

**SACCO FINANCIAL SERVICES AND DEVELOPMENT OF MEMBERS'  
ENTERPRISES IN MASAKA TOWN**

**A CASE STUDY OF SELECTED SACCOS IN MASAKA TOWN**

**BY**

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## DECLARATION

I the undersigned declare that to the best of my knowledge the research work **entitled “SACCO *financial services and development of members’ enterprises in Masaka Town*”** is original and my own work and has been never presented by any one for academic award in any University or any other institution.

Signature

.....

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**APPROVAL**

This is to certify that this work **entitled “*SACCO financial services and development of members’ enterprises in Masaka Town*”** has been submitted with my approval for examination after having comprehensively read through its content.

Signed .....

Mr. Ssemanda George William

Date .....

## **ABBREVIATIONS**

CDs: Certificates of Deposit

IMF: International Monetary Fund

BCG: Boston Consulting Group

RBV: Resource Based View Theory

SACCO: Savings and Credit Cooperative

SSEs: Small scale enterprises

UCSCS: Uganda Cooperative Savings and Credit Society

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## **DEDICATION**

This research is dedicated to my beloved mother Nakirija Regina, my brother LuwagaJoakim and my dear sponsor Kerstin Buchaker, these have been so paramount towards my education in all aspects of life you have laid a strong foundation over my being and completion of the course thanks very much and may the good lord bless you all.

## **ABSTRACT**

The purpose of the study was to find out the impact of SACCOs financial services and development of member enterprises and Masaka Town as a case study. The study was based on three specific objectives, that is, to assess the relationship between saving services and growth of members' enterprises, to establish the relationship between credit services and growth of members' enterprises and to establish the relationship between financial advisory services and the growth of members' enterprises. Therefore to achieve these objectives, the study adopted a cross sectional, correlational and survey research designs. Data were analyzed by use of statistical methods that is descriptive and correlation analyses. The findings revealed that SACCO financial services have a strong impact on the growth of members' enterprises, results indicated that saving services were highly favorable to the growth of members' enterprises and there was a strong positive and significant relationship between SACCO saving financial services and the growth of members' enterprises with ( $r = 0.626$ , P value 0.000). Result also indicated SACCO credit financial serves were also highly favorable to the growth of members' enterprises and there was a strong positive and significant relationship between SACCO credit services and growth of members' enterprises with ( $r = 0.879$ , P value 0.000). Findings on the relationship between SACCO advisory financial services and growth of member enterprises indicated that there was a strong positive and significant relationship of ( $r = 0.817$ , P value 0.000). It was further concluded that SACCO's financial services significantly lead to the growth of members' enterprises and recommendations were that SACCO members should avoid borrowing more than what their businesses need as this may led to over capital gearing which always hinders growth as it worsens the gearing level of the business and SACCO managers should sensitize and train members on how to access, use and save money to cater for future needs/ demands of their businesses to enhance growth of members' enterprises.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 General introduction**

This chapter presents the background of the study, statement of the problem, purpose of the study, general objectives, and significance of the study, conceptual framework, scope of the study and definition of key terms that was used in the study.

Uganda's financial sector is underdeveloped, small and unable to fully mobilize financial resources for enterprise development, which led to formation of SACCOs (Jordan, 2010). Given that SACCOs in Uganda stand to incur losses in case of credit default, lending should be made available with minimum risk, thus lend small size credits to members' enterprises. Furthermore, Kreogel (2013) asserts that it is the lender not the borrower who causes or prevents high levels of delinquency in credit programs aimed at offering financial and non-financial services to members' enterprises that are the foundation of economic growth and development.

SACCO financial services are conceptualized as resource based values needed to enable member's enterprises to achieve growth. SACCO financial resources supplement member's equity which enhances growth. The study intention was to explore the relationship between SACCO financial services and the growth of members' enterprises in Uganda.

### **1.1 Background to the study**

The savings and credit cooperative (SACCO) business embraced today arose in Bangladesh in 1976 with the formation of the Grameen Bank (Bouman, 1977). It became popular in the 1980s as a response to doubts and research in the state delivery of subsidized credit to poor farmers.

According to Ledgerwood (1980), prior to the 1980s, government agencies were actively involved in providing productive credit to those with no previous access to credit facilities.

Africa is underdeveloped and developing countries like Uganda have embraced the incorporation of SACCOs to address the credit and saving needs of marginalized low income earners with enterprises and thus contribute to economic development (Pateloh, 2013).

