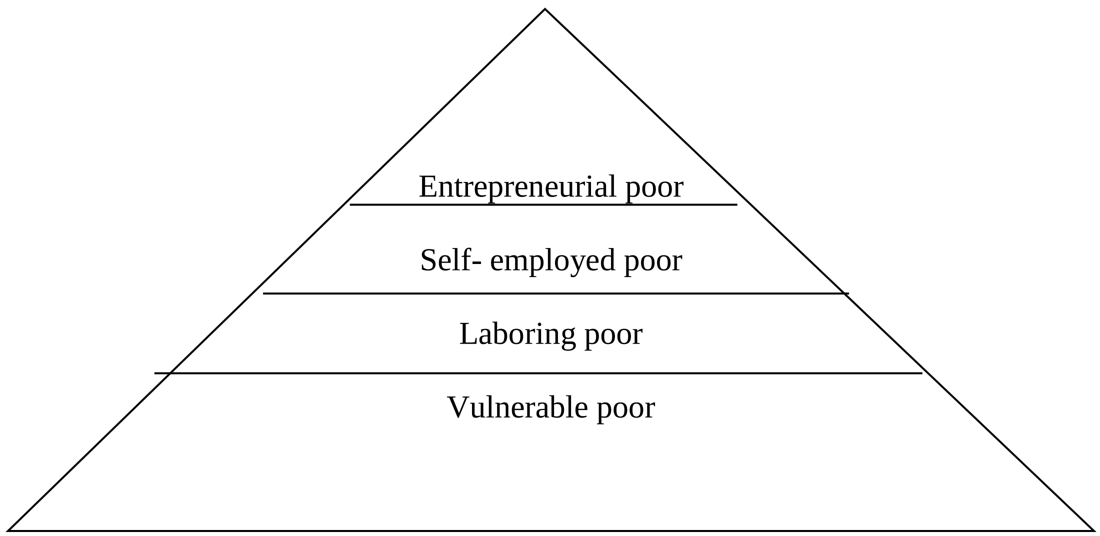
The concept of micro credit is as a result of low income earners pursuing / taking up activities that are largely ignored by the formal banking sector. It is part of the larger micro finance industry, which provides not only credit, but also savings, insurance and other basic financial services to the poor. The term 'micro' stems from the relatively small amounts of money that are being borrowed or saved. The history of micro-credit can be traced back to the middle 1800s when the theorist Lysander Spooner wrote about the benefits of numerous small loans for entrepreneurial activities to the poor as a way to alleviate poverty.

Meanwhile, in the 1970s, experimental programs in Bangladesh, Brazil and other countries extended short term loans to groups of poor women to invest in micro-businesses. This type of micro-credit enterprise was based on solidarity group leading in which every member of a group guaranteed the repayment of all members. These "micro-enterprise leading" programs had an almost exclusive focus on credit for income generating activities (in some cases accompanied by forced saving schemes) targeting very poor (often women) borrowers.

This financial innovation led to the origin of Gramen bank in Bangladesh with the micro-finance pioneer Mohammad Yunus, where it emerged successful. The Gramen Bank project, which translates literally as "Village Bank", today works in over eighty-thousand villages with more than six million borrowers. Due to its success, many traditional banking industries have begun to realize that these micro-credit borrowers. Due to its success, many traditional banking industries have begun to realize that these micro-credit borrowers should more correctly be categorized as pre-bankable.

Although micro-credit aims at alleviating poverty, it ignores the vulnerable poor and the laboring and mostly concentrates on the entrepreneurship and the self-employed poor who at least have something. In theory, the proxies for entrepreneurs' income normally on the fact that the poor people invariably live in the worst housing situation even if credit is still provided. Remeyi et ela, (1995) characterized the diversity of the poor by forming the poverty pyramid.

Figure 1.1: **Poverty pyramid**



Source: Adapted from triangle of micro finance

The bottom of the pyramid are the poorest of the poor (vulnerable), they are ultra-poor, above those are the laboring poor whose main source main source is the scale of their labour either in the market place or to themselves, the next highest stratum of the poor persons are the self-employed who are not engaged in subsistence market but producing for the same market. The apex of pyramid is the micro-credit services. They also employ possibly family members or relatives.

"Small scale enterprises worldwide have been recognized as engines of growth and development" (Harper, 1984; et al, 1997) and in many countries there has been some considerable effort to support them so as to create the necessary employment opportunities, incomes and productive capacity.

The biggest percentage of Uganda's population is engaged in small scale enterprises and is dominated by subsistence agriculture and other low income generating activities like charcoal burning, poverty, hand crafting etc. This for many years has made the country lag behind in terms of social economic development. As Roland .L. Warren 1965 states "the modern community grows more complex, people make more demands upon their problems of everyday living." Well as the government is putting up programs like Poverty Alleviation Programs (PAP) and "Entandikwa Scheme", to avert the situation, the targeted people that are peasants and other low income earners have not benefited and poverty is growing at an alarming rate.

Formal Micro-credit schemes have also been put in place. These began in Uganda in early 1990's. The early development of the sector was supported by such entities as USAID and PRESETO/Center for Micro-finance which provided training and workshops to the micro-finance institutions in the industry. The Association of Micro-finance Institutions of Uganda (AMFIU) now operates to support a sustainable network of Micro-finance Institutions and publishes a directory containing information about the most reputable micro-finance institutions. The sector now has over 25years of experience providing financial services to household in poverty and has grown to become one of the biggest microfinance industries in Africa.

1.1.2 Conceptual background

Micro credit is a broad topic that cuts across all formal and non-formal banking institutions in the world today. In Uganda, microcredit scheme programs in a number of institutions but in this study the researcher focused on Vision Fund Uganda, Buwama branch as a case study of this research. It gives out credit to rural poor maintained along the line of trust, credit worthiness, reciprocity and mutual understanding.

Micro-credit is the extension of very small or micro loans to those in poverty designed to spur entrepreneurship and small scale. They bridge the gap between the well placed and the poor with the aim of poverty eradication and provide services which banking services cannot do.

Microcredit may not be the answer to all in problems related to poverty in this country but it is an inducer to many actions that can lead to better and quality life for low income earners. Small scale enterprises are those businesses that operate under private ownership with a small number of employees or none and relatively low volume of sales.

Microcredit programs extend small loans to the small scale enterprises which in turn have an effect on the productivity and efficiently of the businesses. In terms of small business finance, a loan is a sum of money advanced to a business that must be repaid, with interest at some point in the future. Productivity refers to the volume of goods generated from a business in a given period of time. Micro-credit activities for example savings have also got an impact on the level of sales of the businesses and welfare of owners. Savings refer to part of one’s income that is not spent on consumption of goods and services whereas welfare is the general health, happiness and safety of a person or group of people.

1.1.3 Contextual Background

The researcher focused on the operational mechanisms of the micro-credit schemes with the help of Vision Fund Uganda, Buwama. This is a Microcredit Institution working in both rural and peri urban communities to reach out to people affected by poverty. Originally it was called MED-Net but later rebranded Vision Fund Uganda on 1st October, 2012. Vision Fund Uganda is nolonger an NGO or company limited by guarantee but a company limited by shares with World Vision Fund International being our shareholders.

She focused on how the schemes control and administer their loans that has been the root factor behind their success and effectiveness and how the schemes have contributed to rural house-hold development, their uniqueness or the factors that their prosper in comparison with other financial institutions like banks and then use the knowledge gained from the studyto derive a conclusion and recommendations to researchers and policy makers as to how credit can better be availed to rural people and act as an answer to rural poverty. It is therefore imperative to note that associating with micro-credit schemes now days is the main system that rural people rely on to meet their social, economic needs.

In other words, the researcher conducted the study on micro-credit scheme activities like providing short term loans, providing savings and current accounts and how they affect the impact of small scale enterprises like productivity and efficiency and on welfare of small scale business owners and also to find how effectively micro credit schemes control and administer their credit.

1.2 The Problem Statement

Micro Credit should be at the center of Micro finance Institutions operations in order to maintain financial sustainability and reaching more clients and developing SMEs. Given the significant role played by Micro-finance services in the growth of small and medium enterprises in Uganda, the Micro-credit service delivery in the country returns poor i.e. the schemes have not been financially self-sustaining and therefore they have not successfully developed. Small businesses and disappointingly very few jobs have been created thus leaving people poor.

These businesses have unstable and declining profitability and others are closed even before their first anniversary. Study shows that about 90% of Uganda Small scale enterprises collapse within 3years (Katuntu, 2005) yet they need to be the main focus since they are a driving force to economic growth and development. The prevailing operation of the conventional financial institutions in Uganda seems to be inefficient in providing financial services to the struggling SMEs. The challenge that is they are facing today is to improve the performance of these small businesses.

