THE EFFECTS OF MICROFINANCE SERVICES ON THE GROWTH OF MICRO, SMALL AND MEDIUM ENTERPRISES IN UGANDA.

CASE STUDY: RUBAGA PARISH, RUBAGA DIVISION.

BY

BIRIKE SYLIVIA

2013-B021-20108

A RESEARCH DISSERTATION PRESENTED TO THE FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE BACHELORS DEGREE IN BUSINESS ADMINISTRATION AND MANAGEMENT

UGANDA MARTYRS UNIVERSITY-NKOZI.

April, 2016

DEDICATION

This study is dedicated to my beloved mother Mudondo Grace, and Fr Joseph Kamiza, who have supported me in doing this work. It is further dedicated to entire staff and management of Uganda Martyrs University and students community in particular as well as the business community of Rubaga Parish.

ACKNOWLEDGMENT

I thank the Almighty God for enabling me to compile this report. I wish to extend my sincere gratitude to my mother, Fr Joseph Kamiza, Uncle Ali Oloka for their financial and spiritual support to reach this success.

It is also my pleasure to acknowledge my Supervisor Lugemwa Peter for his endeavors and guidance, technical advice and support to successfully carry out the study and compile this report.

I thank the entire Academic staff and the management of Uganda Martyrs University for the good cooperation and academic guidance.

Special appreciations to my friends and relatives for their commitment in extending both financial and spiritual support and encouragements they have given me throughout the course.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS/ACRONYMS

AMFIU	-	Association of Microfinance Institutions of Uganda
BDS	-	Business Development Services
COMESA	-	Common Market for East and Southern African Countries
EFC	-	Entrepreneurs Financial Centre
MFPED	-	Ministry of Finance Planning and Economic Development
MFIs	-	Microfinance Institutions
MDI	-	Microfinance Development Institutions
MSMED	-	Micro, Small and Medium Enterprises Development
MSMEs	-	Micro, Small and Medium Enterprises
NGOs	-	Non government Organizations
SACCOs	-	Savings and Credit Cooperative Organizations
SMEs	-	Small and Medium Enterprises
UBOS	-	Uganda Bureau of Statistics
USE	-	Uganda Stock Exchange
USAID	-	Uganda States Agency for International Development

ABSTRACT

The purpose of the study was to examine the effect of microfinance services on the growth of micro, small and medium enterprises in Rubaga Parish. The study examined the detailed profile of MSMEs and MFIs. The objectives of the study were to find out microfinance services offered to the business community; examine the effect of micro credit on the growth if SMEs; establish the effect of business development on the growth of MSMEs and identify the effect of savings mobilization on the growth of MSMEs.

The study was carried out using a case study and cross sectional research design for qualitative and quantitative analysis on a sample of 73 respondents. Data was collected by use of questionnaire, interview guide and documentary review. Data was analyzed qualitatively and quantitatively using the Statistical Package for Social Scientists 16.0 (SPSS). Descriptive statistics, frequency percentages, tables, and figures were on the basis of analysis for quantitative data. Qualitative data was interpreted by composing explanations and substantiating them using the respondents open resources.

Investigations of the study found out that microfinance services provided to business community include; micro credit, savings, business development, micro insurance, money transfer through western union, and EasyPay. Micro credit affects the growth of MSMEs in that lack of collateral, short lending periods and high interest rates on loans hinder the growth of MSMEs. However, micro credit made MSMEs meet short term financial needs leading to expansion of enterprises. Business development enables MSMEs acquire managerial skills that help to sustain enterprises and savings enabled MSMEs increase their inventories, expansion, meet emergency expenses hence leading to their growth.

The conclusions of the study are; micro credit, business development and savings enhance the growth of MSMEs. It is thus recommended that managers of MFIs should establish mechanisms that can enable the MSMEs to obtain sufficient credit to invest in the enterprises.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction to the study

This study was about the effect of Microfinance Services and growth of Micro, Small and Medium Enterprises in Uganda with reference to Rubaga Parish, Rubaga Division. It is conceptualized that microfinance services micro credit, business development services and micro savings affect the performance of small or medium enterprises. This chapter presents the background of the study, problem statement, purpose of the Study, objectives of the study, research questions, scope of the study, significance of the study, justification of the study and the conceptual framework.

1.1 Background of the study

Microfinance services have become significantly important globally and more preferably at national levels in developing countries. Microfinance Institutions (MFIs) are organizations that provide financial services in terms of loans, funds at a given interest rates. The concept of microfinance is not new. Savings and credit groups that have operated for centuries include the "Susus" of Ghana, "chit funds" in India, "tandas" in Mexico, "arisan" in Indonesia, "Cheetu" in Sri Lanka, "tontines" in West Africa, and "pasanaku" in Bolivia, as well as numerous savings clubs and burial societies found all over the world.

Mbaguta (2002) indicated that “Formal credit and savings institutions for the poor have also been around for decades, providing customers who were traditionally neglected by commercial banks a way to obtain financial services through cooperatives and development finance institutions”. One of the earlier and longer-lived micro-credit organizations providing small loans to rural poor with no collateral was the Irish Loan Fund system, initiated in the early 1700s by the author and nationalist Jonathan Swift. Swift's idea began slowly but by the

1840s had become a widespread institution of about 300 funds all over Ireland. Their principal purpose was making small loans with interest for short periods. At their peak they were making loans to 20% of all Irish households annually.

According to Ledgerwood (2002), the term microfinance refers to the provision of financial services to low income client including self-employed. (IMFB 2007) microfinance is the supply of loans, savings and other basic financial services to the poor. Everyone needs a diverse range of financial instruments to run their business, build asset, stabilize consumption and shield themselves against risks. Financial services needed by the poor include working capital loans, consumer credit, savings pension insurance and money transfer services. .”

Jamil (2008) explained that microfinance is the entire flexible structures and processes by which financial services are delivered to micro entrepreneurs as well as the poor and low income population on a sustainable basis. Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

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

Microfinance in Africa has developed in different stages across the region. Financial intermediaries such as cooperatives, rural and postal savings banks pioneered the industry in the 1970s, especially in West and East Africa. In the 1980s and 1990s, the sector saw a number of donor supported credit-only, non-governmental organizations (NGOs) develop and sometimes transform into new types of non-bank financial institutions by the end of the 1990s. Today West Africa is dominated by credit cooperatives, while regulated non-bank financial institutions stand out in East Africa, and Southern Africa (Mokaddem2009).However, Africa remains one of the least developed, and the most under-banked continent. This is not a coincidence, and reflects the importance of banking as an engine for economic development.

According UBOS (2010) during the Microfinance Census 2010, the total number of functional SACCOs in Uganda is 2,063. Of these, Government has since 2008 enabled establishment of 1085 SACCOs in the same number of sub counties under the policy of one SACCO per Sub County. Before the recent increment in the number of districts from 80 to 112, the programs targeted 1085 sub counties. Of these, the program is supporting 735 SACCOs and Cooperative groups with capacity building grants. This represents 64 percent of the sub counties covered. The 735 SACCOs under the government support have mobilized total membership of 841,312 people, with over 28 billion Uganda Shillings in Savings, Loan Portfolio of 44.4 billion Uganda Shillings and share capital of 16.3 billion Uganda shillings. Microfinance Institutions in Uganda consist of money lenders, microfinance agencies, Non Government Organizations (NGOs), rural farmers' schemes and savings societies that provide savings and/or credit facilities to micro and small-scale business people who have experienced difficulties in obtaining such services from the formal financial institutions. Their range of activities include; deposit taking, savings schemes, small-scale enterprises, agriculture, real estate, group lending, retail financial services, giving advice on financial matters and training in business management.

The concept of SMEs globally is a subject of much debate as the size and the respective turnover of the SMEs vary significantly depending on the sector that they operate in. at the global level, the World Bank defines SMEs as those enterprises with a maximum of 300 employees, $15 million in annual revenue, and $15 million in assets. Waswa (2010) explained that "Small scale enterprises worldwide have been recognized as engines of growth and development" 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. Besides the evidence available about the role of small enterprises some of the reasons for them were being preferred as follows: ease of formation, capital requirements, flexibility, mobility and a variety of other factors. However, in Uganda, small scale enterprises are described as enterprises employing a maximum of 50 people with annual sales/ revenue turnover of maximum of 360 million Ugandan shillings and total assets of maximum of 360 million Ugandan shillings. Medium enterprises are described as those employing more than 50 people with annual sales/ revenue turnover of more than 360 million Ugandan shillings and total assets of more than of 360 million Ugandan shillings (Common Wealth Secretariat, 2010).

The government of Uganda has made efforts to promote Small and Medium Entrepreneurial Initiatives therefore Uganda is generally seen as the country with the most vibrant and successful microfinance industry in Africa. Some MFIs have experienced strong growth and are now reaching a considerable number of clients, with three serving between 25.000 and 45.000 clients. A number of microfinance providers are close to financial sustainability or have already surpassed it. A series of impact studies conducted in Uganda in the past years have demonstrated that the provision of microfinance services contributes to reduce client vulnerability to economic risks, results in strengthening linkages of clients and their households to the agricultural sector, and enables clients to acquire valued skills.

Small businesses often face a variety of problems related to their size. A frequent cause of bankruptcy is undercapitalization. This is often a result of poor planning rather than economic conditions - it is common rule of thumb that the entrepreneur should have access to a sum of money at least equal to the projected revenue for the first year of business in addition to his anticipated expenses. For example, if the prospective owner thinks that he will generate $100,000 in revenues in the first year with $150,000 in start-up expenses, then he should have no less than $250,000 available. Failure to provide this level of funding for the company could leave the owner liable for all of the company's debt should he end up in bankruptcy court, under the theory of undercapitalization (Edimiston, 2010).

1.2 History of the case study

Lubaga is a hill in Kampala, Uganda’s capital and largest city. It comes from the Luganda word okubaga, a process of planning or making a structure stronger while constructing it for example; okubaga ekisenge means to strengthen the internal structure of a wall while building a house. The name also applies to the neighborhood on the hill.

Lubaga is bordered by Mengo to the east, Namirembe to the northeast, Kasubi to the north, Lubya to the northwest, Lungujja and Busega to the west, Nateete to the southwest, Mutundwe to the south and Ndeeba to the southeast. The coordinates of Lubaga are: 0 degree 18’11.0”N, 32 degrees 33’11.0”E. (Latitude: 0.303056; Longitude: 32.553056). The distance, by road, from the central business district of Kampala to Lubaga is approximately 3 kilometers (1.9 mi).

However, the early missionaries had problems pronouncing the word Lubaga, as it is correctly spelled. They instead pronounced it with an “r” as in Rubaga. In Luganda, there is no word that starts with an “R” or “X” or “Q”.

Rubaga Parish is one of the parishes of Rubaga Division; central Uganda region; Kampala City Council Authority district. Rubaga Division is one the Divisions that make up the Kampala City Uganda located in the Western part of the city bordering Wakiso District in the

West and South of the Division. This area was selected for the study because it had a high concentration of SMEs and microfinance institutions which provided the basis for the study.

1.3 Statement of the problem

Microfinance industry has become increasingly important world over as a major strategy in the development agenda for poverty reduction and in the promotion of MSMESs. The industry is seen as paramount in augmenting private sector-led growth through supporting the MSME sector. The MFI's resource base can provide a platform for the growth of MSMEs, and contribute to the fight against poverty. Some studies (Holcombe, 1995, Otero and Rhyne, 1994) argue that microfinance has indeed many positive impacts.

In Uganda, the microfinance industry is playing a critical role in providing a range of financial and non-financial services to both urban and rural communities. The services are through the products such as loans, deposits taking, savings, micro insurance, money transfer services, financial education. The provision of such services is expected to contribute to the growth of MSMEs in terms of business capital, stock accumulation and increase in employment levels to improve household incomes. However, there is no adequate empirical evidence available to vindicate the contribution of microfinance service delivery in bridging the performance of MSMEs. Small studies illustrate the growth rate of micro, small and medium enterprises given the available Microfinance services. This study was therefore set to minimize the existing gaps through establishing the effects of Microfinance services on the growth of Micro, Small and Medium Enterprises a case of Rubaga Parish.

1.4 Objectives of the study

1.4.1 General Objective

To examine the effects of Microfinance Services on the growth of Micro, Small and Medium Enterprises in Rubaga Parish

1.4.2 Specific Objectives

1. To find out Microfinance Services offered by Microfinance Institutions to the business community.
2. To determine how Micro credit service affects the growth of Micro, Small and Medium Enterprises.
3. To establish the effects of business development services on the growth of Micro, Small and Medium Enterprises.
4. To examine how savings mobilization affects the growth of Micro, Small and Medium Enterprises.

1.5 Research questions

1. What are the Microfinance Services offered by Microfinance Institutions to the business community?
2. How do micro credit services affect the growth of Micro, Small and Medium Enterprises?
3. What are the effects of business development services on the growth of Micro, Small and Medium Enterprises?
4. How does savings mobilization affect the growth of Micro, Small and Medium Enterprises?

1.6 Scope of the study

This section explains the content, geographical and the time scope of the study as indicated.

1.6.1 Content Scope

The content focused on services offered by Microfinance Institutions to the business community which include micro credit, savings mobilization and business development service; the effect of micro credit, business development services, and savings mobilization on the growth of Micro, Small and Medium Enterprises in Rubaga Parish.

The indicators of growth were categorized into three groups like; business strategy, management characteristics and firm characteristics such as the level of productivity, market share, return on assets, return on investments of the enterprises. Above all, the study aimed at establishing the effects of Microfinance Services on the growth of Micro, Small and Medium Enterprises in Rubaga Parish. The content further explored the secondary data from the text books, Reports among others.

1.6.2 Geographical scope

Rubaga Parish is one of the parishes of Rubaga Division; central Uganda region; Kampala City Council Authority district. Rubaga is bordered by Mengo to the east, Namirembe to the northeast, Kasubi to the north, Lubya to the northwest, Lungujja and Busega to the west, Nateete to the southwest, Mutundwe to the south and Ndeeba to the southeast. The coordinates of Rubaga are: 0 degree 18’11.0”N, 32 degrees 33’11.0”E. (Latitude: 0.303056; Longitude: 32.553056). The distance, by road, from the central business district of Kampala to Rubaga is approximately 3 kilometers (1.9 mi). This area was selected for the study because it had a high concentration of MSMEs and microfinance institutions which provided the basis for the study.

1.6.3 Time Scope

The study was conducted for a period of three months from February 2016 to April 2016 through cross sectional sample design. This helped the researcher to determine whether microfinance services affect the growth of MSMEs.

1.7 Significance of the study

The study may provide useful information to the government policy makers and organizations promoting activities of small and medium entrepreneurs on how to further enhance their activities. This is because it adds more knowledge to current literature about microfinance services on the growth of MSMEs.

The study to provided information about the accessibility of available Microfinance services for the growth and expansion of micro, small and medium enterprises. The study is also hoped to provide knowledge to the small and medium entrepreneurs on how to easily find the best sources of financing their activities such that they are able to sustain their businesses.

This study helped the researcher to develop skills of doing research and is also an important contribution to the researcher's academic career as it has done in partial fulfillment for the requirement of the award of the Bachelors degree in Business Administration and Management.