The Cooperative movement in Uganda dates back to 1940 when the first farmers' association was founded in response to the exploitative forces of middlemen like the Asian traders and the colonial government (Persson, 2010). In Uganda, the state of the financial sector had been impaired by the political and social factors during the years when there were political instabilities like the 1970's and early 1980's. This period produced a severe contraction of Uganda's monetary economy, a decline in financial intermediaries led to formation of SACCOs to meet the financial immediate demands for the business community (Rhealey, 2014).

SACCOs provide financial services that enable members improve their economic and social wellbeing (Owen, 2007). In Uganda, SACCOs are registered under the Uganda Cooperative Societies Statute, 1991 and Uganda Cooperative Regulations 1992 which provide that SACCOs are owned by their members through payment of share capital, membership fees and periodic subscriptions to the institutions. SACCOs are formed to fight poverty through improving members' enterprises by enabling them to access financial services and to fight exploitation of powerless individuals by the powerful individuals or institutions, by pooling their own resources to meet their needs specifically offering savings and credit services to members (National Cooperative Policy, 2011).

A SACCO is a cooperative financial organization owned and operated by and for its members according to democratic principles for the purpose of encouraging savings and using pooled funds to extend credits to members at reasonable rates of interest. According to Owen (2014),

SACCOs offers both non-financial and financial credit and saving services to their members. Their non-financial services include representation, advocacy, education and training, and business plan development and consultancy services whereas financial services include savings and credit products (Huppi, 2013). The common services offered to enterprises in Uganda include keeping clients deposits (savings) and easier access to funds (offering credits) which are key yardsticks towards growth of the enterprises (Feder, 2011). The members' financial ability to save money with SACCOs increases the accessibility to credit with low interest rate to improve working capital and growth of enterprises (Ledgerwood, 2009).

According to Okello (2012), savings is an intelligent use of the economic resources that a member possesses to provide for the needs that may present themselves in the future. Savings acts as security to obtain credit in the SACCO and members pay their loans in regular affordable intervals. SACCOs make it possible for the poor to access reasonably priced credit at terms and conditions that are favorable to them. Otherwise, most of the low and medium income groups have no land titles/ valuable assets to offer as security.

William (2010) stated that access and use of credits financial services with affordable interest rates, adequate loan size and feasible period from SACCOs leads to growth of members enterprises. However, according to (Scheler, 2009), savings culture instills financial discipline among the entrepreneurs which is largely individual driven. This indicated that SACCO financial services contribute to the growth of small enterprises and therefore, there was need to establish their relationship.

Masaka Town and the district at all are dominated with small scale enterprises owned by SACCO members to improve on the economic growth and development of the area. Members participate in agriculture, trading and service activities for their employment to achieve desirable better standards of living and SACCOs provides 75% saving and credit financial



need to members in the district (Masaka municipal Report, 2018). Members' enterprise find hardship to achieve and sustain growth after accessing SACCO financial services due to the failure to attract and sustain customers and majority operates in perfect competitive market. However, members' enterprise with desirable growth fails to maintain for more than two years (Masaka Elders SACCO Report, 2018).

In particular, members join SACCOs because they want to obtain credits to boost their enterprises and be able to repay loans at affordable rates followed by favorable saving and credit terms and conditions. However, few members manage to service their loans on time due fluctuation growth on business operations (Heathely, 2013). Members' enterprises achieve growth but what deter its persistence is still doubtful without clear answer, hence, needed to examine the relationship between SACCO financial services and growth of members' enterprises in Masaka Town.

## **1.2 Problem statement**

A SACCO is a cooperative financial organization owned and operated by and for its members according to democratic principles for the purpose of encouraging savings and using pooled funds to extend credits to members at reasonable rates of interest. SACCOs are formed as a result of the need to encourage members to pool together funds (savings) so as to access credit and saving financial services and there by achieve enterprise growth (Amanyah, 2013).

SACCOs are formed to fight poverty through improving members' enterprises by enabling them to access financial services and to fight exploitation of powerless individuals by the powerful individuals or institutions, by pooling their own resources to meet their needs specifically offering savings and credit services to members (National Cooperative Policy, 2011).

Despite this importance, the relationship between credit and saving financial services on the growth of members' enterprises in Uganda, there was limited research about the relationship between saving and credit financial services on the growth of members' enterprises in Masaka town.