It is not yet clear whether micro-credit services have a significant effect on the level growth of small scale enterprises since they are experiencing world economic crisis, low level of managerial skills, and inflation among others. Therefore, the researcher was prompted to investigate the role of micro – credit on performance of small business using a case study of Vision Fund Buwuma Branch

1.3. Purpose of the Study

The purpose of the study was to determine whether micro-credit schemes' activities have any impact on the performance of small scale businesses in Uganda.

1.4. Specific Objectives

i. To investigate the impact of micro-credit loan terms on the performance of small scale businesses in Uganda.

ii. To assess the impact of micro-credit savings on performance of small scale businesses in Uganda.

iii. To examine the impact of micro-credit training schemes on performance of small scale business in Uganda.

1.5 Research Questions

i. What is the impact of micro-credit loan terms on the performance of small scale businesses in Uganda?

ii. What is the impact of micro-credit savings on performance of small scale businesses in Uganda?

iii. What is the impact of micro-credit training schemes on performance of small scale businesses in Uganda?

1.6 Hypothesis of the Study

i. Micro-credit loan terms have a positive impact on the performance of small scale businesses in Uganda?

ii. What is the impact of micro-credit savings has a positive impact on performance of small scale business in Uganda?

iii. What is the impact of micro-credit training schemes have a positive impact on performance of small scale business in Uganda?

1.7 Justification of the Study

Microcredit and the performance of small scale enterprises may not be the answer to the entire problem in poverty in this country but it's an inducer to many actions that can lead to better and quality life of low income earners. This study is justified because the performance of small scale enterprises had a great impact on the development of the economy and the standards of living of the people in the economy. Therefore, if it was not carried out, the policy makers and implementers, the house hold sector, firms and government would find difficulties as to how credit can better be availed to small scale enterprises so as to eliminate rural poverty.

1.8 Significance of the Study

To the researcher, the prime significance of the study is to fulfill the requirements for the award of a Bachelor's degree of science in Business Economics. The study was to be an increment to her knowledge on how to conduct an academic and also to help link up the theoretical concepts studied in class to the practical framework found in the field.

The research will add to the limited and scarce literature about microcredit schemes and their influence on the performance of small scale businesses. The recommendations are to provide additional guidelines to management and implementers of micro credit schemes and other financial lending institutions as regards as regards to the efficient methods of operation. It will also necessitate a revisit in their mission statement and rectify areas of weakness thus improving on the efficiency of their services. This study will also be useful to policy makers and the public as well as regarding to their viability and role in uplifting economic development with a purpose of improving the performance of small scale enterprises so as to eradicate rural poverty.

1.9 Scope of the Study

1.9.1 Geographical Scope

The study was conducted at Vision fund Uganda which is located in Mpigi district, Buwuma sub county in Central Uganda.

1.9.2 Content Scope

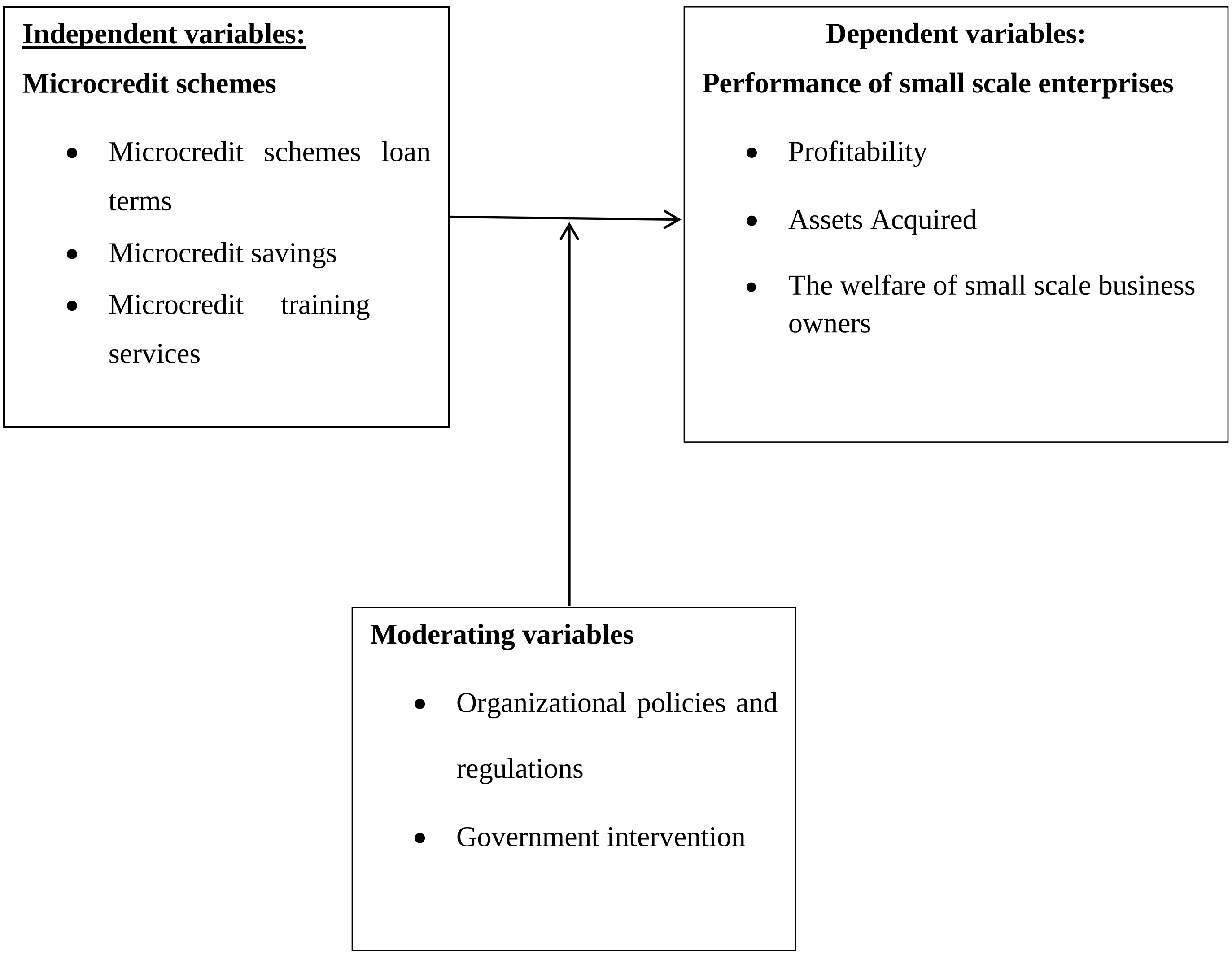
The study covered the contributions of microcredit schemes on the performance of the small scale businesses through effective loans control and administration. The study was also refocused on how micro-credit loan terms, micro-credit savings and micro-credit training schemes affect performance of small scale business.

1.9.3 Time Scope

The researcher was mostly interested in the time period between 2010 and 2014 when conducting her research basing on how much microcredit schemes have influenced the activities of small scale businesses that use its services.

1.10 Conceptual Framework

Figure1. 2: Conceptual frame work showing the impact of micro credit on performance of small scale enterprises



Source: Adopted and modified from Chijoriga, M. and Cassimon (1997)

The conceptual framework describes the relationship between the independent variables and the dependent variable. In this conceptual framework, a micro credit scheme which is the independent variable are broken down, into microcredit schemes loan terms, Microcredit savings and Microcredit training services impact on performance of small Scale business which is the independent variable while performance of SMEs is represented by profitability, assets Acquired and the welfare of small scale business owners. The conceptual frame work is modified and developed basing on Chijoriga, M. and Cassimon (1997). In this study, it is assumed that micro credit schemes have a significant impact on the performance of SMEs; however other factors that affect the relationship are referred to as intervening variables which include organizational policies and regulations, and government intervention.

1.11 Definitions

Microcredit

These are financial services where small amounts of money are loaned to the poor or those in poverty designed for use as capital to start and expand small scale businesses as well as entrepreneurs. Micro credit is a component of Micro finance which means provision of small loans to poor families in order to smooth the progress of them engaging in productive activities or small scale businesses. (Chimbaba, K. 2013)

Small scale businesses

These are businesses that are privately owned and operated with a small number of employees and relatively low volume of sales. The legal definition of “small” often varies by country and industry, but is generally under 100 employees in United States of America while under 50 employees in European Union (Chijoriga, 2000). These businesses are normally privately owned partnerships or sole proprietorships.

Micro-credit loan

This is a sum of money advanced to a business that must be repaid, with interest at the some point in future. Microcredit is basically a small loan that is to say ranging between US$35 to US$200, provided to clients living in poverty so that they can set up small-scale businesses that are proficient of generating income. The loan could then be repaid using the profit generated by the enterprise. (Chibamba, 2009)

Productivity

This refers to the volume of goods and services generated from a business in a given period of time.