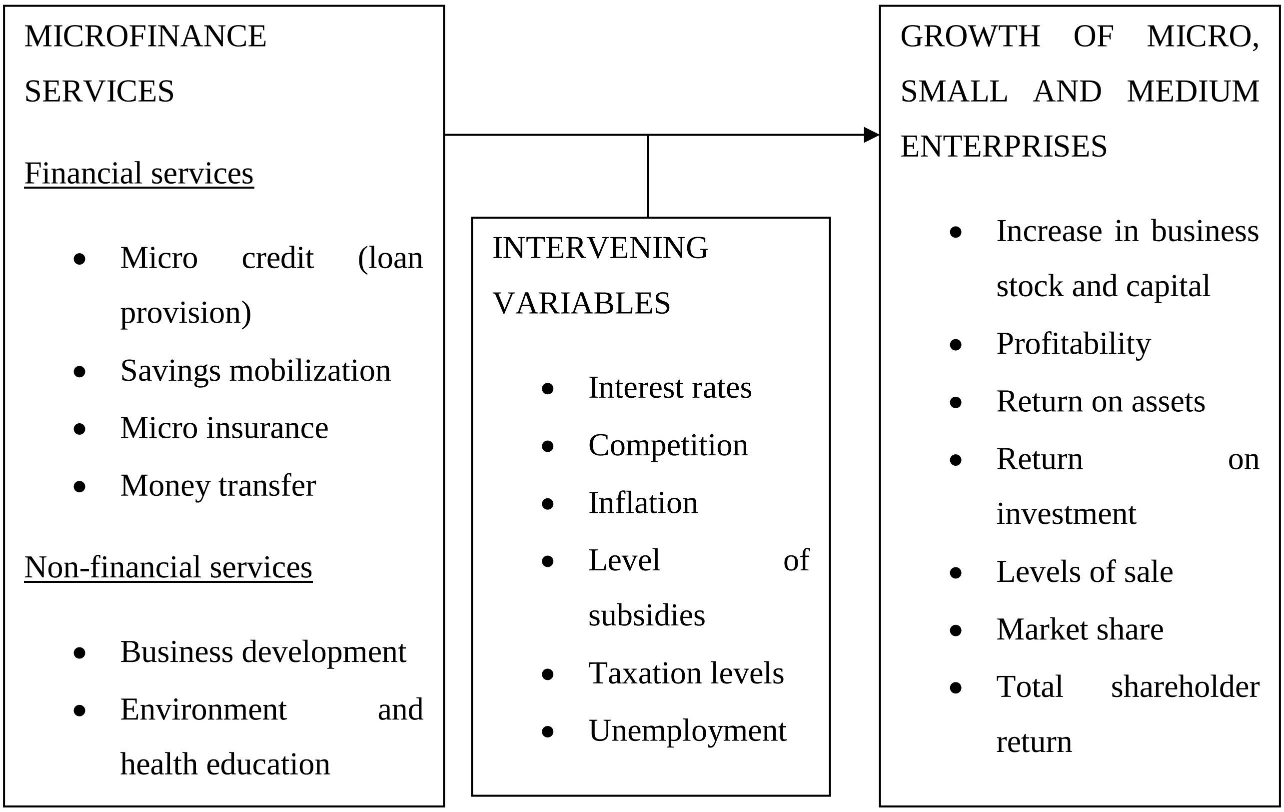
The accomplishment of the study enabled the researcher to acquire hands on skills about processing of research work and data analysis. This proficiently will enable the researcher to handle such related work with a lot of precision.

1.8 Justification of the study

Small and medium enterprises play a major role in economic development in every country, including in African countries. Studies indicate that in both advanced economies and developing countries MSMEs contribute on average 60 percent of total formal employment in the manufacturing sector (Ayyagari et al, 2007). With regard to African economies, the contribution of the MSME sector to job opportunities is even more important. Taking into account the contribution of the informal sector, MSMEs account for Uganda medium and small enterprises (MSEs) still perform poorly (Ishengoma & Kappel, 2008). This study is being carried out to document how MSMEs could access affordable, sufficient and better microfinance services to increase profits, return on assets, return on investment, sales, market share, total shareholder return and economic value added. This research therefore focused on the Microfinance services which have not been exploited in terms of the growth of MSMEs particularly in Rubaga Parish. A study of this nature was important because it enlightens the government and the public on the role Microfinance services are playing in the MSMEs sector.

1.9 Conceptual framework

The conceptual framework below clearly indicates that the microfinance industry provides a wide range of financial services (loans, savings, micro insurance, leasing, mortgaging and money transfer) and Non-financial services (business development, environment and health), which services and products affect the growth of MSMEs. The growth of MSMEs could be spurred with the stable financial and non-financial services and products from the MFIs because of their outreach programs. Other intervening factors that impact on the growth of MSMEs include the levels of inflation, interest rates, and unemployment, taxation, competition and level of subsidies. The presence and favorability of these factors could act as a catalyst in the growth of the MSME sub sector and poverty reduction in Uganda.



Source: Developed from literature review

The conceptual framework shows the effects of Microfinance services or products on the growth of MSMEs. With these financial and non-financial services, MSMEs should be able to acquire loans to expand their business stock, acquire fixed and current assets, increase on profitability, increase returns on assets, return on investments, sales, take large market share, increase total shareholder returns, widen their savings deposits for purposes of capital accumulation, create employment opportunities and through business expansion and growth, improvement on business skills competences and financial literacy through MFI business development services. However, there are other business environmental factors outside the boundaries of the microfinance industry that affect the growth of MSMEs. The micro business environmental factors include; location advantage, business experience, customer care and business ethical considerations. The presence of these factors could positively lead to the growth of the MSME sub sector and poverty reduction in Uganda. The growth of

MSMEs is dependent on the variation of the business environmental factors on a positive or negative scale.

1.10 Definition operational terms

Micro Enterprises: A business operating on a very small scale, especially the one with a sole proprietor and less than six employees. In this research study micro enterprises include Street venders, carpenters, and machine shop operators among others.

Small Scale Enterprises: This is any type of business that operates on small scale, and requires small investment. Small-scale enterprises are those business enterprises employing maximum of 50 people; annual sales/revenue turnover of maximum 360 million Ugandan shillings and total assets of maximum 360 million Ugandan shillings (Common Wealth Secretariat, 2010). In this research, small business includes household accessories, plastics, medical supplies, retail shops among others.

Medium Enterprises: These are those business enterprises employing more than 50 people; annual sales/revenue turnover of more than 360 Ugandan shillings million and total assets of more than Ugandan shillings 360 million (Common Wealth Secretariat, 2010). In this research, this shall be taken to define the medium business like Hardware shops, growing bakeries among others.

Small and Medium Enterprises

Van der Wijst (1989) considers small and medium businesses as privately held firms with 1-9 and 10-99 people employed, respectively. Jordan *et al* (1998) define SMEs as firms with fewer than 100 employees and less than €15 million turnover. Michael as *et al* (1999) consider small independent private limited companies with fewer than 200 employees and López and Aybar (2000) considered companies with sales below €15 million as small.

Micro, Small and Medium Enterprises:

In accordance with provision of Micro, Small and Medium Enterprises Development-MSMED Act, 2006 the Micro, Small and Medium Enterprises are classified in two classes: Manufacturing Enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and Regulation Act, 1951). The manufacturing enterprises are defined in terms of investment in plant and machinery. Service enterprises are engaged in providing services and are defined in terms of investment in equipment.

Microfinance: A type of banking service that is provided to unemployed or low income individuals or groups who would otherwise have no other means of gaining financial services. Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance.

Microfinance Institutions (MFIs): Are organizations that provide financial services in terms of loans, funds at a given interest rates.

MSMEs growth: Growth refers to a positive change in size, number, maturity, value or strength often over a period of time (Harper, 2014)

In this study, this will be considered to mean how MSMEs are to produce effectively and efficiently in terms of making profits, return on assets, return on investment, sales, market share, total shareholder return and economic value added.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter generated relevant literature on the problem under study. It provided for the review of related literature extracted from various authors, scholars, journals and articles. While reviewing literature, gaps and trends on microfinance services and growth of MSMEs were evaluated. These were the concept of microfinance, micro, small and medium enterprises growth, microfinance services, the effect of micro credit, business development service and micro savings on the growth of Micro, Small and Medium Enterprises. The literature included conceptualization of the main concept of the study and review of related literature basing on the order of the objectives.

2.0 Concept of Microfinance

The concept of microfinance is not new. Savings and credit groups that have operated for centuries include the "Susus" of Ghana, "chit funds" in India, "tandas" in Mexico, "arisan" in Indonesia, "Cheetu" in Sri Lanka, "tontines" in West Africa, and "pasanaku" in Bolivia, as well as numerous savings clubs and burial societies found all over the world.

Mbaguta (2002) indicated that “Formal credit and savings institutions for the poor have also been around for decades, providing customers who were traditionally neglected by commercial banks a way to obtain financial services through cooperatives and development finance institutions”. One of the earlier and longer-lived Micro-Credit organizations providing small loans to rural poor with no collateral was the Irish Loan Fund system, initiated in the early 1700s by the author and nationalist Jonathan Swift. Swift's idea began slowly but by the 1840s had become a widespread institution of about 300 funds all over

Ireland. Their principal purpose was making small loans with interest for short periods. At their peak they were making loans to 20% of all Irish households annually.

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

In the early 1900s, various adaptations of these models began to appear in parts of rural Latin America. While the goal of such rural finance interventions was usually defined in terms of modernizing the agricultural sector, they usually had two specific objectives: increased commercialization of the rural sector, by mobilizing "idle" savings and increasing investment through credit, and reducing oppressive feudal relations that were enforced through indebtedness. In most cases, these new banks for the poor were not owned by the poor themselves, as they had been in Europe, but by government agencies or private banks. Over the years, these institutions became inefficient and at times, abusive.

Meanwhile, micro credit programs throughout the world improved upon the original methodologies and defied conventional wisdom about financing the poor. First, they showed that poor people, especially women, had excellent repayment rates among the better programs, rates that were better than the formal financial sectors of most developing countries. Second, the poor were willing and able to pay interest rates that allowed microfinance institutions (MFIs) to cover their costs.

Mokaddem (2009) explained that “Microfinance always existed in Africa, albeit informal. Revolving credit associations, “tontines” were the first form of microfinance; credit unions rapidly expanded; and today the panorama is quite diverse, with individual lenders, self-managed groups, cooperatives, N.G.Os, regulated MFIs, and even banks, providing a wide range of financial services”. However, an overwhelming majority of the economically active population, above all in rural areas, so far remains excluded from the formal financial system; and even those who have access to the system can still not get all the services they need.

Historically, microfinance in Africa has developed in different stages across the region. Financial intermediaries such as cooperatives, rural and postal savings banks pioneered the industry in the 1970s, especially in West and East Africa. In the 1980s and 90s, the sector saw a number of donor-supported credit-only non-governmental organizations (NGOs) develop and sometimes transform into new types of non-bank financial institutions by the end of the 90s. Today West Africa is dominated by credit cooperatives, while regulated non-bank financial institutions stand out in East Africa, and Southern Africa is mainly served by a large (Mokaddem2009).

Development Initiative Africa Report (2010) stated that Micro Enterprises, small and medium enterprises are defined by basing on three main characteristics; these include number of employees, capital invested and annual turnover. Micro Enterprises are defined as enterprises that employ at least 4 people, with assets worth and annual turnover of 12 million Uganda shillings. Small Enterprises are defined as those enterprises that employ at least 50 people, with annual turnover of 360 million ($34,000) and Medium enterprise is defined as an enterprise that employs over and above 50 people with capital investment of over 360 million and turnover of 360 million.

2.1 Micro, Small and Medium Enterprises Growth

The aim or goal of any firm is to make profits and later grow or expand its operation. A firm is defined as an administrative organization whose legal entity or frame work may expand in time with the collection of both physical resources, tangible or resources that are human in nature. Penrose, (1995) define the concept of the firm in terms of an increase in size or other objects that can be quantified or a process of changes or improvements. The firm size is the result of firm growth over a period of time and it should be noted that firm growth is a process while firm size is a state. The growth of a firm can be determined by supply of capital, labor and appropriate management and opportunities for investments that are profitable. Various arguments have been presented about the types of support that should be used to develop the SMEs sector.

Two basic arguments have emerged i) market forces and; ii) an intervention approach. Cook (2000) indicated that the first argument is based on the position to rely principally on market forces. Underlying this approach is the notion that previous policies pursued in developing countries have led to a bias in favor of the development of larger-scale enterprises. Much of the support that was developed for small-scale industry was of a direct kind and at the micro level involving forms of managerial and technical support through training, credit provisions and a range of site and service facilities. Later this was replaced by structural adjustment policies aimed directly at removing the so-called market distortions to create a level playing field in which enterprises of all sizes will have equal access to resources. It was argued that a market-based approach would reduce the scope for arbitrary decision-making and lessen the opportunity for privileged access to resources through bribery and patronage.

The second approach has been associated with the structuralism school of thought: this argues pro-actively for the continuance of forms of intervention to assist small enterprise development. The general difference between the two approaches is not in questioning the importance of the appropriate macroeconomic environment for small-scale development, but in the nature of the types of changes that are required to bring about improvements. The infant industry argument underlies the second approach and envisages forms of intervention that are unacceptable to the first. According to (Ghoshall et al 2001), the consensus in the structuralism approach retains the need to improve the overall policy environment for small-scale industry and, in particular, to remove the bias toward large-scale industry.

Efforts to support small businesses in developing countries are not new and the reasons and the type of support have changed over time. Cook, (2000) indicates that earlier support mechanisms centered on direct assistance program are usually initiated by state.

The determining factor for a firm's growth is the availability of resources to the firm enterprise development services or business development services or nonfinancial services are provided by some MFIs adopting the integrated approach. The services provided by nonfinancial MFI services are; marketing and technology services, business training, production training and subsector analysis and interventions (Ledgerwood, 1999).

Enterprise development services can be sorted out into two categories. The first is enterprise formation which is the offering of training to persons to acquire skills in a specific sector such as weaving as well as persons who want to start up their own business. The second category of enterprise development service rendered to its clients is the enterprise transformation program which is the provision of technical assistance, training and technology in order to enable existing MSMEs to advance in terms of production and marketing. Enterprise development services are not a prerequisite for obtaining financial services and they are not offered free of charge. These charges are subsidized by the government or an external party since to recover the full cost in providing the services will be impossible by the MFI. The enterprise development services may be very meaningful to businesses but the impact and knowledge that is gained cannot be measured since it does not usually involve any quantifiable commodity. Ledgerwood (1999) argues further that there is little or no difference between enterprises which receive credit alone and those that receive both credit packages and integrated enterprise development services.

2.2 Microfinance Services offered by Microfinance Institutions

2.2.1 Business development services (BDS)

According to the Microfinance Support Centre Limited (MSC), BDS are those interventions that improve the performance of an enterprise, its access to markets and its ability to operate and compete. They are non-financial services that are designed to overcome the internal constraints that impede the survival, growth and competitiveness of an enterprise.

The goal of BDS for MSMEs is to provide business support services to SMEs in order to enhance their income generation capacities with a view of achieving sustainable growth, employment creation and poverty alleviation. BDS consists of a wide range of non-financial services critical to the entry, survival, productivity, competitiveness and growth of micro and small enterprises. BDS can help micro enterprise solve their problems by; facilitating access to markets, improving the availability of less expensive or higher quality inputs, introducing new or improved technologies and products, improving management and technical skills, eliminating policy constraints and helping enterprises access appropriate financing mechanisms.

BDS consists of two broad categories of service for SME which include operational services that are needed for the daily operations such as information and communications, management of accounts and tax records and compliance with labor laws and other regulations. Strategic services are used by the enterprises to address medium and long term issues in order to improve performance of the enterprise, its access to markets and its ability to compete. For example, strategic services can help the enterprise to identify and service markets, design products, set up facilities and seek financing and others.

Auren and Krassowska, (2004) indicated that “the provision of microfinance services can be facilitated by business development services. These services can help build financial and business management capacity of rural households, improve their technical skills, provide local support services for enterprises with emphasis on marketing, and establish linkages between forest communities and microfinance services. Business development services should grow with the development of small-scale enterprises and cater to their evolving needs”.

Examples of useful business development services for improving access to microfinance are: training of rural households in funds management, loan application, bookkeeping and accounting; preliminary loan appraisal of small-scale enterprise financial planning; consolidation of small individual proposals into a bankable portfolio of forest-based enterprise plans; and support to microfinance institutions for monitoring and supervising the implementation of small-scale enterprise activities. Business development services can also help microfinance institutions to assess risks related to small-scale enterprises.

BDS in general include; training, advisory services, marketing facilitation, market research and business linkage promotion.

Low-income men and women have a serious hindrance in gaining access to finance from formal financial institutions. Ordinary financial intermediation is not more often than not enough to help them participate, and therefore MFIs have to adopt tools to bridge the gaps created by poverty, gender, illiteracy and remoteness. The clients also need to be trained so as to have the skills for specific production and business management as well as better access to markets so as to make profitable use of the financial resource they receive (Bennett, 1994). In providing effective financial services to the poor requires social intermediation. The author argues that it is “the process of creating social capital as a support to sustainable financial intermediation with poor and disadvantaged groups or individuals”. Some microfinance institutions provide services such as skills training, marketing, bookkeeping, and production to develop enterprises. Social services such as health care, education and literacy training are also provided by some MFIs and both enterprise development and social services can improve the ability of the low-income earners to operate enterprises either directly or indirectly. This implies that the services provided to microfinance clients can be categorized into four major different categories: Financial intermediation, Social intermediation, Enterprise development services and Social services.

MFIs provide face to face training in the form of capacity building and coaching programs at subsidized costs for SMEs through the network of BDS providers. In addition, there is free access to variety of online business reading materials available on downloads section that can be used for self-tutorial. By these strategies, MFIs enlighten and empower you in your search for innovation business management solutions.