Members save money with SACCO and also access loan to finance their enterprises to achieve growth but majority have failed to realize this fundamental goal, which deter economic development without clear reason that requires evaluation. The question rose as to why members' enterprises in Masaka town have fluctuating returns that constrain growth with full access to SACCO financial services. .Thus, needed to explore the relationship between SACCO financial services and the growth of members' enterprises in Masaka town, Masaka district.

### **1.3 Purpose of the study**

The study explored the relationship between SACCO financial services and the growth of members' enterprises in Uganda.

### **1.4 Objectives of the study**

To achieve the purpose of the study, the following objectives were explored:

1. To assess the relationship between saving services and growth of members' enterprises
2. To establish the relationship between credit services and growth of members' enterprises
3. To establish the relationship between financial advisory services and the growth of members' enterprises

## **1.5 scope of the study**

### **1.5.1 Geographical scope**

The study focused on SACCO financial services and the growth of members' enterprises in Masaka Town in Masaka District. Masaka Town has many SACCOs and host majority of the enterprises for the entire district from which Masaka District Local Government collects revenues (Masaka District Local Government Report, 2018). As part of ensuring poverty eradication, the area has attracted both government and private partners to locate SACCOs in the area to provide financial services to society members. Amongst these programs is wealth creation where funds reach the population through formation of SACCOs for the youth, women and elders. The prominent SACCOs in Masaka Town are Masaka Elders SACCO, Kiyembe co-operative Society and SOWETO co-operative society and Masaka maize millers and traders SACCO.

### **1.5.2 Content**

This study focused on SACCO financial services and the growth of members' enterprises in Uganda, and particularly those members' enterprises located in Masaka Town in Masaka District. Financial services are a prime resource for enterprise growth as advocated for in the resource based view theory and constitute the capital structure premise for the enterprises, thus makes it important to establish the relevance of this resource towards business growth.

## **1.6 Time scope**

The study was carried out for the financial year 2019-2020. This was the time the researcher deemed suitable for collecting data with regards to the objectives of the study and also finishing

the research on time with regards to the university timeline and convenient for the researcher to achieve the award in time.

### **1.7 Significance of the study**

The findings of the study provided information to SACCO members on the contributions of SACCO financial services towards the growth of their enterprises.

Managers of SACCOs used the findings of this study to develop appropriate strategies of encouraging their members to save and in turn improve on the lending services they offer.

The study findings made a great contribution to the academic world by adding to the existing body of literature in the field of SACCOs.

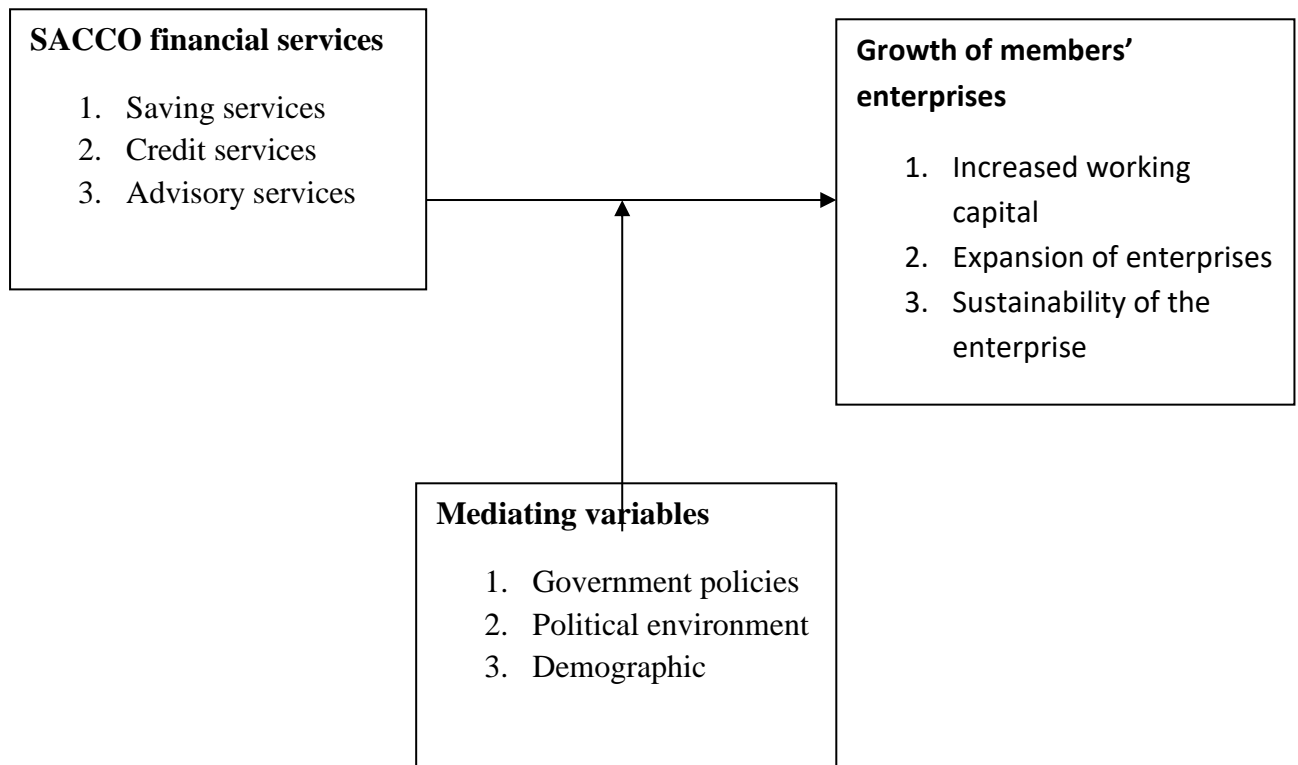
### **1.8 Conceptual framework on SACCO financial services and growth of members' enterprises**