Poverty

This is a situation when people cannot obtain the minimum basic needs of life. Typical microcredit clients are low-income persons that do not have access to traditional formal finance institutions. In rural areas, they are usually small farmers and others who are engaged in small income generating activities such as food processing and petty trading. However, in urban areas, micro credit activities are more diverse, including shopkeepers, service providers, artisans, street vendors, etc. (Graham, & Wright, 1999). Therefore, Microcredit clients are the poor and the vulnerable non-poor who have a relatively stable source of income. However, they are restricted from accessing convectional formal financial institutions for many reasons which are directly related to low incomes. Hence, the poorer one is, the less likely that such a one would have access even to Micro finance Institutions (MFIs). Conversely, the chances are that, the poorer one is, the more expensive or difficult informal financial arrangements (local money-lender).

Savings

These are part of one's income that is not spent on consumption of goods and services.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This chapter reviews the existing literature on key micro finance concepts, looks at the nature of services offered by Microcredit schemes, identifies the indicators of economic activities growth and evaluates the contribution of Microcredit schemes to performance of small scale businesses. In consistency with the study objectives and research questions, the review was made, under three main streams namely; the Microcredit schemes loan terms, Microcredit savings and Microcredit training services and their relationship with the performance of small scale enterprises.

2.1 Micro credit schemes

Lenders have a role to play in loan use if it has to be used effectively. (Baltrop and McNaughton 1992) advocated for a credit policy framework for the entire credit management process. Policies are a cornerstone for sound credit management and so the set objectives, standards and parameters to guide bank officers who grant loans and manage the loan portfolio. One of the most important policies to be followed by the Lenders is the legibility criterion.

2.1.2 Microcredit Services

Micro credit refers to small loans, whereas micro finance is appropriate where NGOs and Microcredit schemes supplement the loans with other financial services like savings and insurance (Hulme .D et ela 1997), therefore micro credit is a component of micro finance in that it involves providing credit to the poor, but micro finance involves additional non-credit financial services such as savings, insurance, pensions and payment services (Okiocredit, 2005). The provision of micro credit services focuses on three core dimensions of poverty alleviation. These are centered on the terms "Promotion" (promotion of individuals and households out of poverty) and "Protection" (protection of people from vulnerability because of fluctuations of income) Rogaly (1999).

The Microcredit enterprises offer Organizational/ Enterprise Development facilities by assisting people individually and in groups, to access financial services to start and grow enterprises which can sustain them and their families above the poverty line. This is mainly done through the provision of access to Microcredit services, for building up self-employment, in form of loans at interest free, low interest and market rates (Rogaly et ela 1999). Making inexpensive credit available to the rural poor has been a key to breaking the vicious circle of low capital, low productivity and low savings thus overcoming poverty.

They also offer loans for Consumption and Asset Development which help beneficiaries to build up asset bases for their families or consume certain products that they would not consume if they were earning low incomes (transport, meals, and weddings). This may be enhanced through encouraging of Savings especially using low or no fee small deposit savings accounts. Saving is at least as important, if not more so, than loans in the effort to help households to accumulate resources (Shreiner and Morduch, 2001). Savings are financial assets that the poor can accumulate against emergencies and long term needs.

Insurance and Income Protection services are also offered such that people protect themselves from income fluctuations and become financially protected from life misfortunes (illnesses, death, accidents) Through Insurance, that is by raising of distress funds and forming of small scale insurance cooperatives, Microcredit schemes can assist individuals and groups to become more financially secure. Savings can also act as guarantee against outstanding loans and are mandated payments especially for emergencies.

Other Micro finance services that are offered by Microcredit schemes include provision of:- Financial Literature by training people to develop basic financial competencies which can be used to guard their assets from being eroded by misusing the already available resources. Counseling and Financial Management which help people develop debt management skills to avoid loan defaulting which can lead to loss of the securing assets or collateral security.

2.1.3 Micro and Small scale Enterprises

The small scale enterprises nomenclature is used to mean Micro, Small and Medium Enterprises. It is sometimes referred to as micro, small and medium enterprises (MSMEs). The small scale enterprises cover non-farm economic activities mainly manufacturing, mining, commerce and services (URT etela 2003). According to Kessy and Urioetela 2006, small scale enterprises can be defined as a productive activity either to produce or distribute goods and or services, mostly undertaken in the informal sector. A micro-enterprise is one with fewer than five employees, a small enterprise with 5-49 employees, a medium enterprise with 50-99 employees and a large enterprise with more than 100 employees. Capital investments range from less than Ugsh 5 million to over Ugsh 800 million. This definition would exclude a number of informal economy enterprises, peasant farmers, and Ugandans engaged in lower-level income-generating activities (URT etela 2003).

Small scale businesses all over the world are known to play a major role in socio-economic development. URT (2003) estimates that about 1/3 of the GDP ; they tend to be labour intensive thus creating jobs: the International Finance Company (IFC) of the World Bank estimates that there are approximately 2.7 million enterprises in the country. A large majority of these (98%) are micro enterprises (employing less than 5 people), effective in the utilization of local resources using simple and affordable technology; and complementing large industrial requirements through business linkages, partnerships and subcontracting relationships Olomi, (2001); URT (2003).

2.2 Empirical Review

2.2.1 The impact of micro-credit loan terms on the performance of small scale business

The key characteristic of microfinance entails little amounts of loans which are given to individuals and groups to help them start some income generating activities. Little savings over time is also an integral aspect of microfinance as it serves as security for the poor households and also helps them accumulate substantial capital to overcome their capital constraints. The loan which are given out are also short- terms loan which is usually up to the term of one year. (Shetty, 1996)

Micro-credit loans enable SMEs to have faster access to finance and credit as compared with banks. They can be able make decisions quickly, without the red tape that banks have to contend with. The availability of information will contribute significantly towards improved turnaround time for financing approvals. The MFIs contribute to faster processing of credit applications. Hence, decisions can be made more efficiently and quickly to benefit the SMEs.

According to Navajas et al (2000), the professed goal of micro loan schemes is to improve the performance of the small Businesses as a result of better access to small loans. Diagne and Zeller (2001) argues that lack of adequate access to credit for the SMEs may have negative consequences for various outcomes including technology adoption, productivity and growth . Access to credit therefore affects welfare outcomes by alleviating the capital constraints on SMEs hence enabling those entrepreneurs with little or no savings to acquire business inputs.

This reduces the opportunity costs of capital intensive assets relative to family labour, thus encouraging the adoption of labour-saving, higher-yielding technologies and therefore increasing productivity of the businesses. Access to credit in addition increases the SMEs 'risk-bearing ability, improves their risk-copying strategies and enables consumption smoothing over time. By so doing, Micro credit loan schemes are argued to improve the performance of small enterprises (Balkin, 1992).

The World Bank Report (2003) realized that majority of the Small business entrepreneurs only lacked some capital to tickle off and make investment achievements by attaining the necessary investment decisions. However, Chein (2003) observed that MFIs provide financial resources to the entrepreneurs to supplement on their incomes and capital for business ventures. Therefore, the SMEs are able to make business at profit due to source of capital.

Pandey (1993) documented that borrowed capital in form of venture capital had helped the performance of small enterprises. It had helped the rehabilitation of sick units (business enterprises) because a number of small enterprises were sick even before the commencement of production. It had generally acted as a business incubator for the new and young small enterprises that were seeking to grow rapidly.

Barnes (1996) argued that loan funds assist SMES to better manage its existing asset base or reduce its liabilities and that access to a loan help to absorb any emergency and eventualities say on consumption or otherwise thus enabling them to meet unexpected demands for cash without having to sell or pawn key income generating assets.

Mayoux (2001) states that micro credit loan services contribute to the smoothing out of peaks and troughs in income and expenditure thereby enabling the SMEs to cope with unpredictable shocks and emergencies. When loans are associated with an increase in assets, when borrowers are encouraged to invest in low-risk income generating activities and when the very struggling young entities are encouraged to save; the vulnerability of the very poor is reduced and their poverty situation improves.

2.2.2 The impact of micro-credit savings on performance of small scale business.

According to Shetty (1996) saving behaviour is fundamental aspect of human survival particularly in SME owners in rural areas where incomes are unsecured. He noted that, agricultural production is seasonal because the period of income flows and expenditure are different. In here, the intervals between income and expenditure and funds available to carry over from one period to the next, provides good potential for mobilization of saving in urban area. Long term financial security starts with a regular savings plan for emergencies unexpected bills, replacement of needed home items and the purchase of special goods/services, such as college education.