The non-financial services target more the existing clients and staff rather than the hiring of new labor force. Nevertheless such services continue to guide the MSMEs in the direction of better business operations and thus need to expand their spectrum in terms of going beyond concentrating only on loan and savings as products but handle other cross-cutting issues in their package of service delivery such as protection of the environment like planting trees, HIV/AIDS awareness, and advisory services through training on business plans, business skills development and record keeping. Micro Small and Medium Enterprises have to be helped improve their management systems and adopt basic management information systems if they have to reap from the current business environment. They need to improve their financial record keeping and other records. This will reduce operational inefficiencies. There is need to provide more information to MSMEs as clients and this calls for total disclosure of all loan costs to MSMEs by MFIs. However, this can only be possible with the support of MFIs, Government and the development partners.

The above arguments resulting from the model are enhanced by information from the key informant interviews which reveal that technology related training; advisory services and business counseling skills received by the MSMEs positively affect their sales growth and employment capacity of the entrepreneurs. This enhances expansion capacity of SMEs because there is agreement that offering such services in the long run create more employment opportunities for the labor force.

2.2.2 Micro Savings

Micro savings are deposit services that allow people to store small amounts of money for future use, often without minimum balance requirements. Savings accounts allow households to save small amounts of money to meet unexpected expenses and plan for future investments such as education and old age.

Worldwide microfinance experience has shown, access to safe and flexible savings services can play a critical role in poor people's strategies for minimizing risks, mitigating income fluctuations, facing unexpected expenditures and emergencies, and building a small asset base over time. In particular, the very poor living in rural areas, which may lack investment opportunities and safe ways of keeping their savings, greatly value access to safe savings services.

Most poor families do save and often in a non-financial form, for example, small gold items or stockpiling goods, because they frequently lack access to good formal savings facilities. In-kind savings are suboptimal options, because they are subject to fluctuations in commodity prices, and destruction by pests, fire and theft. While microfinance institutions offer both good loan services and good voluntary savings services, worldwide experience shows that there is usually more demand for savings than for loans. Better availability of safe savings facilities increases self-financing capacity and thus reduces the need to borrow, with its inherent risks. When a poor household needs a relatively large amount of money for an investment purpose, saving is a less risky way to obtain it than taking on a debt with a fixed repayment obligation.

Traditionally, microfinance mobilization of savings has taken place in the form of compulsory savings under group or individual lending methodologies. Often a percentage of the loan amount is required as mandatory savings and is meant to guarantee group loan repayment. Compulsory savings were also seen as a way to instill savings habits in poorer households. Experience has shown, however, that compulsory saving is not conducive to encouraging clients' saving habits, but rather is considered as one of the requirements for accessing loans. It is the mobilization of voluntary savings, ensuring safety, flexibility and accessibility, which can have the strongest impact on poor people's lives. With the right products and incentives, micro-finance institutions can rapidly mobilize very significant resources.

Ensuring the existence of safe and accessible savings services for forest-based small-scale enterprises should be a priority for any microfinance development program. Possible ways for microfinance institutions to make the service available at lower costs include mobile banking, microfinance officers visiting rural communities on market days, and facilitating groups in collecting and depositing individual voluntary savings.

Krassowska, (2004), indicates that mobilizing the savings of small-scale enterprises implies risk, however, and microfinance institutions allowed to do so should clearly show their capacity to mobilize savings safely. Accordingly, they should demonstrate strong governance and professional management, strength and reliability, adequate internal controls, financial management and information systems, the guarantee that deposits and savings are not used to cover their operating expenses and records of strong loan portfolio quality management. In most countries, mobilization of public savings is restricted to banks, where regulations should be in place for effective supervision.

Credit cooperatives are also a very important instrument for mobilizing savings, although generally limited to cooperative members. It is important that sound provisions regulating and supervising cooperatives' operations are in place to prevent governance weaknesses that would ultimately damage depositing members.

2.2.3 Micro credit Service

Thomas *et al.*, (2003) explained that “Micro credit consists of small loans provided to poor households or micro-enterprises. Microcredit is normally characterized by standardized loan products with short maturities, limited amounts, fixed repayment schedules and high interest rates. Most microfinance institutions require potential borrowers to save before applying for a loan in order to demonstrate their intention to develop a long-term banking relationship. When the amount saved reaches a specific level, the lender will consider granting a certain amount as a loan. Although forced savings might be effective in helping to control moral hazard risks, they increase the effective interest rate and restrict potential borrowing.

Small-scale enterprises, especially when engaged in wood forest production, may need financing for larger investments that have prolonged amortization periods”. Due to the gestation period, there is normally a significant time lag between the initial expenditures and the time when investment creates a positive cash flow and the enterprise can repay the loan. While presenting the advantage of reducing transaction costs and credit risks, the traditional standardized micro-credit and group lending may not match their cash flow, and may not suit their investment requirements. Small-scale enterprises with intensive capital needs to finance fixed-term investments and that are engaged in higher risk activities are likely to face difficulties in accessing micro-credit that matches their demand, given its shorter maturities, limited amounts and fixed repayment schedules.

Wenner (1995) argued that "Micro-credit is most often extended without traditional collateral". If physical collateral were a requirement for borrowing, most MFI clientele would be unable to participate due to their extreme poverty level. Because borrowers do not have physical capital, MFIs focus on using social collateral, via group lending. Group lending encompasses a variety of methodologies, but all are based on the principal of joint liability. In essence, the group takes over the underwriting, monitoring, and enforcement of loan contracts from the lending institution

Auren & Krassowska, (2004) further indicates that "for small-scale enterprises in Uganda (within and outside the forest sector), finances and financial management represent one of the greatest constraints to effective operations". Few financial products are available to Ugandans other than bank loans. There are many problems accessing finance in Uganda, due to its relatively underdeveloped financial sector, and this particularly affects sustained investment in long-term ventures such as forestry.

For many small-scale enterprises it is extremely difficult to get a loan, since it involves undertaking effective budgeting and cash flow projections, preparing business plans, maintaining solvency and liquidity, providing collateral, managing accounts and providing accurate financial records for external investors or tax authorities. Furthermore, many of these enterprises operate as one of many parallel business ventures, and their finances tend to flow between them, sometimes causing problems of cash flow and liquidity. Small-scale enterprises that cannot get a loan must resort to informal lending at very high interest rates or rely on personal connections.

Biryabarema (1998), reports that Microfinance institutions typically provide short-term loans for small amounts of capital, while small-scale enterprises often need longer-term and larger loans. There is often a lack of cooperation between banks and forest sector. A better appreciation of the specific and long-term nature of forestry investment is necessary for banks to understand operating requirements for small-scale enterprises. While there may be interest in investing in tree planting, for example, there is generally insufficient widespread ability to invest in a sector that yields only long-term benefits. A saw log production fund is being established, overcoming the problem of access to long-term finance for small- to medium-scale plantation development.

The fund will be operated as an independent entity through a management agent or bank, and will provide a mix of grants and credits targeting small to medium-sized private investors and organized groups.

In a modern financial sector there are products such as asset leasing and venture capital. In Uganda, no such services yet exist, and government regulations do not allow or recognize the modern concept of leasing. If leasing were clarified and made more available, it would provide opportunities for small-scale enterprises to commence or expand operations. However, a Financial Institutions Bill (2003) is being discussed that further clarifies taxation and obligations of all parties under leasing agreements. Equity facilities provide much-needed finance to small- and medium-scale enterprises worldwide. In Uganda, equity financing is limited, largely due to the loss of social capital stemming from years of civil unrest, which has resulted in general mistrust between lenders and receivers of credit beyond close family ties. Krassowska (2004).

MFIs provide similar products and services to their customers as formal sector financial institutions. The scale and method of delivery differ, but the fundamental services of savings, loans, and insurance are the same. Notwithstanding, to date most efforts to formalize micro-finance have focused on enterprise lending (loans for enterprise formation and development) which remain by far today the dominant product offered by MFIs (Nourse, 2001).

Woller (2002) remarked that "Increasingly today, MFIs have begun to offer additional products, such as savings, consumption or emergency loans, insurance, and business education". But Nourse (2001) reviews the context and rise of microfinance products and argues there is a need for savings and insurance services for the poor and not just credit products. He goes on to argue that MFIs need to provide tailored lending services for the poor instead of rigid loan products. Supporting this latter assertion of Nourse (2001), Eyiah (2001) develops a model of small construction management contractors and MFIs in developing countries that provides a tailored lending structure for micro enterprise contractors. Similarly, Woller (2002a), Cohen (2002), and Dunn (2002) argue that MFIs need to be more client-focused, including offering a mix of financial products tailored to the varied needs and wants of poor consumers.

2.2.4 Micro insurance service

Micro insurance is a system by which people, businesses and other organizations make payments to share risk. Access to insurance enables entrepreneurs to concentrate more on growing their businesses while mitigating other risks affecting property, health or the ability to work.

Micro insurance is the protection of low income people (those living on between approximately 1 and 4 dollars per day) against specific perils in exchange for regular premium payment proportionate to the likelihood and cost of the risks involved. Micro insurance does not refer to the size of the risk carrier, the scope of the risk, the delivery channel; it can be delivered through a variety of different channels, including small community based schemes, credit unions or other types of MFIs, but also by enormous multinational insurance companies.

Insurance is one of the services and products that are experimented by MFIs. Many group lending programs offer insurance or guarantee scheme as collateral and the Grameen Bank is a typical example of MFI in this scheme. One percent of the loan is required to be presented by the group member as their contribution for the insurance for the loan (Ledgerwood, 1999)

Micro insurance like regular insurance may be offered for a wide variety of risks. These include both health risks (illness, injury or death) and property risks (damage or loss). A wide variety of micro insurance products exist to address these risks, including crop insurance, livestock insurance, insurance for theft or fire, death insurance, disability insurance, insurance for natural disasters and others.

Micro insurance delivery models include; partner agent model; a partnership is formed between the micro insurance (partner as MFI) scheme and an agent (insurance companies), and in some cases a third party healthcare provider; full service model; the micro insurance scheme is in charge of everything; both the design and delivery of products to the clients, working external healthcare providers to provide the services; provider driven model; the healthcare provider is the microfinance scheme and similar to the full service model, is responsible for all operations, delivery, design and service; community based model; the policyholders are in charge managing and owning the operations and working with the external healthcare providers to offer services.

Micro insurance scheme is a scheme that uses among others an insurance mechanism whose beneficiaries are (at least in part) people excluded from formal social protection schemes particularly informal economy workers and their families. The expression micro insurance scheme designates either the institution that provides insurance (for example a health mutual benefit association) or the set of institutions (in the case of linkages) that provide insurance or the insurance service itself provided by an institution that handles other activities (for example a MFI).

2.3 Micro credit and the growth of Micro, Small and Medium Enterprises

Credits are borrowed funds with specific terms of repayment. People borrow when there are insufficient accumulated savings to finance a business. They also take into consideration if the return on borrowed funds exceeds the interest rate charged on the loan and if it is advantageous to borrow rather than postpone the business operations until the debt is certain (Water field and Duval, 1996) loans are usually acquired for productivity reasons; that is to generate revenue within a business.

Micro credit product designs which target specific clients in the small business sector. According to Esman and Uphoff (1998), the common micro product designs include village group guaranteed loans, urban group loan schemes, salary guaranteed loan schemes and individual loan schemes. Individual loan scheme is one of the micro credit/ loan products extended to the owners of small and medium enterprises in Rubaga Parish. Uphoff (1998), the individual provides some collateral to guarantee the loan whose sizes are generally small for initial capital requirements. The loan repayment period under the scheme depends on the individual capacity to pay but is commonly between 4 months, 6months, and one year. Unless the individual risks are perfectly correlated, the risk of involuntary non-payment according to Abbinketal (2003) is substantially higher in individual loan schemes than in group lending schemes. Group guaranteed loan scheme is associated with features, such as training, peer selection, supervision and pressure, all of which are based on local information and connectedness to ensure high repayment rates. In a typical microfinance group lending scheme, borrowers with individual risky projects form groups which apply for small loans together. The whole group is liable if one or more group members default. By spreading the risks of individual projects among the group members, Abbinketal (2003) observes that it creates joint liability which provides an insurance against individual project failures. Even if an individual project fails and some borrowers are unable to pay, the group as a whole might still be able to do so. In this sense, joint liability serves as a substitute for collateral which the poor normally cannot afford to back their loans. A further safeguard against default that applies to both individual and group lending schemes is the lending mechanisms imbedded in the structure of micro-credits where loans are given in small portions with follow up loans being given subject to a good repayment history. By doing this, MFIs can incentivize borrowers to repay and retain control over the groups repayment performance. This according to MacKean (1995) helps to keep defaults down. Urban Group Guaranteed Loan Scheme; is similar to the village guaranteed loan scheme. The main difference is that it is extended to urban groups as opposed to village groups. Both schemes have mainly been applied in rural and urban areas to serve the landless and the jobless poor who have no alternative source of finance for income generating projects.

Micro credit lending terms are stipulations under which funds on credit are granted (Goldstein 1998). Goldstein argues that they constitute the cost of borrowing and the conditionality that have to be met or accepted before credit is granted while the design priority, terms and focus may vary from institution to institution, most micro finance institutions run similar credit product designs (Ostrom 1993). However different micro credit designs attract different loan terms for suitability of different clients. Although the micro credit / loan terms and conditions also vary from institution to institution, the loan period for all the product s are short terms usually ranging from 4 to 18months? In individual loan schemes the periods depend on the clients' capacity to pay and usually collateral is provided while for group schemes, the loans are secured by group guarantee. In Uganda microfinance institutions have been designed to provide credit to micro, small and medium enterprises in order to improve their performance. However, most micro finance funds goes to commerce, processing and provision of services, with livestock and agricultural production still attracting less funding due to their risky nature (PRESTO 2000). It was also observed in the USAID report (1997), which due to the nature of the financial products offered by the microfinance institutions that are very short term, with short or no grace period, their products is not appropriate for financing sustainable agricultural production. The main lending terms include loan size, credit period, and interest charge. Microfinance institutions have group lending, compulsory saving plus training services as unique lending terms

The Loan Size is the amount of loan advanced to the client. It can be small, medium, or big. Efficient loan sizes should fit the borrower's repayment capacity and stimulate enterprise performance. Therefore for a loan to be useful it should be adequate to allow production to take place. Loan sizes that are inappropriate reflect a poor fit between the objectives of the lender and the borrower and tend to result into bad loans and unremunerated borrowing or on-performing loans. Pische (1991) argues that poor loan sizing is illustrated by extensive credit rationing, which issues too little credit to too many borrowers and this seems to be the case with microfinance institutions where loans are small often not more than $50. The small loan sizes have their own problems of high costs of operation. This is partly due to the fact that the fixed costs per loan are not necessarily much lower than with large loans. However, according to Chirwa (1997), relatively large loans may tempt the borrowers to divert a portion for non-business purposes. Individuals who obtain relatively large loans are more likely to default in difficult economic conditions than those with smaller loans.

Loan Period may be short, medium or long. Microfinance institutions generally prefer extending credit to projects with short pay back periods. Projects with short payback periods usually range from three months to one year. However, according to Youssoufou (2002) writing on performance of MFI in Burkina Faso, on average, more than 70% of the loans are given for less than one year which cannot allow borrowers to use them for long term investment. Microfinance institutions in Uganda basically give short term loans for periods of four months to eighteen months. Microfinance deposits taking institutions (Act2003) short term lending is ideally for working capital while long term lending is for capital expansion.

Interest Rate is the price of accessing and utilizing credit resources. It is determined by the firm owners demand for loans as source of financing. Thus interest is a cost to the borrower, which must be paid out of profits. Most microfinance institutions charge interest rates of between 30% and 40% per annum which are well above the normal in the traditional credit sector. Setting the optimal interest rate is said to be one of the most difficult tasks for the microfinance institutions. Naturally microfinance institutions need to quote sufficient interest rates to cover their costs if they wish to achieve sustainability. Apparently the cost of each loan is constant regardless of the size of the loan. On the other hand too high interest rates can impede the poverty reducing effect of micro credits, as the burden of high interest payments extracts a good part of the wealth the small enterprise generate. In the extreme, interest rates can simply make micro credit unaffordable at all (Ghataka 2000). The level of interest charged by MFIs, according to Abbink etal (2003) can also have an effect on repayment rates themselves. The higher the interest rate the more likely it is that failure of individual projects induce failure of the whole group lending, since increasing repayment obligations naturally leave less room to cover unexpected project failure.

Generally, many people think that micro finance institutions over charge their clients for financial services especially credit. This over burdens them with debt and ultimately makes them even poorer (Association of Microfinance Institutions of Uganda-AMFIU)

Information Note 1 - 2005. The microfinance institutions, however, contend that the interest rates are driven by demand for loan able funds, healthy, growing microfinance Industry; reaching increasing numbers of the poor especially in the rural areas. They also allege that the cost of processing a loan is the same regardless of the size of the loan. On the other hand, the high interest rates may ~so be arising from inefficiencies within the operations of the MFIs.