Once a micro credit saving component has been established, additional money saved may be used for investments that offer potential returns. Recent World Bank household country studies in Sub-Saharan Africa showed that, rural households in Africa have higher average and marginal propensity to save. One scholar observes that, certain amount of savings must be readily available to meet individual or family needs (Kapoor et al, 2000).

A study revealed by Bailey's (2001) states that saving is the key benefit that a member gets from the organization because a member is enabled to get a loan. SACCOs being established by micro-business in the rural areas and urban areas have raised the standard of living for the people, provision of financial services to all vulnerable groups including women, the youth and the disabled..

Mutesasira (1997) argues that the provision of loans to the SMEs forces them to save and that the money saved at a time is very small but after some time the money accumulates and it helps the client to buy assets which can be used as collateral for bigger loans or the savings can be used to start-up income generating activities. Similarly, Getubig (1997) and Jeff (1997) agree with Mutesasira (1997) that most MFIs require compulsory savings as a condition for receiving a loan and that compulsory savings should probably be seen as part of the cost of the loan rather than as a deposit in the true sense of the word.

According to Navajas et al (2000), the professed goal of savings is to improve the performance of SMEs as a result of better access to small loans. Diagne and Zeller (2001) argues that lack of adequate access to credit savings for the poor may have negative consequences for various household level outcomes including technology adoption, agricultural productivity, food security, nutrition, health and overall welfare.

Access to savings and credit therefore affects welfare outcomes by alleviating the capital constraints on SMEs, hence enabling poor ones with little or no savings to acquire inputs for their small business..

It is worth noting that impact of micro credit savings can’t be ignored in funding structure as it contributes to its financial growth and increased outreach to the communities which improves the performance of SMEs (Campion and White, 2001).

Micro credit Savings plays a role in both outreaches of MFIs to the Small Business (Robinson, 2004). Savings is a source of relatively cheap funds because it normally attracts low interest rates compared to commercial loans. Savings also provides relatively less costly information during loan appraisal process and it may also improve corporate governance of the MFI and increased outreach to the small business which improves their performance in the long run.

Inadequate access to credit by the poor has been identified as one of the contributing factors to business enhancement. To redress the issue, the policy of increasing access to both production and consumption credit by the SMEs has been articulated. It is for this reason that the government credit programs are to be wound up and all recovered funds from such schemes will be channeled to sustainable MFIs that can help the SMEs to easily access credit services. This leaves the delivery of microfinance services entirely on the private sector, with government only playing the role of policy formulation and provision of an enabling macroeconomic environment for the private sector (Ledgerwood, 1999)

Lack of savings and capital make it difficult for many small business people to undertake productive employment generating activities. In response to missing credit markets for the rural, microfinance institutions (MFIs) have attempted to bridge the gap by extending small loans for income generating business/purposes. Informal finance involves savings, borrowing and lending activities. It also involves short term small loans and deposits, operates without collateral, provides easy entry and quick access to credit and is not regulated by formal laws. Informal finance caters to specific needs of clients, and the funds are locally generated and circulated within the group or community (Binswanger and Khandker 1995).

2.2.3 The impact of micro-credit training schemes on performance of small scale business.

Micro-credit training schemes is an area of some debate and while many MFIs focus solely on providing financial services, they are often referred to as minimalist MFIs; others often labeled 'credit-plus' MFIs do provide additional components such as training or education to borrowers as well because they believe that SMEs face more than just financial constraints in their business. For example, entrepreneurs who would like to expand their enterprises or enter newer more dynamic fields may face lack of access to markets, low technology levels, be illiterate or semi-literate, and may lack training in business and related skills (Robinson, 2004).

Indeed the addition of Micro-credit training schemes has been justified as a means of guaranteeing effective use of credit and improvements in productivity and income for entrepreneurs of small business, as well as being necessary to overcome a variety of non-financial barriers that they may encounter (Mark, 2001)

Credit trainings are meant to for empowerment and organizing people, particularly around credit and building capacities to manage money for their business. The focus is on getting the small entrepreneurs to mobilize their own funds, building their capacities and empowering them to leverage external credit (Shetty, 1996)

Campion and White, (2001) noted that long-term, on-call advice and technical assistance for problems as they come up can be more effective than once-off, up-front training courses meant to prevent possible problems. On-call advice is also less costly because problems that do not crop up are not treated and because people who end up not starting businesses are not trained. This scenario is put forth as thus: Business entrepreneurs are able to get outright advice as they confront any business issue in the field.

Rahman (2000) revealed that most small-scale entrepreneurs lack adequate knowledge about loans. Again they lack knowledge of how to manage the loans if they access the same. Anecdotal evidence is plentiful in describing the stories of the poor turning into budding entrepreneurs starting grocery stores, handicraft shops, and other businesses as a result of microfinance business training. Therefore the micro credit training schemes are of great importance to the SMEs

Additional education on business training is an important factor that has to be focused on by many business organizations. This ranges to form of human capital education, experience, and entrepreneurship. Self-employment in SMEs requires a wide range of skills, attitudes, and habits. The people most likely to succeed are older, highly-educated, and have experience in self-employment or in wage jobs in the same field (Spalter-Roth, and Zandniapour, 1994)

Training aims to equip SME owners with the human capital management skills needed to compete in the marketplace through advice about the risks of micro enterprise and alternatives such as wage jobs (Arabsheibani, *et al*., 2000). They also help the small business owners to acquire skills in with writing business plan, General business skills, such as taxes, accounting, strategic planning, and pricing and assistance with legal compliance and licensing for specific businesses among others

Kapoor et al, (2000) pointed out that the critical element of micro credit training schemes is to help clients understand whether or not they are suited as entrepreneurs. Good training helps participants to assess their assets. Micro-enterprise training should first help people to get more education. For one thing, making a plan forces participants to sit down and ask themselves some tough business questions.

Micro credit training schemes attempts to provide the practical knowledge to do the myriad of little things it takes to start and sustain an enterprise (Balkin, 1992). The lives of micro- and small-scale entrepreneurs are influenced by factors internal and external to their households and businesses. Through participation in microfinance training programmes, micro-entrepreneurs benefit from small loans and acquire basic skills in business management and other forms of training. These benefits increase the choices available to them and, therefore, anticipation in such programmes provides certain advantages to clients, in terms of the growth and stability of their businesses, improved household wellbeing and greater empowerment.

According to Chen, (1996), the training also enhance the ability of SME owner to fully understand the concepts of business management is a core component in the success of business for it enables the business entrepreneur to plan his or her business. He or she can forecast demand and supply and manage the business assets and will project and assess whether business is making profits or not

Usually training is provided in small business administration, basic accountancy, bookkeeping, and marketing. Although training may be on-going it is generally only given once before the entrepreneur receives his or her first loan. In addition, there is also a concern that too many of the same types of business may be established – for example, too many dressmakers or too many small grocery stores, thereby flooding the local market. Therefore, some MFIs are concerned with encouraging entrepreneurs to diversify into new business opportunities (Carole, 2002)

According to Mayoux (1999), many economies establishes sustainable microfinance institutions that offer financial services and training programs geared to the needs of SMEs, undereducated business owners who either operate a small business or would like to start one.. Thus, it has important to always provide, where loans are given to poor in combination with various forms of skills and business training, elementary education for the children of participants, health care, social development services, and the creation of grassroots organizations for the benefit of improving the performance of SMEs.

CHAPTER THREE: METHODOLOGY

3.0 Introduction

In this section, the researcher describes how the study was carried out by studying the research design, sampling techniques and procedures, data collection methods, data collection instruments, study variables and their measurement, pretesting for validity and reliability, data processing and analysis, model specification, model estimation, presentation of results and ethical issues.

3.1 Research Design

Amin (2005) asserts that a research design is a plan used while conducting a research study. The study used a cross sectional research design approach considering both quantitative and qualitative research approach. Quantitative research approach refers to the systematic empirical investigation of social phenomena via statistical, mathematical or numerical data or computational techniques (Given, and Lisa, 2008). The researcher used qualitative approach to yield an unbiased result that can be generalized to some larger population. Qualitative research approach is used to collect non – numerical data. This involved direct interaction with individuals on a one on one basis through individual interviews. Quantitative methods were used because they provide empirical support for such research hypotheses. For that reason, this research study used both the qualitative and quantitative techniques of data collection.

3.2 The Study Population

The study populations included the administrators of Vision Fund Uganda including the managers. It also will involve the use of a sample of the stake holders of small scale businesses that use the services of Vision Fund Uganda micro-credit services. The researcher considered a population of 6 administrators including the loans officer 3 and 120 stake holders of small scale business owners that use micro credit services.

3.3 Area of the study

The researcher carried out her research in Vision fund Uganda which is located in Buwuma in Central Uganda. The study location was used because of its proximity of the respondents and their ability to cooperate with her.