Training is one of the major lending terms one must go through before he/she can secure a loan. While training would be important for effective management of small and medium enterprises especially on successful use of borrowed money, as failure to use borrowed money effectively has been highly attributed to lack of financial information and basic business planning skills, the training given by most microfinance institutions tends to be inadequate and not tailored to the needs of the clients (Wright 2000). It has been argued that 95% of the training received is on how to repay back the loan and interest. It is aimed at improving lending methodology, and less to do with the business of the client. The main areas of training include the processes and requirements of obtaining a loan, the methods, procedures and mechanisms of paying back the loan.

Group Lending is part of the mechanism used by the microfinance institutions to place a tight grip on defaults. The concept of group credit is associated with features such as social collateral, peer selection supervision and pressure, all of which are based on local information and connectedness to ensure high repayment rates. As a means of obtaining social collateral, small credits are issued to groups of individuals who are mutually responsible for regular repayment of each other loans to keep defaults down and profits up, Albee (1996). Initially borrowers are given small loans which are paid in small installments over a very short period of time. Additional credit with longer periods are provided only if the clients prove they are trust worthy by strictly adhering to the repayment plans set up between the loans officer 'and the borrowers . Group lending however, can cause serious inefficiencies as well as internal confrontations associated with the common ownership and team production. According to Ardener (1995), microfinance institutions are often criticized for using coercive methods and severe social pressure on defaulting group members to ensure loan repayment. Micro credit services provided by microfinance institutions satisfied partially its goal to alleviate small and medium enterprises' difficulty in acquiring finance and to stabilize employment.

The credit product programs are mainly designed to serve women in groups where loans given rotate among individuals within groups of five women. With the group lending approach among the urban and rural poor, it seemed possible to combat poverty. The schemes offered the much needed small credit to the poor for income generating projects (Morduch, 1999). Group lending schemes promised to overcome what has been the Achilles heel of lending to the urban and rural poor. While traditional bank loans suffered from pervasive borrower default, repayment rates in MFIs leaped to levels previously unseen in developed countries. Grameen reports repayment rates of more than 90%. With the schemes offering much needed credit to the poor and solid repayment rates, micro-credit schemes appeared to offer hope for sustainable development.

Micro credit programs provide an opportunity to build sustainable small business enterprises that are very instrumental in eradicating poverty in the developing world, Leonard (1982). The conventional wisdom holds that programs to help the poor should be sustainable but achieving sustainability is particularly difficult in crafting economic development strategies. Micro credit programs create sustainable small business enterprises when the net benefits to the recipients exceed total costs. Benefit effects accrue to the recipients when their businesses are successful with business growth output, improved incomes and savings (Snow, 2002). Micro credit fills a niche that banks do not always fill. Commercial banks are unable to economically administer micro credit programs. Neither are they in the business of training entrepreneurs, Perderson and Kiiru (1997). Without credit reports and track records of business success, the poor do not attract commercial lenders. High costs and high risks combine to deter commercial banks from entering the micro credit market. According to Schroeder and Wynne (1993), the role of micro credit programs in small businesses is based on two objective functions. First they allow the poor to access small amounts of capital that would otherwise be in accessible and second they provide training ground for entrepreneurs, some of whom may expand their business to a point where they can utilize commercial sources for capital.

During the opening of the 5th Session of the 7th Uganda Parliament on June 7, 2005 the President of Uganda informed the Nation that the industrial growth rate in Uganda has averaged at 10.2 percent p.a. since 1986 and the industrial sector employed 3.3 million people by 2004. That Small and Medium Enterprises (SMEs) have registered a 10 percent growth in the last five years and created 150,000 jobs per annum while large-scale industries add 20,000 jobs p.a. The small scale enterprise sector is a major economic sector in most African countries including Uganda. In Uganda's case, it is estimated to contribute: Over 30% of GDP, over 30% of employment, over 80% of manufactured output. A recent UNESCO funded study had the following major findings on the MSME sector in Uganda. The majority of Small Scale Enterprises surveyed were sole proprietorships because they are easy to form, are managed by individuals and decisions are easy to make without consultation.

According to Bitature (2008), Uganda Investment Authority reports that the Ugandan economy is supported mainly by MSMEs contributing about 90% of the private sector production. SMEs are the prime source of new jobs and play a crucial role in income generation, especially for the poor. However, MSMEs by the sheer limitation of their size and resources are highly dependant on Business Development Services (BDS) to provide capacity building and support their business growth in areas such as training, advice, information, business planning, marketing, technology, communications and other services. BDS complement credit and microfinance programs, and assist small enterprises with growth potential to become medium sized enterprises.

To increase the quality and efficiency of production capability, one key factor identified is the capacity of the entrepreneurs behind the business operation. In addition, the other critical element for promoting enterprise development is a suitable enabling environment for business creation, survival and growth. This refers among other things, to policy and regulatory issues, infrastructure, financial and business development services.

2.4 Business development Services and the growth of Micro, Small and Medium Enterprises

Business Development services are designed to help enterprise owners to overcome certain constraints. Micro and small entrepreneurs are frequently hampered in their business growth by non-financial factors such as inadequate business management skills, lack of information and poor market access. Due to their small size and limited resources, the administrative tasks that all firms have to carry out weigh particularly heavily. Research and experience indicate that access to Business Development Services greatly enhances the performance of small business, in an economic as well as in a social and environmental sense. The present good practice guide on Business Development Services for small enterprises that is more specifically adapted to the needs of micro enterprises.

Business Development Service helps small and medium sized businesses to drive growth through better sales strategies and operations. Business Development Services usually aim to boost competitiveness through higher productivity, better product design, improved service delivery or enhanced market access (Sievers and Vandenberg, 2007). They comprise a broad range of non-financial services including management or vocational skills training; marketing and technical assistance; technology assistance; productivity and product design; accounting and legal services; and access to various information about standards, regulations, or ideas in an enterprise field.

A study of the Bangladesh Rural Advancement Committee shows that beyond the benefits of micro credit, female clients who receive skill training obtain significantly higher income than those who do not. Moreover BDS package is highly cost effective for clients, because the added gains to their new business exceed the service charge many times over. However, the fees charged for the services cover only 47% of its total cost (Halder, 2003). A more recent study assessed the impact of incorporating BDS, in the form of entrepreneurial training, into a microfinance program by using a randomized control trial (Karlan and Valdivia, forthcoming). They measure the marginal impact of adding business training to a Peruvian group lending program for female borrowers, the treatment leads to limited improvements in business knowledge, practices, and revenues. For the MFI though, the program increases client retention rate.

Various scholars explain significant relation between the availability of microfinance alongside the growth of the small scale and medium enterprises worldwide. From several studies carried out while analyzing four programs in Bolivia, Mosley (2001) shows that assets and income increased commensurate with initial poverty levels, but also that MFI services may increase vulnerability if borrowers over-leverage. Bolnick and Nelson (1990) find that MFI participation had a positive impact on enterprises that were typically small, labor intensive and growing, although the impact was far from uniform across sectors and target variables.

Copestake (2001), find that borrowers who were able to obtain two loans experienced high growth in profits and household income compared to a control sample, but borrowers who never qualified for the second loan were actually worse off due to MFI collection mechanisms. Wydick (1999a) finds that upward class structure mobility increases significantly with access to credit. Using the same Guatemala data set in a subsequent study (2002), Wydick also finds that rapid gains in job creation after initial credit access were followed by prolonged periods of stagnant job creation. Dunn (2001) finds that program clients' enterprises performed better than non-client enterprises in terms of profits, fixed assets, and employment.

Cook (2001), Dumas (2001) and Edgcomb (2002) use case methodology to analyze MFIs offering integrated business development training. They conclude that business development training significantly improves micro enterprise performance and micro entrepreneur empowerment. A final issue meriting mention is provision of equity in lieu of credit for enterprise formation and start-up capital. Pretes and Seibel (2002) discuss several cases of this practice in East Africa. They refer to this service as providing enterprise equity; however, in finance vernacular, this service would most likely be considered a grant.

They argue that those who issue of Small Enterprise Development dedicated to the topic of micro insurance. Articles highlight the risks and opportunities of micro insurance in general, healthcare micro insurance, funeral micro insurance, agricultural micro insurance, and client selection by MFIs. Invest (donate) the equity in such cases receive their returns intrinsically, as they do not receive a financial ownership position in the startup firm (micro-enterprise).

2.5 Savings mobilization and the growth of Micro, Small and Medium Enterprises

According to Vogel, (1984) savings mobilization refers to the forgotten half of rural finance and typically extracted savings from clients through compulsory systems. In designing

MABS, USAID emphasized savings mobilization more than previous donor-funded microfinance efforts had. Mobilizing deposit products provided rural banks with an attractive, stable source of funds for expanding their microfinance operations. Less reliable on external sources such as government or international donors helped banks focus on financial intermediation and become more self-sufficient. Key best practices in savings mobilization include low minimum balance requirements; regular deposits and higher daily balances encouraged by increasing interest rates or awarding those with higher balances that is raffle promotions; high quality client service; standard and simplified product documentation and procedures; reduced administrative costs through savings boxes.

Savings mobilization in microfinance is a very controversial issue. They have been increased awareness among policy makers and practitioners on the vast number of informal savings schemes. MFIs such as credit union organizations around the world have been very successful in rallying clients to save (Paxton, 1996a, p8)

In the United Kingdom, a study by Gray, Saunders and Goregaokar (2012) found the main sources of finance used by SMEs to fund their businesses were reinvesting profits 68%, personal/family savings 39%. This indicates the importance of savings in funding business growth at 39%. Similarly the importance of savings to SMEs is emphasized by Citi's "susu" in Ghana where 200 to 800 members save between US Dollars 40,000 and 800,000 per cycle with accumulated savings being paid out to the members over a 100 week cycle for each week's collection Bass and Anderson, 2014, p.10)

This example is a clear evidence of success of saving with MFIs. However, Bass and Anderson further argue that this success is solely not dependent on the design of the savings products but also on pricing and marketing. The MFIs must also have a sound management structure and an appropriate management information system that safeguards clients' deposits. This argument may be important for the MFIs to consider but the growth of SMEs needs to be taken into consideration also to ensure benefits to MSME clients, constant growth of MSMEs can improve availability of micro financial funds and lower their costs.

Akisimire (2010), wrote that firm growth opportunities has correlation with liquidity levels, enterprises with more investment opportunities keep higher liquidity levels in order not to limit or cancel their profitable investment projects. It can be argued that these kind of firms would require a reliable savings institution to enable them maximize on their growth opportunities; MFIs should establish effective savings programs by transforming their capabilities to support SME savings. However, it should also be noted according to Gray, Saunders and Goregaokar (2012, p.8), that too much liquidity is harmful as MSMEs might not spend it wisely on cash flow management since it is also important.

To offer credit services, the microfinance institution selects borrowers that it trusts through business assessments, character assessments, cash flow analysis, or a combination of several tools. In savings mobilization, however, it is the customer who must trust the MFI (Robinson, 1995).

To begin the process of introducing savings, the MFI must first conduct a market survey and feasibility analyses. Once the tests are completed, the institution uses the information to design appropriate high quality services. The institution should publicize its instruments and services will usually mobilize its instruments and services in locally appropriate ways.

Along with the lending function, a market for savings exists in poor areas around the world. Savings services offered by MFIs can be divided into forced and voluntary savings, with forced savings far exceeding voluntary savings. In a forced savings program, microfinance participants are required to save a minimum amount each week (or other set period of time).

Forced savings ostensibly teaches financial discipline and provides the MFI with additional information about clients. In practice, forced savings serve primarily as a form of cash collateral. Rules regulating when and how clients may withdraw forced savings are typically highly restrictive.

The second form of savings is voluntary, flexible savings ((Nourse (2001), Montgomery (1996)). Millions from all strata of poor do not operate enterprises, but they do save, albeit often in very small amounts and at inconsistent intervals (Beverly and Sherraden (1999). Savings are integral to poor households' risk management strategies; they constitute the first line of defense to help poor households cope with the external shocks, emergencies, and life-cycle events to which they are so vulnerable; and they play a crucial role in allowing the poor to take advantage of productive investment opportunities (Grosh and Somolekae, 1996).

Compulsory and voluntary savings are usually compatible. However, some institutions have designed programs where the percentage or a value amount of savings are made available to customers are allowed to remove part of their savings; they usually prefer complete voluntary savings mobilization. Quality voluntary savings services will usually mobilize more than locked in savings.

Voluntary savings are savings, not for access to credit, but for the sake of saving. Voluntary savings are characterized by convenience and return; the ability to deposit and withdraw at will and earn market-driven rates of return on funds deposited. Savings mobilization means developing appropriate products to satisfy the local demand for voluntary savings services and marketing those products to savers of varying income levels. Simply put savings mobilization is capturing voluntary savings deposits, protecting them, managing them, and using them to fund loan portfolios.

Forced savings are those contributions to a savings account required to gain access to loans. Many traditional credit unions and non-governmental organizations (NGOs) practices require members or clients to accumulate savings or shares which are illiquid and from which they can leverage loans at two to five times what they had accumulated in forced savings or shares. Others require that as members or clients repay loans, a portion of the payment go into a savings or share account.

Compulsory savings are driven by the idea that institutions will "teach" members or clients how to save and ensure availability of funds for lending. Members and clients already know how to save; they need institutions that can provide them with the instruments to enable them to do so in financial form. In credit unions, compulsory savings do not in fact provide sufficient volume to fund loan portfolios. Credit unions must expand their outreach and offer voluntary products that are attractive to members and clients of varying income levels to generate the level of funds required to finance their loan portfolios entirely with savings. Voluntary savings have grown much faster than forced savings in credit unions engaged in savings mobilization programs because of the ease of access and the higher interest rates paid on them. In other words, where credit unions offer appropriate products, members make use of the voluntary savings to save in financial form more often than they save for the purpose of accessing loans.

A study in Uganda by Akisirime (2010), found that MFI savings products to MSMEs have encountered stiff competition at the market place with the entry of new commercial banks and down scaling of old banks while competition may ne beneficial to the MSMEs because of higher interest rates on savings, it could affect the MFIs by reducing the revenue available in order to lend. Similarly, Yeboah (2010) contends that little progress has been made to establish MFIs as full-pledged financial intermediaries and MFIs offer only credit, and savings mobilization remains the forgotten half of microfinance. MFIs can gain outreach to MSMEs by providing appropriate savings products. The MFIs should conduct research to ensure that the pricing of their savings products will ensure financial sustainability.

For large scale savings mobilization to be viable and to finance substantial portfolios, savings must be mobilized from the public and not from the poor alone. This makes it possible to serve large numbers of small savers profitably. While the transaction costs of very small accounts make mobilizing savings from the poor expensive, the larger account sizes of non-poor raise the average account size and permit a combination of institutional profitability and wide outreach. This cross subsidization is the only way that the poor can be served cost efficiently on a large scale. However, such practice requires special attention to ensure that the products are attractive to all potential savers.

Community based MFIs have the potential of providing quality financial services to customers without compromising on social mission and customer concerns. While profits are targeted, the surpluses made by such institutions revert to the community. Since the community is involved in governance, member-users are prioritized in the design of products and delivery processes. Such institutions do not feel the need for aggressive growth – but concentrate on fulfilling customer expectations on service quality and deepening of services. While a majority of non-profits do not function effectively, the community-owned institutions have been performing well and making a big difference to the lives of their members. It is necessary to examine their operations and learn lessons on how to structure institutions in the community domain so that customers' interests are prioritized.

Community based approaches are critical for achieving sustainable development goals that promise inclusion of the poor and marginalized sections of the society. These approaches are providing access to financial services and support services to manage their livelihood s and lives. These include self-help groups and their federations, financial cooperatives, credit unions, village savings and loan associations, savings groups.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The chapter provides for e research design, study population, area of the study, sample size and selection, sampling techniques, methods of data collection and instruments, data analysis and process, data quality control, ethical considerations and limitations of the study. The chapter also explores the reliability and validity of the instruments as explained.

3.1 Research design

The researcher used a cross sectional survey design basing on the use of qualitative and quantitative analysis. The cross sectional design was used because it is appropriate in producing data required for qualitative analysis, allowing simultaneous description of views, opinions, perceptions and beliefs at a large single point in time. This allowed collection of views at a single point in time as this design involves observation of all of a population, or a respective subset, as explained by Olsen & Marie (2004). Two approaches of data collection and analysis were adopted. These include;

The qualitative approach focused on descriptive statistics obtained from the responses of the sample. This approach produced results in form of tables and figures which provided the basis for the discussion and conclusions about the findings.

The quantitative approach focused on obtaining data in form of statements from those involved in the situation under review. The respondents gave opinions about the items of the study which helped in drawing, explaining the findings and making conclusions. The analysis of qualitative data that provided the basis in depth understanding of the situation under study

3.2 Area of the study

The study was conducted in Rubaga Parish Rubaga Division one of the Divisions making up Kampala City in Uganda. Rubaga is bordered by Mengo to the east, Namirembe to the northeast, Kasubi to the north, Lubya to the northwest, Lungujja and Busega to the west, Nateete to the southwest, Mutundwe to the south and Ndeeba to the southeast. The coordinates of Rubaga are: 0 degree 18’11.0”N, 32 degrees 33’11.0”E. (Latitude: 0.303056; Longitude: 32.553056). The distance, by road, from the central business district of Kampala to Rubaga is approximately 3 kilometers (1.9 mi). This area was selected for the study because it has got a high concentration of MSMEs and MFIs which provide basis for the study.

3.3 Population of the study

This is a collection of individuals targeted by the study about whom the researcher wants to draw conclusions or make inferences (Enarson et al 2004). The population of the study was one ninety (90) respondents, seventy (70) of whom were owners of enterprises and twenty (20) staff members of microfinance institutions in Rubaga Parish. The choice of this population was based on the belief that all the kinds of respondents in this population had enough knowledge about the objectives of the research study since they are small and medium enterprise owners, microfinance staff who have relevant information needed for the research study.

3.4 Sample size and selection

Sample size refers to the selected number of individuals for the study. The sample size of the respondents involved in the study was (73) respondents comprising of both enterprise owners and microfinance staff determined by Krejcie and Morgan (1970). The managers of MFIs in

Pride Microfinance Uganda Limited were selected purposively for interviewing because there was need to collect in depth data.

The table showing the sample size of respondents;

MF Staff	Enterprise Owners	Total
15	58	n=73

Source: Primary Data

3.5 Sampling Techniques

This is a description of the strategies which the researcher used to select representative elements from the target population that is probability and non-probability sampling techniques. The population of the study comprised of business entrepreneurs, operating in Mengo, and Lugujja Sub Parishes and microfinance managers in Rubaga Parish.

The researcher selected the sample using both simple random sampling and purposive sampling techniques. By this method each individual was chosen randomly and entirely by chance giving each individual in the population the same probability of being chosen for the study. Simple random sampling ensured that everyone had equal chance of being selected for the sample. With purposive sampling, this was used because it helped in selecting typical and useful people that gave relevant data. Purposive sampling was selected for cases rich with information for in-depth study (Oso & Onen, 2009). This method was used by purposefully selecting owners of SMEs and staff of microfinance.

3.6 Methods of Data Collection

These are techniques used to gather data for the purpose of answering the research questions. This study will employ a questioner survey and personal interview as methods of data collection.

3.6.1 Research questionnaire survey

The study employed a questionnaire survey because it's highly suitable and the respondents find it easy to answer. It also allowed the researcher to easily identify the main concerns of the respondents. The format used simple multiple choice by which respondents chose one from among the given alternatives. The questionnaire had identical items for all respondents and ensure confidentiality as respondents especially those who can answer them on their own will be free from the influence of the researcher.

3.6.2 Personal interview survey

This is called a face to face survey a method that is utilized when a specific target population is involved. The purpose of conducting a personal interview survey was to explore the responses of the people to gather more and deeper information. Personal interview surveys were used by the researcher to probe the answers of the respondents. Interviews were used because people more readily can answer live questions about the subject. Open-ended questions are more tolerated through interviews due to the fact that the respondents find them more convenient for their long answers orally than in writing (Sincero, 2012). The study carried out only five interviews from staff of MFIs who availed information on micro credit, savings mobilization, micro insurance and business development. This number was considered sufficient because, according to Creswell John in Mason (2010), 5 to 25 interviewees are satisfactory.

3.7 Data collection instruments.

The study employed different instruments for collecting data so as to harness the benefits of triangulation. The questionnaires, interviews, and document checklist were used. These enabled the researcher to balance between the quantity and quality of data collected and also provide more information. These balances between the quality and quantity of information are useful for a fuller explanation of the phenomena under investigation. The selection of these tools was guided by the nature of the data to be collected, the time available as well as the objectives of the study. The researcher was mainly concerned with collecting views, opinions, perceptions, feelings and attitudes of the respondents. Such information could best be collected using questionnaires and interview techniques.

3.8 Data collection sources.

The researcher used both primary and secondary data.

Primary data involved the collection of data by the researcher for example by use of questionnaires, and documentary analysis which is the main source of data.

Secondary data is the data collected, compiled or written by other researchers for example from documents like text books, magazines and journals and physical or archived research data.

3.9 Data analysis

Data analysis is the systematic organization and synthesis of research data (Polit & Hungler 1995:639).

Qualitative data

The study identified patterns and connections within and between categories of data collected. It was presented in form of notes, word for word transcripts, single words, brief phrases and full paragraphs (Powell & Renner, 2003). Data was interpreted by composing explanations and substantiating them using the respondents open responses. While analyzing qualitative data, conclusions were made on how different themes/variables are related.

Quantitative data

Statistical data from the questionnaire was entered and analyzed using the Statistical Package for Social Scientists (SPSS 16.0) program. This helped in calculating the descriptive statistics. The statistical programme was also used in the calculation of frequencies and percentages, drawing of frequency tables and figures. This was well suited for quantitative description. Analysis and explanations will be carried out to give meaning to the collected data.

3.10 Data processing

At the completion of data collection, the data was recorded, edited, using computer packages like Microsoft Word computer program, to reduce on errors and check for relevancy and adequacy. Data was systematically arranged and integrated into report and was submitted to the Faculty of Business Administration and Management.

3.11 Data quality control methods

3.11.1 Validity of the Instruments

Validity refers to truthfulness of findings, accuracy and quality of instruments used to obtain data about the phenomenon under study. It is the extent to which research instruments measure what they are intended to measure (Oso and Onen, 2008). Content validity literally means the amount of substance in the study (Enon, 2002). The researcher established content related validity. This was through consultations with researcher's friends and colleagues. The test of content validity was established through inter-judge with two research consultants. Each rated the items on a two point rating scale of Relevant (R) and Irrelevant (IR). The computation of CVI (Content Validity Index) was got by summing up the judges' ratings on either side of the scale and dividing by two to get the average.

The formula for CVI was: CVI = n/N

Where; n = Number of items rated as relevant

N = Total number of items in the instrument.

The researcher attained validity and reliability coefficients of at least 0.70 or 70%.

3.11.2 Reliability

The strategies that were used to obtain reliability for qualitative data are; peer debriefing, prolonged engagement audit trails. The researcher was responsive and adaptable to the respondents, holistic and ensured processional immediacy. Data was systematically checked. Focus maintained and there was identification and correction of errors to ensure accuracy of data (Morse, 2002).

For qualitative data of the questionnaire, reliability test was carried out after the data collection to establish whether the items in the questionnaire are internally consistent. Internally consistency was measured through Alpha coefficient using SPSS 16.0. The items were considered reliable at 0.70 (70%) as this is recommended alpha level for internal consistency (Siege, 2002).

3.12 Limitations of the study.

Inadequate time frame required for a detailed research study and insufficient funds in terms of transport to carry out the study could lower validity and reliability of the study. To solve this problem, questionnaires will be distributed and collected at a later time and friends will contribute to raise sufficient funds.

Some respondents may not be willing to provide information due to suspicions of where the information is to be taken. This will be solved through Rubaga Parish leaders’ explanations.

3.13 Ethical considerations

Consent was sought from the respondents who participated in the study. The researcher observed extreme confidentiality while handling the responses. Information was availed to the respondents that the research would not endanger them directly or indirectly and that participation was voluntary. Utmost respect was given to the views and the respondents creating a good rapport between them and the researcher.

CHAPTER FOUR

DATA PRESENTATION AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents the analysis and interpretation of the findings. This study aimed at assessing the effect of MFIs on the growth of MSMEs in Rubaga Division with reference to Rubaga Parish. The basis of investigations was microfinance services, effect of micro credit, business development services and savings mobilization on the growth of Micro, Small and medium Enterprises. The discussion of this chapter begins with the response rate followed by background information, detailed profiles of MFIs and MSMEs who are beneficiaries of the services of MFIs and then microfinance services offered to business community, the effects of micro credit, business development services and savings mobilization on the growth of Micro, Small and medium Enterprises.

Data collected for the study were quantitatively and qualitatively analyzed.

4.1 Response rate

The questionnaires distributed were in two categories, one category for SMEs and the other for MFIs. A total of 68 questionnaires were distributed to the respondents but only 60 questionnaires were retrieved fully filled. These were considered sufficient because this was a response rate of 0.882 (88.2%) as Taylor Powell & Hermann (2000) indicate that a response rate of 0.60 (60%) is acceptable. These included 10 completed questionnaires from MFIs, and the remaining 50 questionnaires were collected from the MSMEs for both quantitative and qualitative data of open responses. More data of qualitative nature was collected by interviews with 5 MFIs managers in total there were 65 respondents.

4.2 Background information of the respondents

Background information studied included gender, age group, and the education level. This information was considered necessary because it was assumed that the ability of the respondents to give required information depended on their background.

Table 1: Distribution of respondents according to different attributes

Attribute	Category	Frequency	Percentage
Gender of the respondents	Male	21	35.0
	Female	39	65.0
	Total	**60**	**100.0**
Age group of the respondents	18-29	35	58.3
	30-44	21	35.0
	45-54	4	6.7
	Above 55 years	0	0
	Total	**60**	**100.0**
Level of education	Informal education	3	5.0
	Primary level	2	3.3
	Secondary level	21	35.0
	Post secondary	34	56.7
	Total	**60**	**100.0**

Source: Primary data 2016

Data presented in table 1 on gender show the larger number of the respondents of 35.0% were males and 65.0% were females. These results show that the females use Microfinance Services more than the males. However, the views obtained were representative of both gender groups as they both actively participated and offered their responses.

Data in table 1 on age groups shows that, the larger number of the respondents 58.3% were between 18-29 years followed by 30-44 who were 35.0%, then those between 45-54 who were 6.7% and 0.0% of those above 55 years. The results indicate that all respondents were of mature age and therefore this gave the researcher to consider the solicited views as valid and authentic in relation to the study since they were considered to have enough understanding of the operations of enterprises.

Data presented in table 1 on education levels of the respondents' show that the majority of the respondents 56.7% possessed post secondary education followed by 35.0% who possessed secondary education, then 5.0% who possessed informal education and the remaining 3.3% possessed primary education. With most of the respondents having attained post secondary education, the researcher was able to collect reliable information as most of these easily understood the interaction between MFIs and growth of MSMEs.

4.3 Detailed profile of selected MFIs

Two (2) microfinance institutions were sampled to study how they operate and how MSMEs benefit from their operations that are Pride Microfinance Uganda Limited and Entrepreneurs financial centre Uganda Limited-EFC.

4.3.1 Commencement and objectives of the selected MFIs

The researcher found out that Pride Microfinance Uganda Limited which began operating in 1995 with an objective of offering credit to the poor mostly targeting those in Agricultural Sector and Entrepreneurs financial centre Uganda Limited-EFC that started operating in 2012 with an objective of providing financial support to the growing entrepreneurs. Both institutions are Microfinance Development institutions-MDI. These institutions were selected because they are located in Nateete near Rubaga Parish which is the study area. They were therefore able to provide relevant information to the researcher.

4.3.2 Services offered to MSMEs

These MFIs were found to be providing all types of services such as the savings, loan/credit, insurance non-financial services like business development services, and others like EasyPay, Money Transfer through Western Union. The loan/micro credit models provided to SMEs by Pride Microfinance include: individual loan for boosting businesses; group guaranteed loan for clients growing together in business terms and asset financing loan. The savings products include: smart savings account providing unlimited access to savings; akiba savings account for long term projects; fixed deposit account investing for the future. However, they also provide training services to the business entrepreneurs before accessing individual loans for Group Guaranteed loan.

Loan/micro credit models offered by EFC Uganda limited include; business loans, home improvement loans, women market trader loan. The savings products include regular savings, premium savings and fixed term deposit savings. However, EFC Uganda limited also provides other services like EasyPay for increasing sales through liquidity via cash payment. This information was relevant because the researcher detailed knowledge about MFIs.

The above results are in line with (IMFB 2007) that microfinance is the supply of loans, savings and other basic financial services to the poor. Everyone needs a diverse range of financial instruments to run their business, build asset, stabilize consumption and shield themselves against risks. Financial services needed by the poor include working capital loans, consumer credit, savings pension insurance and money transfer services. .”

The microfinance institutions contend that the interest rates are driven by demand for loan able funds, healthy, growing microfinance Industry; reaching increasing numbers of the poor especially in the rural areas. They also allege that the cost of processing a loan is the same regardless of the size of the loan. This over burdens them with debt and ultimately makes them even poorer (Association of Microfinance Institutions of Uganda-AMFIU)

4.3.3 Factors considered in evaluating credit requests and protection against loan default

The researcher was interested in finding out the factors that MFIs consider in evaluating credit requests and what they do to protect against loan default by MSMEs. The results are as follows:

Table 2: Factors for evaluating credit requests

		Frequency	Percent
	Collateral	8	80.0
Valid	Repeat borrowing	2	20.0
	Total	**10**	**100.0**

Source: Primary Data 2016

The data in the Table 2 above shows that both institutions majorly offer loans to MSMEs against collateral represented by 80.0% followed by repeat borrowing represented by 20.0%. However, there are other factors considered like age of the majority, six months of business experience, competence and expertise in the particular business sector. These minimize the risks of making losses. EFT also monitors its clients to ensure proper management of funds provided to them. Both microfinance institutions require potential borrowers to save before applying for a loan in order to demonstrate their intention to develop a long-term banking relationship.

The researcher found out that security is required for certain kinds of credits. Some MFIs do not require any form of security at all but rather grant credit based on the savings capacity of the client. In situations where collaterals are needed, the researcher found out that, the MFIs requested for the collaterals such as land, car, and shops as a reference point for guarantee. This is contrary to Wenner (1995) arguments that "Micro credit is most often extended without traditional collateral". If physical collateral were a requirement for borrowing, most MFI clientele would be unable to participate due to their extreme poverty level. Because borrowers do not have physical capital, MFIs focus on using social collateral via group lending.

However, training is one of the major lending terms one must go through before he/she can secure a loan for effective management of micro, small and medium enterprises especially on successful use of borrowed money (Wright, 2000).

4.3.4 Common reasons why people borrow and forms of BDS

The members of the business community mainly borrow in order to boost their businesses by acquiring assets, building their careers.

EFC Uganda Limited offers BDSs in different forms which include training, market research and advisory services. BDSs are offered through better sales strategies and operations, better product design and improved service delivery. These attract many business entrepreneurs to acquire the knowledge hence boosting their businesses.

This information is in line with Sievers and Vandenberg (2007) that Business Development Services usually aim to boost competitiveness through higher productivity, better product design, improved service delivery or enhanced market access.

4.3.5 Challenges faced by MFIs in providing credit to SMEs

The staff of EFT Uganda Limited and Pride Microfinance, the MFIs that were sampled agreed that they face various challenges when providing loans to MSMEs. These are:

- Problem of repayment of loans
- Lack of collateral security required on the part of the MSMEs
- Poor records keeping on the part of the MSMEs
- Lack of transparency in the business accounts and related business information
- Lack of proper documentation in terms of business registration and a permanent business address.

However, for the general improvement of MFI services to ensure accelerated and sustained growth of the MSME sector, the following suggestions were given by the staff of Pride Microfinance Uganda Limited;

- MFIs should make registration of business enterprises and have permanent address as a criteria of giving out of loans
- Credits should be a client-need oriented and not a product oriented
- MFIs should grant loans with moderate interest rate.
- Constant evaluation and monitoring should be put in place to provide appropriate remedy to some of the challenges of the MSMEs that may be arise.

MFIs have helped to improve the fortunes of most MSMEs. However, the success of MFIs cannot be measured just by what they do, but also by the effects of their activities on their clients. In the light of this, Buckley (1997), argue that, the indicators of success of micro credit programs; namely high repayment rate, outreach and financial sustainability does not take into consideration what impact it has on micro enterprise operations and only focusing on “microfinance evangelism".

4.4 Detailed profile of selected MSMEs

The background of the respondents was needed for a comprehensive outlook of the sample of the study, and to know if they fit in the category of the right respondents needed for the research. In order for the researcher to find out the existence of these MSMEs, it was imperative to know when these MSMEs were started.

4.4.1 Commencement and objectives of the MSMEs operation

Research findings show that the majority of MSMEs began their operations from after 2000 and late, and the remaining MSMEs incorporated their businesses in 1995-2000. This shows that, most of the MSMEs sampled for the study were established in the 21st century, thus early and late 2000s and have the requisite experience in terms of their dealing with Microfinance Institutions.