3.4 Sampling Methods

The researcher involved convenient sampling techniques or simple random sampling method to ensure limited or biased information. Stratified sampling was also be used to determine the sample size.

3.5. Sampling Size

Under convenient sampling, the researcher chose respondents because of their proximity that is to say ease with which she can reach them and their ability to volunteer. Under purposive sampling, the researcher chose respondents who are able to give information that is reliable for the study. The researcher also used the probability sampling design where each respondent was given equal opportunity to be part of the sample thus the managers too were consulted for more information especially how their skill affects the small scale enterprises.

Table 3.1: Sample size and sampling procedure

Category of respondents	Population(N)	Sample size	Sampling technique
Managers	**6**	**6**	**Convenient**
Loans officer	**3**	**3**	**Convenient**
Stake holders (SMES)	**120**	**92**	**Stratified Sampling**
Total	**129**	**101**	

3.6 Data Sources and Types

Primary data refers to data collected for the first time. This was collected through the use of questionnaires, and interviewing the respondents from Vision Fund Uganda. This data that was collect was more reliable and up to date.

Secondary data is data that has already been collected by somebody for some reason other than the current study. A lot of secondary data was collected in this research especially in literature review and reference chapters. It was used to get a new perspective on the current study, to supplement on the primary data already collected.

3.7 Data Collection Methods and Instruments

According to Amin (2005), both qualitative and quantitative methods of data collection are ideal for triangulation purpose and to capture in depth information from the respondents. During data collection, the researcher used questionnaires, interview guide and documentary review as data collection methods.

3.7.1 The questionnaire

The questionnaire method of data collection refers to a compilation of questions which helped the researcher gather the necessary research data for the study (Hartono, 2013). This involved the design of questions in line with the designed research objectives. The questionnaires were both close ended and open ended.

3.7.2. Documentary Review

This majorly involved review of relevant literature and secondary literature mainly from journals and the internet on micro credit schemes and their effect on small scale businesses in Uganda.

3.7.3. The interview guide.

This involved the use of interview guides where she gathered data through verbal interaction with participants, that is, stake holders. The interviews were face to face involving the researcher and the respondents. The researcher evaluated the sincerity and insight of interviewers by using different respondent's i.e. the owners of different small scale businesses that involve themselves in the use of Micro credit services.

3.8 Reliability and Validity

The above instruments proved reliable because they were repeatedly used to measure trait or concept from the same respondents even by other researchers. The reliability of the questionnaire, interview guide and documentation review were pretested by administering them to the researcher's peer groups and making corrections and ensuring face validity and consistency with research questions.

In this study, reliability and validity tested through piloting and it started when the researcher drafted questions and asked friends to give comments and suggestions. The questionnaireswere finally presented in the field and the researcher took the questionnaires and gave them to a small number of respondents with similar characteristics as those that are interviewed during the actual survey. The data was collected and feedback that was gotten that used to test for validity of the data through determining which questions were modified, deleted or added so that predetermined objects are captured.

3.9 Data Analysis

Data was recorded and edited for completeness, legibility, consistency, classification and uniformity for analysis. During analysis, data will be practically studied to make it relevant to the study.

3.9.1 Univarate analysis.

This involved analysis of single a variable at a time and its attributes. The variables that were analyzed included for example sex of the respondents, education of the respondents. The univariate descriptive frequencies that were used included frequencies, tables, pie charts and histograms.

3.9.2 Bivariate analysis.

This involved finding out the relationship between each independent variable (Microcredit schemes loan terms, Microcredit savings and Microcredit training) and Dependent variables (Profitability, Assets Acquired and the welfare of small scale business owners) respectively. Bivariate analysis was performed with the use of Pearson Chi square (X^2) test to establish the relationship between the variables since they are categorical. The Pearson Chi Square is given by the following;

$$\mathrm{X}^2 = \sum_{i=1}^{n} \frac{(O_i - E_i)^2}{E_i}$$

Where

X^2= Pearson's cumulative test statistic.

O_i= an observed frequency in row i.

E_i= an expected (theoretical) frequency, asserted by the null hypothesis

n= the number of cells in the table.

3.10. Result Presentation Procedure

The researcher had to code data from the questionnaires. The coding process involved constructing a coding sheet where numbers are assigned to each answer in the questionnaire with a corresponding number on the coding sheet. Statistical packages like frequency tables, Pearson correlation tables and others were also be used for data presentation. This was done with the help of the SPSS program with relation to the data collected.

3.11. Ethical considerations of the research.

It is also the role of the researcher to ensure that during the research work, all the ethics involved were respected for example the researcher made sure that all the questionnaires are filled by the intended respondents and that in choosing the respondents, the right procedure was followed without any biases for example about the sex of the respondents. The identity of individuals from whom information is obtained in the course of the research was strictly confidential. No was a subject of the research without his/her freely given consent that he/she would participate in the study. Therefore, this research was conducted with utmost level of integrity basing on information or data to be collected from respondents. The information collected did not have negative/bad impact on the company settings and the community as a whole. Data was kept with confidentiality

3.12. Limitations.

Financial constraints were faced since the study involves many field visits to tap the primary data. In addition to that, some respondents asked for money and forms of appreciation before they are allow participating in the study.

Time: the researcher experienced time constraint in data collection, analyzing of data, and in final presentation of the report. However, the researcher overcame this problem by ensuring that the time element is put into consideration and that all appointments agreed upon with respondents are fully met.

Non responses was also another big obstacle faced by the researcher since some respondents conceal some information in fear of the researcher either being tax authorities or government officials who are trying to access their business and general returns.

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND ANALYSIS OF RESULTS

4.0 Introduction

The study was undertaken to determine whether micro-credit schemes' activities have any impact on the performance of small scale businesses in Uganda. Data was collected using questionnaires and this was based on set objectives which were; to investigate the impact of micro-credit loan terms on the performance of small scale business, to assess the impact of micro-credit savings on performance of small scale business and to examine the impact of micro-credit training schemes on performance of small scale business.

4.1 General characteristics of respondents

The characteristics of respondents in terms of gender (sex), Gender, age Group and education qualificationwere as shown below.

4.1.1 Gender of the Respondents

Table 4. 1: showing the Gender of the Respondents

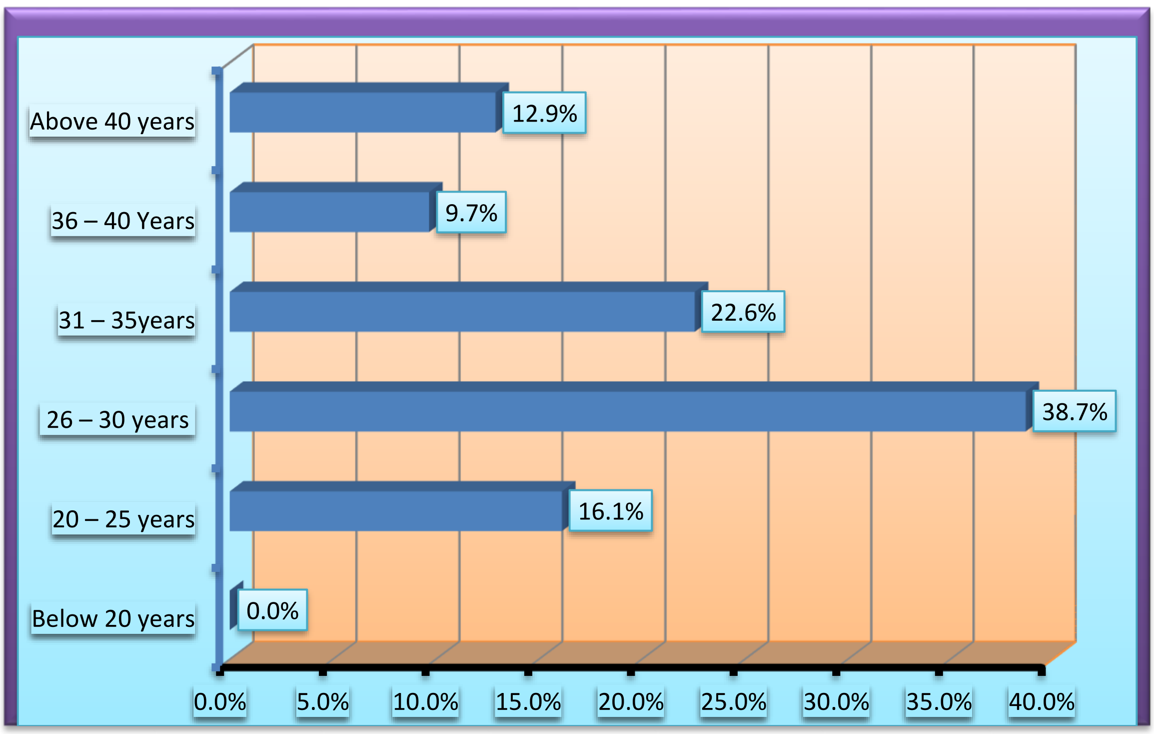
	Frequency	Percent	Valid Percent	Cumulative Percent
Male	46	45.2	45.2	45.2
Female	55	54.8	54.8	100.0
Total	**101**	**100.0**	**100.0**	

Source: Primary data from the questionnaires

Results from table 4.1 presented that the majority (54.8%) of the respondents were females while the minority (46.3%) were males. This implied that there was gender imbalance as testified from 55 female compared to the 46 male who answered the questionnaires.