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

25.0% of the respondents started businesses to generate income to support their family and improve their standards of living, 10.0% to serve the community by providing high quality goods and services at affordable prices, 5.0% to create employment opportunities for other Ugandans, 25.0% to be self-employed and be financially self-reliant and 35.0% to make profits. The results show that most respondents started businesses in order to make profits.

4.4.2 Line of Business

The researcher was interested in knowing the type of businesses the respondents are carrying out in order identify the major line of business operating in Rubaga Parish. The results are explained below;

Table 3: The line of business

Business line	**Frequency**	**Percent**
Manufacturing	6	12.0
Commerce	20	40.0
Service	23	46.0
Others	1	2.0
Total	**50**	**100.0**

Source: Primary data 2016

The Table 3above gives the line of businesses of the respondents. 12.0%t are engaged in manufacturing, 40.0% are engaged in commerce, 46.0% are engaged in services and 2.0 percent are engaged in other services such as poultry keeping, self-employed tailoring and dress making. This shows that the business community of Rubaga Parish is predominantly in service sector with 46.0%.

4.4.3 Frequency statistics on the number of people employed by MSMEs

Table 4: Number of employees

Number of employees	Frequency	Percent
Less than 6 people	35	70.0
6-15 people	8	16.0
16-50 people	5	10.0
51-99 people	2	4.0
Total	**50**	**100.0**

Source: Primary data 2016

The above Table 4 shows that the majorities MSMEs of 70.0 percent have employed less than 6 people in their work, 16.0 percent have employed 6-15 people, 10.0 percent has employed 16-49 people and 4.0 percent of the respondent have employed above 50 people. This analysis suggests that, these MSMEs have also created opportunities for other people to be employed.

The results show that most MSMEs in Rubaga Parish are at the Micro state since they employ less than six people in their businesses because they are easy to form and manage. This is in line with Jamil (2008) who explained that microfinance is the entire flexible structures and processes by which financial services are delivered to micro entrepreneurs as well as the poor and low income population on a sustainable basis. In defining small-scale enterprises, Osei *et al* (1993), however, classified small-scale enterprises into three categories of which the first category is Micro which employs less than six people. In addition, the findings in this research show that MSMEs provide livelihood for the masses of the people through income generation and employment.

4.4.4 The sources of business capital

The researcher needed to know the main sources of capital for the respondents. This was necessarily because the researcher wanted to know whether respondents also use micro credit in their businesses as capital and the results are as follows;

Table 5: Sources of business capital

Source of capital	Frequency	Percent
Self	20	40.0
Friends and family	9	18.0
Partnership	8	16.0
Loans	13	26.0
Total	**50**	**100.0**

Source: Primary data 2016

Capital is the most valuable item in the establishment of MSMEs. The Table 5above shows that, 40.0 percent sponsored themselves for the initiation of their businesses, 18.0 percent relied on friends and relatives, 16.0 percent were from partnerships, and 26.0 percent acquired loans from banks and other financial institutions.

This analysis indicates that most entrepreneurs sponsor themselves in businesses through own savings and followed by those who acquire micro credit to expand their businesses. However, it was unanimously agreed among all respondents that the capital for the operation of their businesses are not adequate as per the demand of goods and services they need for their operations.

The findings are in line with the findings in the study by Gray, Saunders and Goregaokar (2012) who found out that the main sources of finance used by MSMEs to fund their businesses were reinvesting profits 68%, personal/family savings 39%. This indicates the importance of savings in funding business growth at 39%. Similarly the importance of savings to MSMEs is emphasized by Citi's "susu" in Ghana where 200 to 800 members save between US Dollars 40,000 and 800,000 per cycle with accumulated savings being paid out to the members over a 100 week cycle for each week's collection Bass and Anderson, 2014, p.10)

4.5 MFI services offered to the MSMEs

The researcher was interested in examining the different microfinance services offered to the business of Rubaga Parish. The results were analyzed in frequencies and percentages and explained both quantitatively and qualitatively basing on the responses.

4.5.1 Services offered by MFIs to the business community

The results for services offered to the business community are presented below;

Table 6: MFIs services offered to the business community

Service	Frequency	Percentage
Savings	13	26.0
Micro credit	10	20.0
All the above	27	54.0
Total	**50**	**100.0**

Source: Primary Data 2016

From the Table 6 above, microfinance institutions provide all services to the business community which include savings, micro credit which involves giving loans to the business community to start businesses, business development, and micro insurance to loan clients accounting for 54,0%. Savings was the major financial services provided by MFIs 26.0%, this was followed by micro credit 20.0% since savings provide a basis for credit accessibility.

However, there are other services that included Money Transfer Services through Western Union. The popular microfinance institutions which provided these financial services included Pride Microfinance Uganda Limited.

The above results are in line with (IMFB 2007) that microfinance is the supply of loans, savings and other basic financial services to the poor. Everyone needs a diverse range of financial instruments to run their business, build asset, stabilize consumption and shield themselves against risks. Financial services needed by the poor include working capital loans, consumer credit, savings pension insurance and money transfer services. ."

The loan/micro credit models provided to MSMEs include: individual loan for boosting businesses; group guaranteed loan for clients growing together in business terms and asset financing loan; business loans, home improvement loans, women market trader loan. The savings products include: smart savings account providing unlimited access to savings; akiba savings account for long term projects; fixed deposit account investing for the future; regular savings, premium savings. However, MFIs also provide training services to the business entrepreneurs before accessing individual loans for Group Guaranteed loan and Easy Pay for increasing sales through liquidity via cash payment.

4.5.2 MFIs services benefited from

Table 7: Have benefited from MFI services

Response		**Frequency**	**Percentage**
Valid	Agree	39	78.0
	Disagree	11	22.0
	Total	**50**	**100.0**

Source: Primary Data

The table 7 above shows that most of the respondents have benefited from microfinance services accounting for 78.0%. However, some respondents have not benefited from any of the microfinance services represented by 22.0%.

This shows that the data provided by the respondents was reliable since the majority of respondents have benefited from microfinance services.

4.5.2 Services of MFIs benefited from

Table 8: Showing microfinance services benefited from

Service		**Frequency**	**Percent**
Valid	Savings	8	16.0
	Credit	25	50.0
	Business development	3	6.0
	Micro insurance	1	2.0
	Others	3	6.0
	Total	**40**	**80.0**
None		10	20.0
Total		**50**	**100.0**

Source: Primary Data 2016

Results in table 8 indicate that 50.0% the major financial services provided by MFIs that the respondents have benefited from is micro credit services. This involved giving loans to the business community to start businesses which was followed by savings 16.0%, business development 6.0%, micro insurance 2.0% and other services like money transfer through western union, Easy Pay accounted for 6.0%. However, 10 respondents have not benefited from any of the microfinance services comprising of 20.0%.

To offer credit services, the microfinance institution selects borrowers that it trusts through business assessments, character assessments, cash flow analysis, or a combination of several tools. In savings mobilization, however, it is the customer who must trust the MFI (Robinson, 1995) therefore the results show that business entrepreneurs trust MFIs.

4.5.3 Availability of microfinance services contribution to the enhancement of business skills?

Table 9: Microfinance services have contributed to my business skills

Response		**Frequency**	**Percent**
	Agree	40	80.0
Valid	Disagree	10	20.0
	Total	**50**	**100.0**

Source: Primary data 2016

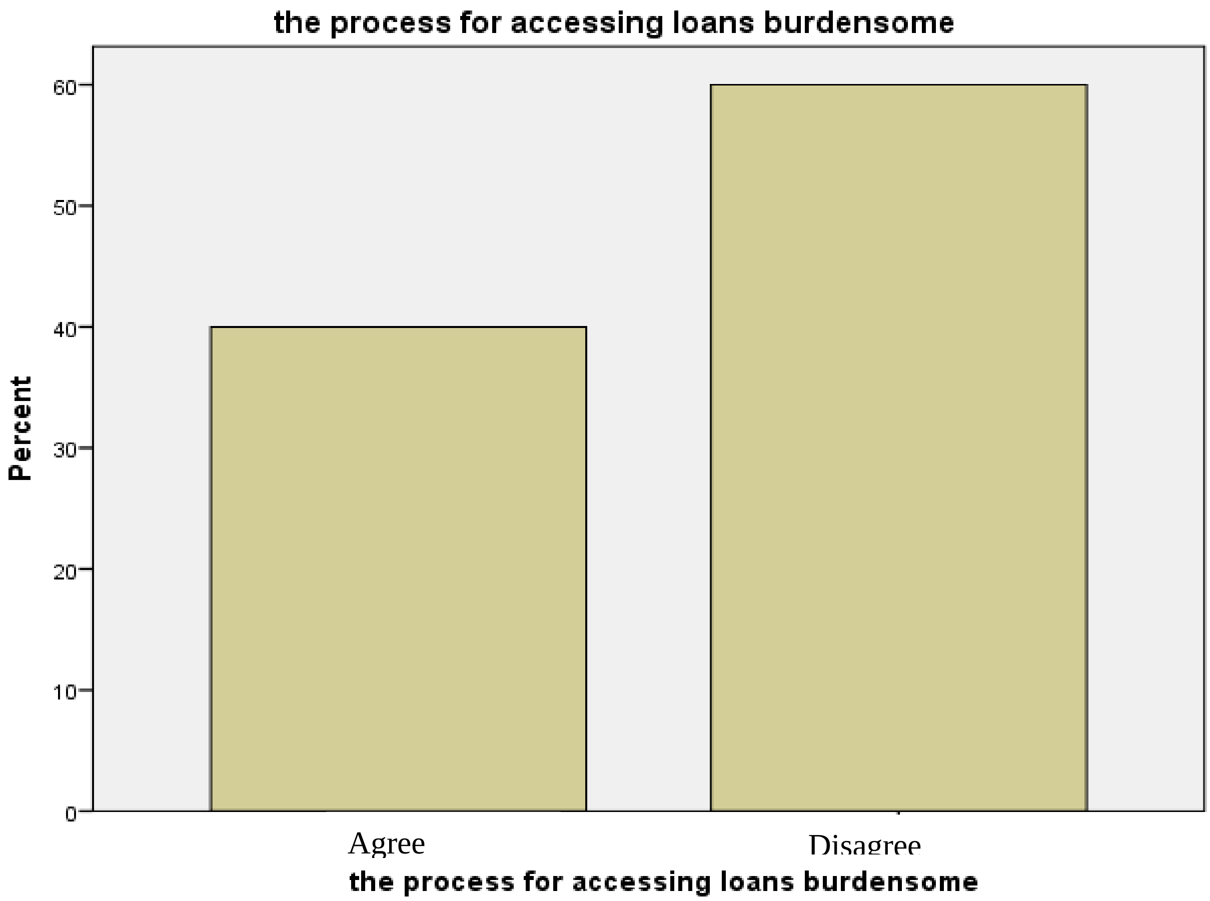
Most respondents from Rubaga Parish (80.0%) overwhelmingly affirmed microfinance services contribution to the enhancement of their business skills contrary to 20.0%of the respondents. This implies that MFIs were able to provide certain services that would help them develop their business.

Study findings indicate that microfinance services help to increase financial management skills and overall business knowledge of the respondents each accounting for 30.0%. 24.0% shows that microfinance services enhance managerial skills of the respondents. This shows that microfinance services help the business community run their businesses efficiently and effectively. However, microfinance services have not contributed to the enhancement of the business skills to the respondents accounting to 16.0% who have not benefited from microfinance services.

4.6 The effect of micro credit on the growth of MSMEs

The researcher was interested in knowing how micro credit affects the growth of MSMEs. The results in response to this objective are discussed below;

4.6.1 The process for accessing loans is burdensome

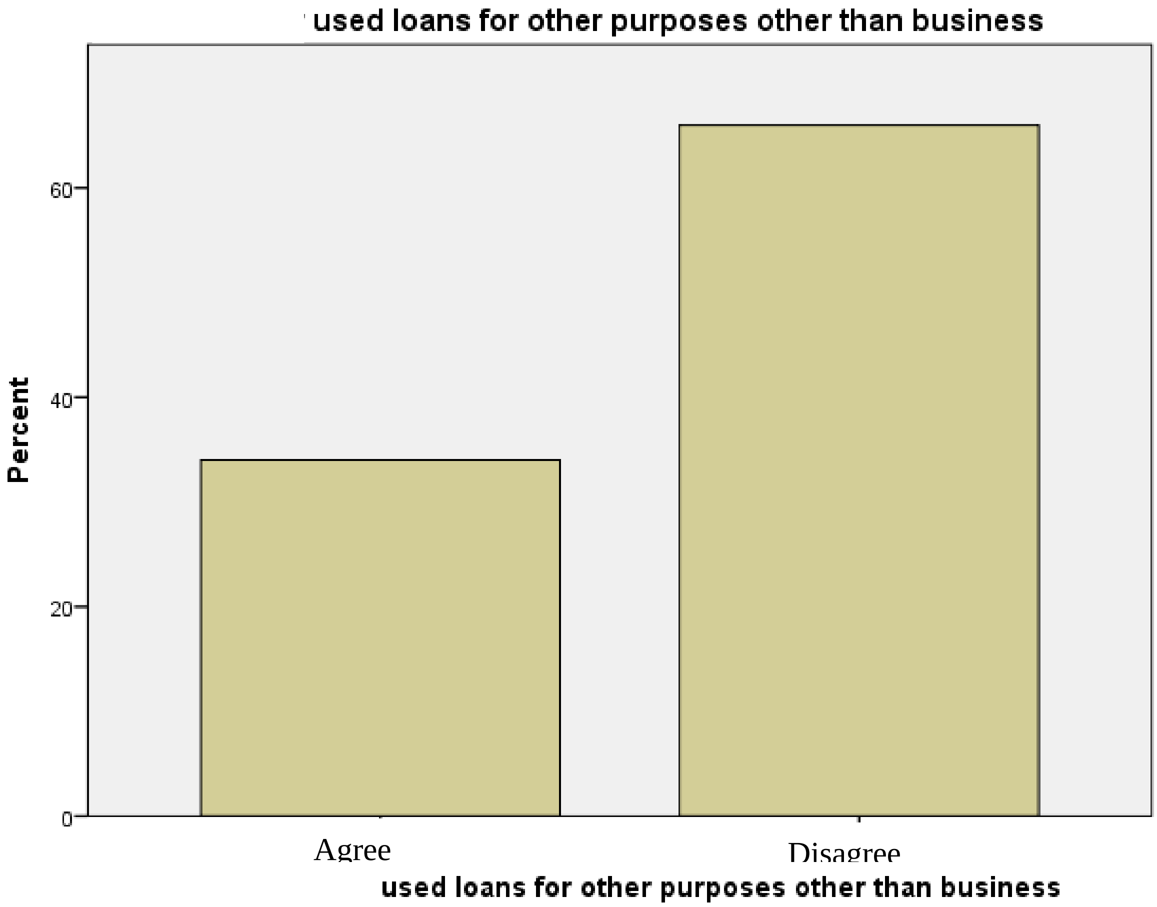


Source: Primary Data

60.0% of the respondents say that the process of accessibility of the loans from MFIs is not burdensome. This increases on the possibility of microfinance services leading to the growth of SMEs. 40.0% of the respondents say the process is burdensome. This is due to lot documents required and security requirements. The respondents suggested that microfinance institutions management should reduce on the security requirements and interest rates.

4.6.1 Use of loans for other purposes apart from business purposes?

Figure 2.0



Source: Primary data 2016

The figure 2.0 above indicates that 66.0% have never used loans for other purposes except business which enables them meet their business goals. The 34.0% indicates the percentage of the respondents who have used loans for other purposes other than business for instance paying school fees for their children, buying land and others mainly for large loans.

The findings are in conformity with Chirwa (1997), who argues that relatively large loans may tempt the borrowers to divert a portion for non-business purposes. Individuals who obtain relatively large loans are more likely to default in difficult economic conditions than those with smaller loans.

The response showed that this affected their businesses negatively since they would not compete in the market. However, misappropriation of the funds can be avoided through proper monitoring of clients business; strict assessment of clients' credit worthiness before granting loan facilities; thorough analysis of clients business information.

4.6.3 Sufficiency of loan amount for capital requirements

Table 10: Loan amount was sufficient for capital requirements

Response		**Frequency**	**Percent**
	Agree	32	71.1
Valid	Disagree	13	28.9
	Total	**45**	**100.0**

Source: Primary data 2016

The responses in Table 10 above show that 71.1% of the respondents say that the funds given by MFIs were sufficient for their capital requirements but 28.9% of the respondents say that the funds were not sufficient for their capital requirements. They therefore used the little that was available to expand their businesses and own savings. However inadequate capital affected the performance of their businesses due to shortage of company assets like stock hence declining profits.