4.1.2 Age bracket of the respondents

Figure 4.1: Showing the Age bracket of the respondents



Source: Primary data

Results from figure showed that the majority (38.7%) of the respondents had 26-30 years, these were followed by (22.6%) who had years ranging from 31 – 35years, then (16.1%) of the respondents belonged to the age group of 20 to 25 years, (12.9%) were above 40 years while the minority (9.7%) of the respondents had years ranging from 36 to 40 years. this implied that the largest portion of the people working at SMEs were youths which was related to the companies to recruit active and industrious workers.

4.1.3 Marital Status of the Respondents

Table 4.2: showing the Marital Status of the Respondents

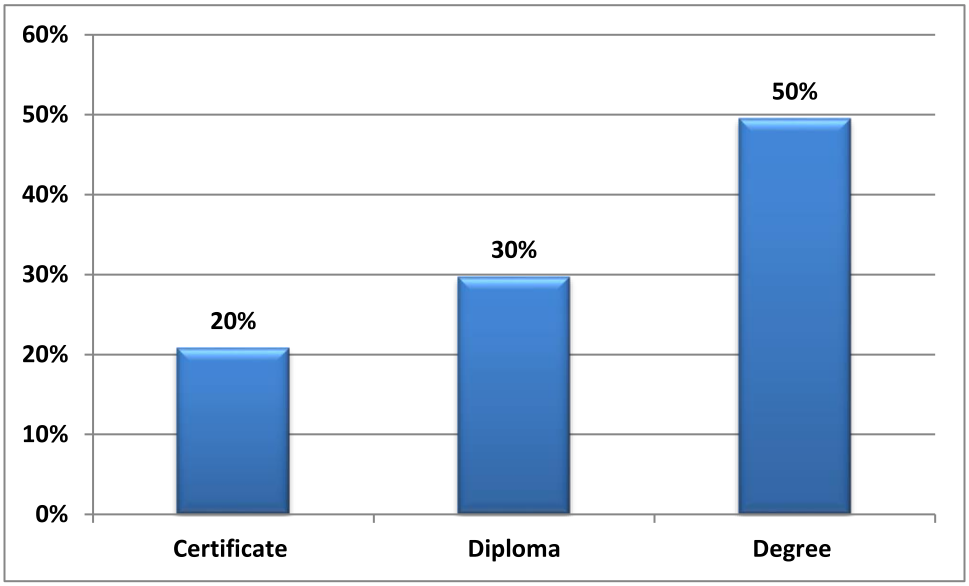
Status		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	59	58.1	58.1	58.1
	Single	26	25.8	25.8	83.9
	Divorced	10	9.7	9.7	93.5
	Widow	7	6.5	6.5	100.0
	Total	**101**	**100.0**	**100.0**	

Source: Primary data

According to table it is presented that the majority (58.1%) of the respondents were married, (25.8%) of the respondents were single, (9.7%) of them had divorced whereas the minority (2.5%) of the respondents were widowed. It was witnessed from the above table that the most respondents were married implying they had various responsibilities and roles to play in their families. This helped the researcher to obtain unbiased data since information was received from various groups with varying views.

4.2.4 Education Qualification of the Respondents

Figure 4.2: Showing the Education Qualification of the Respondents



Source: Primary data from questionnaires

According to the results from figure 4.2 above, it is presented that the most respondents that is (50%) were degree holders, these were followed by (30%) of them who had attained a diploma only, then the minority (20%) of the respondents were certificate holders. It also implied that all the employees in SMEs were all educated meaning they were intelligent and knowledgeable to the questionnaires without wastage of time.

4.2 Micro-Credit loan terms and the performance of small scale business

The loan objective of the study was to establish the impact micro-Credit loan terms on the performance of small scale businesses. The findings were presented, analysed and interpreted in percentages, frequencies and mean and standard Deviation as indicated below. They are categorized on how the respondents strongly agree, (SA), agree (A), neutral (N), disagree (D) and strongly disagree (SD), Standard Deviation (STD).

Table 4.3: Micro-Credit loan terms and the performance of small scale business

Micro-Credit loan terms	SA		A		N		D		SD		Mean	STD
	F	(%)	F	(%)	F	(%)	F	(%)	F	(%)		
Micro-Credit loan have helped us start some income generating businesses	46	45.2	42	41.9	7	6.5	3	3.2	3	3.2	4.09	1.121
They enable Quick decisions making without the red tape as compared to banks	68	67.7	29	29.1	0	0.0	3	3.2	0	0.0	4.21	1.133
The small loans have enhanced technology adoption, productivity and growth.	36	35.6	55	54.8	3	3.2	3	3.2	3	3.2	3.82	0.920
I have been able to overcome my capital constraints	49	48.4	39	38.7	3	3.2	3	3.2	7	6.4	4.13	0.867
Enables those entrepreneurs with little or no savings to acquire business inputs	59	58.1	33	32.3	10	9.6	0	0.0	0	0.0	4.19	0.923
Improves risk-copying strategies of SMEs	49	48.4	49	48.4	0	0.0	3	3.2	0	0.0	4.0	0.897

Source: Primary data

The findings of the study indicated that the majority (45.2%) of the respondents strongly agreed that Micro-Credit loan have helped them start some income generating businesses, those were followed by (41.9%) who agreed, (6.5%) of them were not sure Micro-Credit loan have helped us start some income generating businesses while (3.2%) and (3.2%) disagreed and strongly disagreed respectively. The mean score of 4.09 and Standard Deviation of 1.121 implied that most of the respondents strongly agreed that Micro-Credit loans have helped us start some income generating businesses.This was in line with (Shetty, 1996) who stressed that Little savings over time is also an integral aspect of microfinance as it serves as security for the poor households and also helps them accumulate substantial capital to overcome their capital constraints.

The study findings showed that the majority (67.7%) of the respondents strongly agreed that They enable Quick decisions making without the red tape as compared to banks, those were followed by (29.0%) who agreed, (6.5%) of them were not sure whether They enable Quick decisions making without the red tape as compared to banks while (3.2%) disagreed. The statement had a mean of 4.21 that was relatively high and depicted that the most respondents agreed that they enable Quick decisions making without the red tape as compared to banks This was in line with the findings of the interview where one of the respondents mentioned that

> "*In the availability of information will enable quick decisions to be made on the loans and this will contribute significantly towards improved turnaround time for financing approvals"*

According to the findings of the study, it was presented that the majority (54.8%) of the respondents agreed that the small loans have enhanced technology adoption, productivity and growth., (35.5%) of the respondents strongly agreed, (3.2%) of them were not sure whether the small loans have enhanced technology adoption, productivity and growth while (3.2%) and (3.2%) disagreed and strongly disagreed respectively. In comparison to the mean score of 3.82 and standard deviation 0.920, it testified respondents' positive reaction to the statement. (Diagne and Zeller, 2001) argues that lack of adequate access to credit for the SMEsmay have negative consequences for various outcomes including technology adoption, productivity and growth.

In relation to the findings of the study, it was indicated that the majority (48.4%) of the respondents strongly agreed they have been able to overcome my capital constraints and a mean score of 4.13 and 0.867 as standard deviation, (38.7%) of the respondents agreed, (3.2%) of them were not sure whether they have been able to overcome the capital constraints, (3.2%) disagreed while (6.5%) of them strongly disagreed respectively. This was in agreement with one of the respondents who pointed out that;

> *"The ability of clients to have access to credit affects welfare outcomes by alleviating the capital constraints on SMEs hence enabling those entrepreneurs with little or no savings to acquire business inputs"*

The study findings also presented that the majority (58.1%) of the respondents strongly agreed that it enables those entrepreneurs with little or no savings to acquire business inputs, those were followed by (32.3%) who agreed while the minority (9.7%) of them were not sure whether it enables those entrepreneurs with little or no savings to acquire business inputs This had a mean of 4.19 and standard deviation 0.923 which showed that most respondents agreed that it enables those entrepreneurs with little or no savings to acquire business inputs. This was in line with (Chein, 2003) who observed that MFIs provide financial resources to the entrepreneurs to supplement on their incomes and capital for business ventures. Therefore, the SMEs are able to make business at profit due to source of capital.

More to the above, it was showed that the (48.4%) of the respondents strongly agreed that itimproves risk-copying strategies of SMEs, (48.4%) of the respondents agreed with a mean of

4.0 and standard deviation as 0.897 whereas the minority (3.2%) of them were not sure whether it improves risk-copying strategies of SMEs.

4.3 Micro-credit savings and performance of small scale business

The second objective of the study was to investigate role ofmicro-credit savings on performance of small scale business. The findings were presented, analysed and interpreted in percentages, frequencies and mean and standard Deviation as indicated below. They are categorized on how the respondents strongly agree, (SA), agree (A), neutral (N), disagree (D) and strongly disagree (SD), Standard Deviation (STD)

Table 4.4:micro-credit savings and performance of small scale business.

micro-credit savings	**SA**		**A**		**N**		**D**		**SD**		**Mean**	**STD**
	F	%	F	(%)	F	(%)	F	(%)	F	(%)		
Savings can help the SMES to buy assets which can be used as collateral for bigger loans	52	51.6	39	38.7	0	0.0	7	6.5	3	3.2	4.12	1.078
It enables poor ones with little or no savings to acquire inputs for their small businesses.	65	64.5	33	32.3	3	3.2	0	0.0	0	0.0	4.22	0.988
Contributes to its financial growth and increased outreach to the communities	59	58.1	36	35.5	0	0.0	3	3.2	3	3.2	4.19	1.067
Savings are readily available to meet individual or family needs	49	48.3	36	35.5	3	3.2	7	6.5	7	6.5	4.01	0.779
Additional money saved can be used for investments that offer potential returns	62	61.3	29	29.0	3	3.2	7	6.5	0	0.0	4.20	0.718
Enables SMEs to undertake productive employment generating activities	42	41.9	46	45.2	10	9.7	3	3.2	0	0.0	3.78	0.597

Source: Primary data from questionnaires

The findings of the study indicated that the majority (51.6%) of the respondents strongly agreed that Savings can help the SMES to buy assets which can be used as collateral for bigger loans those were followed by (38.7%) who agreed while (6.5%) and (3.2%) disagreed and strongly disagreed respectively. This statement had a mean score of 4.12 and1.078 as the standard deviation which showed the majority of the respondent agreed with the statement. This was supported by the findings of the interview where one of the respondents who incremented that;

> *"The savings and e money accumulates and it helps the client to buy assets which can be used as collateral for bigger loans or the savings can be used to start-up income generating activities."*

According to the findings of the study, it was presented that the majority (64.5%) of the respondents strongly agreed that It enables poor ones with little or no savings to acquire inputs for their small business., (32.3%) of the respondents agreed whereas the minority (3.2%) of them were not sure whether it enables poor ones with little or no savings to acquire inputs for their small business. The means of 4.22 and standard deviation of 0.988 clarified that most respondents had an idea about enables poor ones with little or no savings to acquire inputs for their small business.In relation to the findings of the study, it was indicated that the majority (58.1%) of the respondents strongly agreed Contributes to its financial growth and increased outreach to the communities, those were followed by (35.5%) of the respondents agreed, whereas (3.2%) disagreed while (3.2%) of them strongly disagreed respectively and also had a mean of 4.19 with a standard deviation of 1.067. This was supported by Campion and White, (2001) who agreed that the impact of micro credit savings can't be ignored in funding structure as it contributes to its financial growth and increased outreach to the communities which improves the performance of SMEs.

From the findings of the study, it was observed that the majority (48.4%) of the respondents strongly agreed that Savings are readily available to meet individual or family needs, those were followed by (35.5%) of the respondents who agreed, 3.2%) of them were not sure whether Savings are readily available to meet individual or family needswhereas (6.5%) disagreed while (6.5%) of them strongly disagreed respectively. This had a mean score of 4.01 and 0.779 as standard deviation which depicted respondents' agreement with the statement. This was in line with(Kapoor et al, 2000) who showed that rural households in Africa have higher average and marginal propensity to save. They also observed that, certain amount of savings must be readily available to meet individual or family needs.

In addition to the above, the study findings also presented that the majority (61.3%) of the respondents strongly agreed that additional money saved can be used for investments that offer potential returns, (29.0%) of the respondents agreed, 3.2%) of them were not sure whether additional money saved can be used for investments that offer potential returnswhile (6.5%) disagreed and had a mean of 4.20 and standard deviation of 0.718 that showed a positive reaction from respondents towards the statement. This was supported by the findings of the interview where one of the respondents who pointed out that;

> *"Once a micro credit saving component has been established, additional money saved may be used for investments that offer potential returns"*

The study findings also showed that the majority (45.2%) of the respondents agreed Enables SMEs to undertake productive employment generating activities, (41.9%) of the respondents strongly agreed, (9.7%) of them were not sure whether it Enables SMEs to undertake productive employment generating activities whereas the minority (3.2%) of them disagreed. The statement also had 3.78 as the mean and 0.597 s standard deviation that showed the largest percentage of the respondents had agreed that Enables SMEs to undertake productive employment generating activities.This was in agreement with (Binswanger and Khandker, 1995) who agreed that microfinance institutions (MFIs) have attempted to bridge the gap by extending small loans for income generating business/purposes.

4.4 Micro-Credit Training Schemes and Performance of Small Scale Business

The third objective of the study was to assess the impact Micro-Credit Training Schemes on Performance of Small Scale Business. The findings were presented, analysed and interpreted in percentages, frequencies and mean and standard Deviation as indicated below. They are categorized on how the respondents strongly agree, (SA), agree (A), neutral (N), disagree (D) and strongly disagree (SD), Standard Deviation (STD).

Table 4.5: Micro-Credit Training Schemes and Performance of Small Scale Business

Micro-Credit Training Schemes	SA		A		N		D		SD		Mean	STD
	F	%	F	(%)	F	(%)	F	(%)	F	(%)		
Clients are able to get training in business and related skills	11	35.5	19	61.3	1	3.2	0	0.0	0	0.0	3.82	0.655
Credit trainings guarantee effective use of credit and improvements in productivity	17	54.8	10	32.3	1	3.2	2	6.5	1	3.2	4.13	1.022
Enhances credit and building capacities to manage money for their business	14	45.2	14	45.2	2	6.4	1	3.2	0	0.0	4.0	0.911
Clients get knowledge of how to manage the loans	22	71.0	9	29.0	0	3.0	0	0.0	0	0.0	4.62	1.072
They also help the small business owners to acquire skills in with writing business plan,	13	41.9	14	45.2	1	3.2	1	3.2	2	6.5	3.56	0.544
Good training helps participants to assess their assets	15	48.4	12	38.7	2	6.5	1	3.2	1	3.2	4.04	0.882

Source: Primary Data

The study findings indicated that the majority (61.3%) of the respondents agreed Clients are able to get training in business and related skills, (35.5%) of the respondents strongly agreed while the minority (3.2%) of them were not sure whether Clients are able to get training in business and related skills. The statement also had 3.82 as the mean and 0.655 as standard deviation which showed the largest percentage of the respondents had agreed that Clients are able to get training in business and related skills. This was supported by Robinson, (2004) who noted that financial institutions do provide additional components such as training or education to borrowers as well because they believe that SMEs face more than just financial constraints in their business

According to the study findings indicated that the majority (61.3%) of the respondents strongly agreed that Credit trainings guarantee effective use of credit and improvements in productivity, (32.3%) of the respondents agreed, (3.2%) of them were not sure whether Credit trainings guarantee effective use of credit and improvements in productivitywhile (6.5%) and (3.2%) disagreed and strongly disagreed respectively. In comparison to the mean score of 4.13 and standard deviation 1.022, it testified respondents' positive reaction to the statement.