4.6.4 Contribution of micro credit on the growth of business enterprise

Table 11: Micro credit contributions to the growth of your business

Response		Frequency	Percent
	Agree	34	68.0
Valid	Disagree	16	32.0
	Total	**50**	**100.0**

Source: Primary Data 2016

68.0% of the respondents agreed that micro credit contributes to the growth of business enterprises and 32.0% shows that micro credit has not contributed to the growth of enterprises.

Micro credit contributes to the growth of business enterprises through increased capital, ability to meet short term obligations, increase in assets and stock of the business, ability to get more credit and reinvest in the business and others.

Micro credit programs provide an opportunity to build sustainable small business enterprises that are very instrumental in eradicating poverty in the developing world (Leonard, 1982). The conventional wisdom holds that programs to help the poor should be sustainable but achieving sustainability is particularly difficult in crafting economic development strategies. Micro credit programs create sustainable small business enterprises when the net benefits to the recipients exceed total costs. Benefit effects accrue to the recipients when their businesses are successful with business growth output, improved incomes and savings (Snow, 2002). Micro credit fills a niche that banks do not always fill. This information is in line with the study findings that micro credit contributes to the growth of the enterprises.

4.7 The effect of business development on the growth of MSMEs

The results on the effect of business development on the growth of MSMEs were discussed according to the respondents view as presented below;

4.7.1 Benefited from BDS by MFIs

Table 12: Have benefited from business development service

Response		Frequency	Percent
	Agree	28	56.0
Valid	Disagree	22	44.0
	Total	**50**	**100.0**

Source: Primary data 2016

The response in the table 12 above shows that 56.0% of the respondents have benefited from the business development services and the 33.0% have not benefited from business development services. This means that business development helps the entrepreneurs acquire necessary business skills that enable them to sustain their businesses.

The study findings show that most of the business development services offered to the business community includes; training and advisory services on how to manage a business. However, there are other business development services offered which include marketing facilitation and market research and business linkage promotion.

According to Bitature (2008), Uganda Investment Authority reports thatthe Ugandan economy is supported mainly by MSMEs contributing about 90% of the private sector production. SMEs are the prime source of new jobs and play a crucial role in income generation, especially for the poor. However MSMEs by the sheer limitation of their size and resources are highly dependent on Business Development Services (BDS) to provide capacity building and support their business growth in areas such as training, advice, information, business planning, marketing, technology, communications and other services. BDS complement credit and micro-finance program, and assist small enterprises with growth potential to become medium-sized enterprises. This is in conformity with research findings.

4.7.2 Got training from microfinance

Table 13: Have gotten training from microfinance.

Response		Frequency	Percent
Valid	Agree	23	46.0
	Disagree	27	54.0
	Total	**50**	**100.0**

Source: Primary data 2016

The Table 13 above shows that the majorities (54.0%) of the respondents have not gotten any training from microfinance and 46.0% have gotten the training from microfinance institutions.

The respondents who have gotten training from microfinance pointed out the areas of training which included maintenance of customers, proper savings, and loan management among others.

4.7.3 Contribution of training to the growth of enterprises

Table 14: Training has contributed to the growth of enterprises

Response		Frequency	Percent
	Agree	23	46.0
Valid	Disagree	27	54.0
	Total	**50**	**100.0**

Source: Primary data 2016

The results in Table 14 show that the majority (54.0%) training has not contributed to the growth of their enterprises yet 46.0% shows that training contributes to the growth of business enterprises.

A study of the Bangladesh Rural Advancement Committee shows that beyond the benefits of micro credit, female clients who receive skill training obtain significantly higher income than those who do not. This indicates that training contributes to the growth of enterprises which is contrary to the study findings. However, training is one of the major lending terms one must go through before he/she can secure a loan. While training would be important for effective management of small and medium enterprises especially on successful use of borrowed money, as failure to use borrowed money effectively has been highly attributed to lack of financial information and basic business planning skills, the training given by most microfinance institutions tends to be inadequate and not tailored to the needs of the clients (Wright 2000). It has been argued that 95% of the training received is on how to repay back the loan and interest. It is aimed at improving lending methodology, and less to do with the business of the client. The main areas of training include the processes and requirements of obtaining a loan, the methods, procedures and mechanisms of paying back the loan.

4.7.4 BDS include marketing services

Table 15: Business development services include marketing services

Response		Frequency	Percent
Valid	Agree	19	38.0
	Disagree	32	62.0
Total		**50**	**100.0**

Source: Primary data 2016

38.0% agree that business development services include marketing services unlike 62.0% who disagree with the statement. This shows majority of the respondents have not benefited from marketing services or they have never received any business development service from MFIs.

Study findings indicate that MFIs provide marketing services by advertising, through promotions, through public relations, product pricing. Furthermore EFC Uganda Limited (MDI) provides Easy Pay a faster, convenient and efficient solution to increase sales. This means that Easy Pay is also a form of marketing since marketing attracts customers hence increasing sales thus profits which lead to the growth of SMEs.

4.7.5 Marketing helps in the growth of enterprises

EFC Uganda Limited (MDI) provides Easy Pay a faster, convenient and efficient solution to increase sales. This means that Easy Pay is also a form of marketing since marketing attracts customers hence increasing sales thus profits which lead to the growth of SMEs. Marketing enables SMEs attract more customers by creating awareness to the public of the business products or services hence making profits.

According to the Microfinance Support Centre Limited (MSC), BDS are those interventions that improve the performance of an enterprise, its access to markets and its ability to operate and compete. They are non-financial services that are designed to overcome the internal constraints that impede the survival, growth and competitiveness of enterprises which help increase profits hence in line with study findings.

4.7.6 Other BDS that contribute to the growth of enterprises

Table 16: MFIs provide other business development services that contribute to enterprise growth

Response		Frequency	Percent
	Agree	9	18.0
Valid	Disagree	41	82.0
	Total	**50**	**100.0**

Source: Primary data 2016

The response shows 18.0 % agree that there are other BDS services that contribute to the growth of enterprises growth like improving the availability of less expensive or higher quality inputs, introducing new or improved technologies and products, improving management and technical skills, eliminating policy constraints and helping enterprises access appropriate financing mechanisms and the majority (82.0%) disagree that there are no other BDS that contribute to the enterprise. This response shows that other business development services do not contribute to the growth of enterprises.

However, BDS significantly contributes to the growth of MSMEs. The goal of BDS for MSMEs is to provide business support services to MSMEs in order to enhance their income generation capacities with a view of achieving sustainable growth, employment creation and poverty alleviation. BDS consists of a wide range of non-financial services critical to the entry, survival, productivity, competitiveness and growth of micro and small enterprises. BDS can help micro enterprise solve their problems by; facilitating access to markets, improving the availability of less expensive or higher quality inputs, introducing new or improved technologies and products, improving management and technical skills, eliminating policy constraints and helping enterprises access appropriate financing mechanisms.

4.8 The effect of micro savings on the growth of MSMEs

4.8.1 Saving

Table 17: Number of respondents who save

Response		Frequency	Percent
Valid	Agree	40	80.0
	Disagree	10	20.0
Total		**50**	**100.0**

Source: Primary data 2016

The table 17 shows that the majority (40.0%) of respondents save with microfinance institutions. But the 10.0% of the respondents do not save due to certain situations like high responsibilities. This information was reliable because most of the respondents had knowledge about savings mobilization with MFIs. Mobilizing savings provides MFIs with an attractive, stable source of funds for expanding their microfinance operations. These savings can be used to offer credit the SMEs.

According to Vogel (1984), savings mobilization refers to the forgotten half of rural finance and typically extracted savings from clients through compulsory systems. In designing MABS, USAID emphasized savings mobilization more than previous donor-funded microfinance efforts had. Mobilizing deposit products provided rural banks with an attractive, stable source of funds for expanding their microfinance operations which is in line with the study findings.

4.8.2 Motivation for saving

Table 18: Motivation for saving

		Frequency	**Percent**
Valid	Attractive interest rates	7	17.5
	Easy access to credit	21	52.5
	Make regular small deposits	12	30.0
Total		**40**	**100.0**

Source: Primary data 2016

The results in the table 18 show that most of the respondents save with MFIs because they want access to micro credit (52.5%) since accessibility to loans enables entrepreneurs to expand their businesses. Others save since they want to make regular small deposits (30.0%) and attractive interest rates (17.5%).

These benefits of savings attract various people to save hence enabling MFIs provide other services to the business community effectively and efficiently.

The study findings show that micro credit is only accessible to individuals with a savings account with any of the MFIs. To offer credit services, the microfinance institution selects borrowers that it trusts through business assessments, character assessments, cash flow analysis, or a combination of several tools. In savings mobilization, however, it is the customer who must trust the MFI (Robinson, 1995)

4.8.3 Regular deposits

Table 19: Showing the number of respondents who make regular deposits

Response		**Frequency**	**Percent**
	Agree	40	80.0
Valid	Disagree	10	20.0
	Total	**50**	**100.0**

Source: Primary data 2016

40.0% agree that they make regular deposits while 10.0% do not make regular savings due to other factors for instance they do not save with MFIs.

Most of the respondents make regular deposits weekly accounting for 64.0%, 24.0% on a monthly basis and 12.0% save daily.

Ability to make regular deposits attracts micro entrepreneurs to save with MFIs in order to get accessibility to micro credit for expansion hence growth of the business enterprises.

4.8.4 Services offered by MFIs on proper utilization of savings

Table 20: MFIs provide services for proper utilization of savings

Response		**Frequency**	**Percent**
Valid	Agree	28	56.0
	Disagree	22	44.0
Total		**50**	**100.0**

Source: Primary data 2016

56.0% agree that MFIs offer services to enable its clients properly utilize your savings and 44.0% disagree with the statement. Those who agree with the statement say that MFIs provide effective training on cash flow management and liquidity management techniques to help the entrepreneurs properly utilize their savings.

4.8.5 Savings contribution to the growth of enterprises

Table 21: Savings have contributed to the growth of your business

Response		Frequency	Percent
Valid	Agree	45	90.0
	Disagree	5	10.0
Total		**50**	**100.0**

Source: Primary Data 2016

Majority (90.0%) of the respondents agree that savings have led to the growth of SMEs and 10.0% disagree.

4.8.6 How savings have contributed to the growth of SMEs

Savings have contributed to the growth of SMEs in a way the entrepreneurs have been able to accumulate business capital accounting for 26.0%, meet emergency expenses like electricity, shortage of stock accounting for 24.0%, profitability for sustainability10.0%, acquire assets 6.0%, minimize risks 4.0%. However, there are other purposes that savings can be used for in the business accounting for 14.0% like accessibility to credit facilities that can be used for business re-investment. The results show that savings lead to the growth of SMEs.

In the United Kingdom, a study by Gray, Saunders and Goregaokar (2012) found the main sources of finance used by SMEs to fund their businesses were reinvesting profits 68%, personal/family savings 39%. This indicates the importance of savings in funding business growth at 39%. Similarly the importance of savings to SMEs is emphasized by Citi's "susu" in Ghana where 200 to 800 members save between US Dollars 40,000 and 800,000 per cycle with accumulated savings being paid out to the members over a 100 week cycle for each week's collection Bass and Anderson, 2014, p.10) which are in line with study findings.

CHAPTER FIVE

SUMMARY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The chapter provides for summary of findings, the discussion of the study findings, study conclusions and recommendations. The chapter also presents services provided by microfinance institutions, the effect of micro credit, business development and savings mobilization on the growth of MSMEs.

5.1 Summary of findings

Interpretation, discussion and analysis of data collected revealed a number of findings presented here under;

The contribution of the MSME sector to the economy in terms of employment cannot be ignored. The MSME sector in made up of various sub-sectors such as; commerce, Service, Manufacturing and others like poultry keeping. The research shows that the sector is hugely dominated (46%) by service for instance hair care, stationeries, photo studios. This, the researcher believes, is due to the fact that operating such businesses does not require any regulatory processes. It was also revealed that about 70 percent of the total population of MSMEs in the Rubaga Parish is at their Micro stages since they employ less than six people in their businesses. This shows that the sector though has a potential for growth is faced with a high capital constraint.

Study findings indicated that major microfinance services included; micro credit, savings, business development, micro insurance and others like EasyPay, Money Transfer. However, savings represented by 26.0% and micro credit represented by (20.0%) are the most provided services to the business community of Rubaga Parish. MFIs have been able to create a platform that enables Micro businesses to save the little income they earn on daily and weekly basis with little cost. Results showed that for most MFIs, the saving accumulated is the basis for the amount of loan to be granted. The habit of saving has been enhanced through the activities of MFIs.

The stated services were also in explanation of Thomas et-al (2003) about the micro credit/ loans and savings. In my own view, it is generally true that MFIs offer these services but on savings MFIs require the business community to save first before applying for these loans. Few institutions do carry out business education, management skills to the business community yet they are crucial tips.

Microfinance institutions over charge their clients for financial services especially credit. This over burdens them with debt and ultimately makes them even poorer (Association of Microfinance Institutions of Uganda-AMFIU). The microfinance institutions, however, contend that the interest rates are driven by demand for loan able funds, healthy, growing microfinance Industry; reaching increasing numbers of the poor especially in the rural areas. They also allege that the cost of processing a loan is the same regardless of the size of the loan. On the other hand, the high interest rates may so be arising from inefficiencies within the operations of the MFIs.

The MFIs have provided MSMEs a greater access to credit. Most respondents indicated that 100% of their credit demand was granted. Since most of these MSMEs are Micro, their credit needs are very small and their credit needs are most of the times met. Most MSMEs were found to be dealing with more than one MFI, and the credits granted helped to boost their capital and expand their businesses.

A majority of MSMEs revealed that they have been beneficiaries of business, financial and managerial training activities of MFIs. Knowing that most entrepreneurs lack or have very little knowledge in financial management, these support services have gone a long way to make them more competitive and very alert to the implications of their financial decisions.

The results of this study reflects that (80.0%) of the respondents confirmed that the above mentioned microfinance services contribute to the enhancement of their business skills contrary to 20.0% of the respondents. These have contributed to the growth of MSMEs. This implied that microfinance services had a significant contribution towards transforming the enterprises owned by members in Rubaga Parish. According to Bitature Patrick (2008), also defends same fact that MSMEs depend on business development services including microfinance services to support their business growth.

5.2 Conclusions of the study findings

Micro credit fills a niche that banks do not always fill. Commercial banks are unable to economically administer micro credit programs. Neither are they in the business of training entrepreneurs. The role of micro credit programs in small businesses is based on two objective functions. First they allow the poor to access small amounts of capital that would otherwise be in accessible and second they provide training ground for entrepreneurs, some of whom may expand their business to a point where they can utilize commercial sources for capital.

MSMEs by the sheer limitation of their size and resources are highly dependant on Business Development Services (BDS) to provide capacity building and support their business growth in areas such as training, advice, information, business planning, marketing, technology, communications and other services. BDS complement credit and microfinance programs, and assist small enterprises with growth potential to become medium sized enterprises.

Firm growth opportunities has correlation with liquidity levels, enterprises with more investment opportunities keep higher liquidity levels in order not to limit or cancel their profitable investment projects. It can be argued that these kind of firms would require a reliable savings institution to enable them maximize on their growth opportunities; MFIs should establish effective savings programs by transforming their capabilities to support MSME savings. However, it should also be noted that too much liquidity is harmful as MSMEs might not spend it wisely on cash flow management since it is also important.

Microfinance plays a central role in the growth of micro enterprise but this is only possible if it is accessible and reasonably priced. MSMEs are increasingly seen as playing a strategic role in economic growth, despite experiencing difficulties in accessing financial and non-financial products from MFIs to finance their working capital. Some of the reasons for limited accessibility include limited levels of education to provide management and technical skills, lack of collateral, poor technology, poorly located enterprises or long distance to the nearest MFI and sometimes limited market. In cases where MSMEs succeed in accessing financial resources, the interest rate is high, which sometimes lead to high default rates or non-performing loans. This calls for a need to overcome constraints that would impede their access to financial resources. Uganda, therefore, needs to create the necessary institutional and regulatory framework environment for both MSMEs and MFIs to overcome access problems and constraints such as lack of skills, lack of financial records and high default rate problems.

5.3 Recommendations

There is need to improve and ensure effective delivery of the various microfinance services provided by microfinance institutions. MFIs also need to diversify and make it accessible to the business community of Rubaga parish since there are MFIs located within Rubaga Parish.

Reflecting on study results, micro businesses experienced high growth rate as opposed to small and medium enterprises, therefore there is need to promote balanced growth for both small and medium enterprises, enhancing quality services to the business community with small and medium enterprises.

The MFIs must also have a sound management structure and an appropriate management information system that safeguards clients' deposits. This argument may be important for the MFIs to consider but the growth of MSMEs needs to be taken into consideration also to ensure benefits to MSME clients, constant growth of MSMEs can improve availability of micro financial funds and lower their costs.

There is need for MFIs to support and strengthen the growth of MSMEs by providing good services and provide good linkages between the service delivery of microfinance services and growth of MSMEs. MFIs and other financial institutions are encouraged to slow down the interest rates charged on both short and long terms loans to allow the small enterprises be able to grow faster. This strategy is to boost the growth of MSMEs.

Improving access to finance for MSMEs: The government in collaboration with the private sector needs to accelerate the pace of financial reforms to improve the range and availability of loans and other financial services for MSMEs and also encourage financial literacy a key component of financial inclusion. Reforms could include a framework that allows MSMEs to collateralize their assets and policies that promote savings mobilization. In addition a special credit fund aimed at providing adequate credit to MFIs at concessional rates that would allow them offer favorable lending rates to the MSMEs clientele in the rural sector could be put in place. This is will address the problem of high operational costs that automatically push interest rates up such that the MFIs have no option but to lend at a rate which will allow them cover operational costs. Whereas there is the Micro-Finance Support Center in Uganda is providing wholesale credit services to the sector, its focus is limited to the SACCOs under the 'Prosperity-For-All program' excluding other MFIs in the industry. This calls for the need to widen the wholesale lending catchment financial institutions to include all the microfinance institutions.

The government should work with service providers and associations to develop markets for BDS dealing with information, training and other business services in order to increase the range of services available to MSMEs and the outreach to all parts of Uganda. Improving information dissemination on available initiatives: The relevant institutions and project that provide assistance to MSMEs should more aggressively disseminate information on the services they provide to the sector.

5.4 Areas for future Research

Looking at the effects of Microfinance services on the growth of MSMEs, its vital for future studies to strongly examine the factors that influence a decline in the growth of small and medium enterprises.

It is also important for future studies to carry out a national survey on the impact of MFIs on the growth of MSMEs in Uganda. This broadly provides significant information about the different microfinance services with significant linkage to the growth of MSMEs.

REFERENCES

Text Books

Auren & Krassowska, (2004) Financial services, Institutions for Small Scale Enterprise in Uganda. Fountain publishers: Kampala Uganda.

Biryabarema, E. (1998) Small Scale Business and Commercial Banks in Uganda, Kampala: Makerere University Press.

Emily, S. (2011) Situating Microfinance on a Theoretical Spectrum. The Case of Bolivia: Oxford University Press

Kasekende, L., & Opondo, H. (2003) Financing Small and Medium-scale Enterprises (SMEs): Uganda's Experience Fountain publishers Kampala

Ledgerwood, J. (1999), "Microfinance handbook: An Institutional and Financial Perspective", Washington, D.C World Bank.

Mokaddem, L. (2009) Microfinance scaling up in Africa: Challenges ahead and way forward: Kampala Publishers

Oso, W.Y., & Onen, D. (2009) Writing Research Proposal and Report; A handbook for Beginning Researchers, Sitima Printers and Stationeries Ltd: Nairobi

Otero, M. and Rhyne, E. (1994) "The New World of Microenterprise Finance". ITS Publications: London.

Powell, E.T., & Renner, M. (2003) Analyzing Qualitative Data, Wisconsin: Cooperative Extension Publishing Operations

VandenHoonaard, W. C. (1997), Working with sensitizing concepts: Analytical field research. Thousand Oaks, CA: Sage.

Academic Journals

Edmiston, K. (2010) "The Role of Small and Large Businesses in Economic Development" Economic Review 1 (2010): 1 KansasCityFed.org. (Online) 25 Oct. 2011

International Journal of Academic Research in Economics and Management Sciences *November* 2013, Vol. 2, No. 6 ISSN: 2226-3624, (Online) Available at www.hrmars.com/journals.

Kakooza, C.T. (2006) Causes of Small Business Failure in Uganda: a case study from Bushenyi and Mbarara Towns, The Journal for African Studies Quarterly 8, No.4

Paper Presentations and Reviews

Ayyagari, M., Beck, T., and Demirguckunt, A. (2007) Small and Medium Enterprises across the Globe, Small Business Economics 29, 415-434

Mbaguta, H. (2002) "The Ugandan Government Policy Framework and Strategy for the Promotion and Development of SMEs in Proceedings of the *Symposium on Modalities for Financing SMEs in Uganda",* United Nations Conference on Trade and Development.

Republic of Uganda, (1999) Draft Policy Paper on Micro and Small Enterprise Development, Kampala: Private Sector Development/Micro and Small Enterprise Policy Unit, Ministry of Finance, Planning and Economic Development.

Research Materials

Powell, T.E., & Hermann, C. (2000) Collecting Evaluating Data: Surveys Madison: University of Wisconsin Extension

Research Dissertations

Nakato, M. (2012) Microfinance services and the growth of small and medium enterprises: A case study of Katwe Small Scale industries development association (KASSIDA) in kampala central division Kampala district, a dissertation for the award of Bachelors Degree of Commerce of Makerere University

Quaye, D. (2011) The Effect of Microfinance Institutions on the growth of Small and Medium scale Enterprises (SMEs): A case study of selected SMEs in the Kumasi Metropolis. A Thesis for the award of degree of Commonwealth executive masters of business administration

Reports

Nahamya, K. W., Ajanga, M., Omeke, M., Nasinyama, M., and Tumwine, N. (2013) The Impact of Microfinance Service Delivery on the Growth of SMEs in Uganda Kyambogo University, Kampala, Uganda: ICBE-RF Research Report N0. 69/13, Available at www.trustafrica.org/icbe

Robinson, M. (2003) "The Microfinance Revolution: Sustainable finance for the poor"; Washington D.C. World Bank.

UBOS (2005) Poverty Rate in Uganda: Percentage of Rural sub county: Kampala Uganda.

UBOS (2010) Uganda Bureau of Statistics Microfinance Census 2010; Kampala Uganda

APPENDICES

APPENDIX I: QUESTIONNAIRE FOR THE RESPONDENT (MICROFINANCE STAFF)

Dear respondent,

I am currently undertaking a study entitled "the effects of Microfinance services on the growth of Micro, Small and Medium Enterprises" with reference to Rubaga Parish as a partial fulfillment for the award of bachelors degree of Uganda Martyrs University.

Kindly spare your time and respond to the following questions to the best of your knowledge for the success of this research project. You are assured that your responses will be treated with confidentiality and the information provided is meant only for academic purposes.

Yours sincerely

……………………

BIRIKE SYLIVIA

Thanks for your cooperation

Please, tick [√] or fill in as appropriate.

A: BACKGROUND INFORMATION

1. Your sex

a) Male [ ] b) Female [ ]

2. Your age group

a) 18-30 [ ] b) 30-45 [ ] c) 45-55 [ ] d) Above 55 [ ]

3. Level of education

a) Informal education ☐ b) Primary level ☐ c) Secondary level ☐

d) Post secondary ☐

B: TO PROVIDE A DETAILED PROFILE OF MICROFINANCE INSTITUTIONS

4. When did your Microfinance Institution (MFI) begin operations?

....

5. What was the main objective for establishing the Microfinance Institution?

....

....

6. What services do you offer to the MSMEs?

a) Savings mobilization ☐ b) Micro credit ☐ c) Micro insurance ☐

d) Business development ☐ e) All the above ☐

Others (Please specify)…………………………………..…………………………………..

7. What are the factors considered in evaluating credit requests?

a) Collateral ☐ b) Track record (repeat borrowing) ☐

c) Character ☐ d) Group membership ☐

Others (please specify)…………………………………………………………………

………………………………………………………………………………………….

8. How do you protect yourself against possible loan default?

a) Lending against collateral ☐ b) Monitoring ☐

c) Through rigorous appraisal ☐ Others (please specify)………………………

……………………………………………………………………………………………..

9. What are the common reasons why people borrow?

…………………………………………………………………………………………………

…………………………………………………………………………………………………

10. What micro credit models do you offer to MSMEs?

a) Group lending ☐ b) Individual lending ☐

Others (please specify) ……………………………………………………………………….

11. What forms of business development services do you offer?

a) Training ☐ b) Marketing facilitation ☐ c) Market research ☐

d) Advisory services ☐ e) Business linkage promotion ☐

f) All the above ☐ Others (please specify) …..……………………

……………………………………………………………………………………………..

12. If you are offering BDS, how?

a) Through better sales strategies and operations ☐

b) Through better product design ☐

c) By boosting competition through high productivity ☐

d) Provision of improved service delivery ☐ e) All the above ☐

Others (please specify)…………………………………………………………………...

13. Do you have savings products? Agree ☐ Disagree ☐

If you agree, what savings products do you provide to MSMEs?

a) Fixed deposits ☐ b) Savings deposits ☐ c) Demand deposits ☐

Others (please specify)…………………………………………………………………….

14. In your own view, how has saving mobilization contributed to the MSME growth?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

15. What challenges do you face in providing services to MSMEs?

....

....

APPENDIX 2: QUESTIONNAIRE FOR THE RESPONDENT (ENTERPRISE OWNERS)

Dear respondent,

I am currently undertaking a study entitled “the effects of Microfinance services on the growth of Micro, Small and Medium Enterprises” with reference to Rubaga Parish as a partial fulfillment for the award of bachelors degree of Uganda Martyrs University.

Kindly spare your time and respond to the following questions to the best of your knowledge for the success of this research project. You are assured that your responses will be treated with confidentiality and the information provided is meant only for academic purposes.

Yours sincerely

……………………

BIRIKE SYLIVIA

Thanks for your cooperation

Please, tick [√] or fill in as appropriate.

A: BACKGROUND INFORMATION

1. Your sex

a) Male [ ] b) Female [ ]

2. Your age group

a) 18-30 [ ] b) 30-45 [ ] c) 45-55 [ ] d) Above 55 [ ]

3. Level of education

a) Informal education ☐ b) Primary level ☐ c) Secondary level ☐

d) Post secondary ☐

B: TO PROVIDE A DETAILED PROFILE OF SMALL AND MEDIUM ENTERPRISES

4. When did your business begin operations? ....

5. What was the objective for establishing your business?

....

6. What is your line of business?

a) Manufacturing ☐ b) Commerce ☐ c) Service ☐

Others (Please specify)...

7. How many people have you employed?

a) Less than 6 people ☐ b) 6-15 people ☐

c) 16-50 people ☐ d) 51-99 people ☐

8. What is (are) the source(s) of your business capital?

a) Self ☐ b) Friends &Relatives ☐ c) Partnership ☐

d) Loans from banks & microfinance institutions ☐

Others (Please specify)...…

C: OBJECTIVES

I) THE MICROFINANCE SERVIVES OFFERED BY MFIs TO MSMEs

9. What services are offered by Microfinance Institutions to business community of Rubaga Parish? A) Savings services ☐ b) Micro credit services (loan provision) ☐

c) Business development service ☐ d) Micro insurance ☐

e) All of the above ☐ Others (please specify) ………………………………………..

……………………………………………………………………………………………….

10. Have you ever benefited from any services of Microfinance Institution(s)?

Agree ☐ Disagree ☐

If yes, which services of Microfinance Institutions have you benefited from?

a) Savings services ☐ b) Micro-credit services (loan provision) ☐

c) Business development service ☐ d) Micro insurance ☐

e) All of the above ☐ Others, please specify ……………………………………….

…………………………………………………………………………………………

11. Has the availability of Microfinance services contributed to the enhancement of your business skills? Agree ☐ Disagree ☐

If you agree, how? a) Managerial skill ☐ b) Financial managemen ☐

c) Overall business knowledge ☐ Others (please specify) …………………

II) THE EFFECT OF MICRO CREDIT ON THE GROWTH OF MSMEs

12. Do you find the process for accessing loans from MFIs burdensome?

Agree ☐ Disagree ☐

If you agree;

i) What issues make the process burdensome? …………………………………………

………………………………………………………………………………………

ii) What do you suggest in order to improve? ....

…………………………………………………………………………………………

13. Have you ever used loans for other purposes apart from business purposes?

Agree ☐ Disagree ☐

If you agree, what other purposes do you use your loans for?

....

14. Was the amount given sufficient for your capital requirements?

Agree ☐ Disagree ☐

If you disagree;

i) What do you do about it? ………………………………………………………..

…………………………………………………………………………………………

ii) How does it affect the performance of your enterprise?

…………………………………………………………………………………………

…………………………………………………………………………………………

15. Has micro credit contributed to the growth of your business enterprise?

Agree ☐ Disagree ☐

If you agree, describe how?

....

....

III. THE EFFECT OF BUSINESS DEVELOPMENT SERVICE ON THE GROWTH OF MSMEs

16. Have you benefited from BDS by MFIs? Agree ☐ Disagree ☐

17. If you agree, in which forms are the business development services offered?

a) Training ☐ b) Marketing facilitation ☐ c) Market research ☐

d) Advisory services ☐ e) Business linkage promotion ☐

f) All the above ☐ Others (please specify)…………………………………

…………………………………………………………………………………………..

18. Have you ever gotten any training from microfinance? Agree ☐ Disagree ☐

If you agree, identify the areas of training. …………………………………………………....

…………………………………………………………………………………………..

19. Has the training contributed to the growth of your enterprise?

Agree ☐ Disagree ☐

If you agree, please state how? ………………………………………………………………..

……………………………………………………………………………………………

20. If you have benefited from BDS, did it include marketing services?

Agree ☐ Disagree ☐

If you agree, how has microfinance helped you market for your products?

a) By advertising ☐ b) Through promotions ☐

c) Through public relations ☐ d) Product pricing ☐

Others, please specify……………………………………………………………………

21. How has, marketing helped in the growth of your enterprise?

…………………………………………………………………………………………..

…………………………………………………………………………………………..

22. Are there other business development services that have contributed to the growth of your enterprise? Agree ☐ Disagree ☐

If you agree, specify and state how these services have contributed to the growth of your enterprise? ……………………………………………………………………………...

……………………………………………………………………………………………

IV) THE EFFECT OF MICRO SAVINGS ON THE GROWTH OF MSMEs

23. Do you save with any financial institution? Agree ☐ Disagree ☐

If you agree,

a) Identify the type of institution you save.

……………………………………………………………………………………………..

b) What is your motivation for saving? a) Attractive interest rates ☐

b) Easy access to loans/credit ☐ c) Ability to make regular small deposits ☐

Others (please specify)……………………………………………………………………

24. Do you make regular deposits? Agree ☐ Disagree ☐

If yes, at what frequency do you make deposits? Daily ☐ Weekly ☐

Others (please specify)……………………………………………………………………………

25. Are there any services offered by MFIs to enable you properly utilize your savings?

Agree ☐ Disagree ☐

If you agree, what are the services?

a) Effective training on cash flow management ☐

b) Liquidity management ☐ Others (please specify)………………………

…………………………………………………………………………………………………

26. Have your savings contributed to the growth of your business enterprise?

Agree ☐ Disagree ☐

If you agree, how?

a) Ability to meet emergency expenses ☐ b) Minimization of risks ☐

c) Profitability for sustainability ☐ d) Expansion (re-invention for growth) ☐

e) Capital accumulation ☐ f) Asset acquisition ☐

Others (please specify)……………………………………………………………………………

Thanks for your cooperation

APPENDIX 3

INTERVIEW GUIDE FOR MFIs STAFF

1. At what interest rates do you offer credit to MSMEs?
2. What do consider before granting credit to MSMEs?
3. What forms of credit are there for MSMEs?
4. What kind of credit facility do you offer?
5. What kind of collateral do you request?
6. Do SMEs always get the collateral requested?
7. What activities do you know clients use the loans for?
8. Kindly suggest how credit misappropriation can be avoided.
9. What possible challenges do you face in providing services to MSMEs?
10. Suggest possible measures to address the above challenges.
11. What is your comment on the growth of small and medium enterprises?

APPENDIX 4:

KREJCIE AND MORGAN FORMULA USED TO DETERMINE THE SAMPLE SIZE

Table for determining the sample size for 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	346
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	351
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10,000	373
65	56	210	136	480	214	1700	313	15,000	375
70	59	220	140	500	217	1800	317	20,000	377
75	63	230	144	550	225	1900	320	30,000	379
80	66	240	148	600	234	2000	322	40,000	380
85	70	250	152	650	242	2200	327	50,000	381
90	73	260	155	700	248	2400	331	75,000	382
95	76	270	159	750	256	2600	335	100,000	384

Source: (Krejcie & Morgan 1970) Note: "**N**" is Population size "**S**" is Sample size