This was supported by the findings of the interview where one of the respondents noted that;

> "*The training schemes offered are a means of guaranteeing effective use of credit and improvements in productivity and income for entrepreneurs of small business, as well as being necessary to overcome a variety of non-financial barriers that they may encounter*"

In relation to the findings of the study, it was presented that (45.2%) of the respondents strongly agreed that Enhances credit and building capacities to manage money for their business, (45.2%) of them agreed while the minority (6.5%) of them were not sure whether Enhances credit and building capacities to manage money for their businesswhile the minority (3.2%) disagreed and also had a mean of 4.0and standard deviation of 0.911. In addition, it was shown that the majority (71.0%) of the respondents strongly agreed that clients get knowledge of how to manage the loanswhile the minority (29.0%) of them agreed. The statement had a mean 4.62 that covered the (71.0%) of the respondents who strongly agreed. This was supported byRahman (2000) who incremented that most small-scale entrepreneurs lack adequate knowledge about loans. Again they lack knowledge of how to manage the loans if they access the same. Therefore the micro credit training schemes are of great importance to the SMEs

From the findings, it was also indicated that the majority (45.2%) of the respondents agreed that They also help the small business owners to acquire skills in with writing business plan, with a mean and standard deviation of 3.56 and 0.544 respectively, (41.9%) of them strongly agreed, (3.2%) of them were not sure whether they also help the small business owners to acquire skills in with writing business plan,while the (3.2%) and (6.5%) disagreed and strongly disagreed. This was enough to evident that they also help the small business owners to acquire skills in with writing business plan. One of the interviewed respondents noted that;

> *Self-employment in SMEs requires a wide range of skills, attitudes, and habits. The people most likely to succeed are older, highly-educated, and have experience in self-employment or in wage jobs in the same field*

More to the above, the findings of the study presented that the majority (48.4%) of the respondents strongly agreed Good training helps participants to assess their assets, (38.7%) of the respondents agreed, (6.5%) of them were not sure whether Good training helps participants to assess their assets while the (3.2%) and (3.2%) disagreed and strongly disagreed.The statement hada mean of 4.04 standard deviation of 0.882 which depicted the respondent's agreement with the statement. Good training helps participants to assess their assets. Micro-enterprise training should first help people to get more education. For one thing, making a plan forces participants to sit down and ask themselves some tough business questions (Kapoor et al, 2000)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter draws the summary of the findings and conclusions drawn from the study based on the findings presented in data analysis and the study objectives. The chapter also advances the recommendations, as well as identifying the areas for further studies.

5.2 Summary of the findings

5.2.1 Micro-Credit loan terms and the performance of small scale business

The findings revealed that the majority (87.1%) generally agreed that Micro-Credit loan have helped them start some income generating businesses. It enables Quick decisions making without the red tape as compared to banks and that the small loans have enhanced technology adoption, productivity and growth. It was also revealed that they have been able to overcome capital constraints ad that it has enabled those entrepreneurs with little or no savings to acquire business inputs thus improves risk-copying strategies of SMEs

5.2.2 Micro-credit savings and performance of small scale business

The study revealed that majority of the respondents (90.3%) agreed that Savings can help the SMES to buy assets which can be used as collateral for bigger loans and that it enables poor ones with little or no savings to acquire inputs for their small business. It was also revealed that it contributes to its financial growth and increased outreach to the communities and that savings are readily available to meet individual or family needs. The findings also revealed that additional money saved can be used for investments that offer potential returns and that it enables SMEs to undertake productive employment generating activities.

5.2.3 Micro-Credit Training Schemes and Performance of Small Scale Business

The study further revealed the majority of the respondents (96.8%) generally agreed that the clients are able to get training in business and related skills and that credit trainings guarantee effective use of credit and improvements in productivity. The study also revealed that trainings enhance credit and building capacities to manage money for their business and that the clients get knowledge of how to manage the loans. Micro-Credit Training Schemes also help the small business owners to acquire skills in with writing business plan, and good training helps participants to assess their assets.

5.3 Conclusions

In conclusion,micro-Credit loan have helped them start some income generating businesses. It enables Quick decisions making without the red tape as compared to banks and that the small loans have enhanced technology adoption, productivity and growth. Microcredit Savings can help the SMES to buy assets which can be used as collateral for bigger loans and that it enables poor ones with little or no savings to acquire inputs for their small business. It can also be seem from the study clients are able to get training in business and related skills and that credit trainings guarantee effective use of credit and improvements in productivity.

5.4 Recommendations

Based on this study, the researcher made the following recommendations;

It is recommended that the government needs to supplement efforts of microcredit institutions and allow more microcredit institutions to operate in all areas of the country especially the rural areas so as to meet the increasing demand of their services in such areas.

Microcredit institutions should also establish programs that sensitize SMEs on performance improvement through training and educating the communities on how to save and gain.

The SMEs clients are also recommended to attend workshops and other training services that may be availed by the micro credit institutions

5.5 Areas for further study

More study and research should be made on the following areas and topics.

The impact of micro-credit loan terms on the competitive advantage of small scale business.

The role of micro-credit trainings on the effectiveness of small scale businesses.

Micro-credit loan terms and productivity of an organization.

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Appendix I: Questionnaire for Stake holders (SMES)

Dear respondent,

I am **NALUKWAGO MARIAM,** a student of Uganda Martyrs University pursuing a Degree of Bachelor of Science in Business Economics. I am carrying out a research study on the topic of **"MICRO CREDIT SCHEMES AND THE PERFORMANCE OF SMALL SCALE ENTERPRSES IN UGANDA"**

This questionnaire is therefore intended to seek information on the above subject matter. The information is purely for academic purposes and all the answers will be handled with utmost confidentiality. I therefore humbly request that you complete this questionnaire correctly in the spaces provided or options given

SECTION A: GENERAL INFORMATION

(Please, tick the appropriate answers where options are given).

1. Gender

(a) Male ◯ (b) Female ◯

2. Age Group

(a)Below 20 years ◯ (b) 20 - 30 years ◯ (c) 31 - 40years ◯ (d) above 40 years ◯

3. Marital status

(a)Married ◯ (b) Single ◯ (c) Engaged ◯ (d) Divorced ◯ (e) Widowed ◯

4. Education qualification

(a)Certificate ◯ (b) Diploma ◯ (c) Degree ◯

(d)Others (Specify) …………..

SECTION B: Micro-Credit loan terms and the performance of small scale business.

The following abbreviations will be used:

Strongly agree **(SA),** Agree **(A),** Not Sure **(NS),** Disagree **(D),** and Strongly Disagree **(SD)**

5. To what extent do you agree with the statements in regards to the effect ofMicro-Credit loan terms on the performance of small scale business?

	Micro-Credit loan terms	**SA**	**A**	**NS**	**D**	**SD**
A	Micro-Credit loans have helped us start some income generating businesses					
B	They enable Quick decisions making without the red tape as compared to banks					
C	The small loans have enhanced technology adoption, productivity and growth.					
D	I have been able to overcome my capital constraints					
E	Enables those entrepreneurs with little or no savings to acquire business inputs					
F	Improves risk-copying strategies of SMEs					

<u>SECTION B: micro-credit savings and performance of small scale business.</u>

6. To what extent do you agree with the statements in regards to the effect of micro-credit savings on performance of small scale business?

	Micro-credit savings and performance of small scale business.	**SA**	**A**	**NS**	**D**	**SD**
A	Savings can help the SMES to buy assets which can be used as collateral for bigger loans					
B	It enables poor ones with little or no savings to acquire inputs for their small business.					
C	Contributes to its financial growth and increased outreach to the communities					
D	Savings are readily available to meet individual or family needs					
E	Additional money saved can be used for investments that offer potential returns					
F	Enables SMEs to undertake productive employment generating activities					

SECTION B: Micro-Credit Training Schemes On Performance Of Small Scale Business.

7. To what extent do you agree with the statements in regards to the effect of micro-credit training schemes on performance of small scale business?

	Micro-credit training schemes and performance of SMEs	**SA**	**A**	**NS**	**D**	**SD**
A	Clients are able to get training in business and related skills					
B	Credit trainings guarantee effective use of credit and improvements in productivity					
C	Enhances credit and building capacities to manage money for their business					
D	Clients get knowledge of how to manage the loans					
E	They also help the small business owners to acquire skills in with writing business plan,					
F	Good training helps participants to assess their assets					

Thanks very much for your cooperation

1.6Appendix Ii: Interview Guide for Managers and Loans officer

Dear Respondent,

I am **NALUKWAGO MARIAM,** a student of Uganda Martyrs University pursuing a Degree of Bachelor of Science in Business Economics and currently collecting data for completion of my dissertation. The interview I am conducting relates to "**MICRO CREDIT SCHEMES AND THE PERFORMANCE OF SMALL SCALE ENTERPRSES IN UGANDA"**

You have been selected to share with us your experience and make this study successful. The research I am conducting is basically aimed at obtaining qualitative information to compliment the quantitative information which I am also collecting from small scale business owners. Information given will be treated with utmost confidentiality and for study purposes only.

1. What are the various micro credit services offered in your institution?

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2. In your view, to what extent has micro-credit loan terms affected the performance of small scale business

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3. What are the micro-credit savings services available in your institution?

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4. How has the micro-credit savings improved the performance of small scale business

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5. What micro-credit training do you normally carry out?

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6. To what extent have the micro credit trainings been beneficial to the SME?

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7. What recommendations can you give with regards to this topic under investigation?

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Thanks for your time and cooperation