This illustrated how the independent variable that was SACCO financial services in form of savings services which was measured in terms of members' deposits and interest on savings, credit services which was measured in terms of credit size, interest rates and credit period and the advisory services which was measured in form of training and consultancy of members, their impact on dependent variable that was growth of members' enterprises that was measured in terms of increase in working capital, expansion and sustainability of the enterprise in conjunction with the mediating variables which included government policies, political environment and demographic. Sustainability was referred to as where the enterprise is able to fulfill its financial obligations as well as customer supply demands on the market of its products or services.

**Figure 1 Conceptual framework on SACCO financial services and growth of members' enterprises**

**Independent variables**

**Dependent variables**



**Source: Adopted from Heathely, 2013 and modified by the researcher 2020**

## **1.9 Conclusion**

Uganda's entrepreneurship sector has challenges to induce growth of small scale enterprises as the prime immediate job providers to the unemployed community: hence SACCO financial services are at the Centre of offering financial needs to them. In order to foster economic

growth in the economy, the study found it relevant to investigate the relationship between SACCO financial services and growth of members' enterprises in Masaka district in Uganda.

The next chapter two presented the review of related literature.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter discussed the different theories written by other authors relating to the topic of SACCO financial services which has played a big role in the growth of member's enterprises. An insightful knowledge of these theories and a review of related literature on savings and credit cooperatives' (SACCO) financial services and the growth of members' enterprises helped the researcher in explaining clearly and precisely the importance of saving and credit financial services and growth of members' enterprises in Uganda.

#### **2.1 Theoretical review**

The study was supported by the Resource-Based-View (RBV) theory by Jay Barney's (1991) which argues that firms possess resources a subset of which enable them to achieve a superior long-term performance and this encompasses the idea that small scale enterprises achieve growth through access to financial resources to facilitate their operations. Efficient and effective operation of SACCO members' enterprises is achieved through access to financial resources which SACCOs provide. Wigren (2009) established that financial resource accessibility is a strategy to promote entrepreneurship development in the country. For small scale enterprises to achieve growth, they need strict observation of government requirements and political motives in order to realize growth more so after accessing SACCO financial services. Failure by members to abide with mediating variables, financial services are rendered inefficient to foster growth and development.

## **2.2 Savings and credit cooperatives (SACCOs)**

SACCOs are business entities and operate on the basis of demand and supply. They are not concerned about the existence of the poor or rich, what matters to them is clients' ability to fulfill their requirements, giving out credit/loans and members being able to repay loans within a given period. Poverty programs that target the poor at the same time are attractive to the rich making it difficult for the programs to reach the poor (Hirway, 2013). However, SACCO financial services have facilitated the poor to boost their enterprise performance which the study wanted to address.

Debrehlor (2011) defines the term savings and credit cooperatives as a cooperative financial organization owned and operated by and for its members following democratic principles for the purpose of encouraging savings, using pooled funds to extend loans to members at reasonable rates of interest and providing retailed financial services to enable members improve their economic and social well-being specifically fostering growth of members enterprises. Saving and credit cooperatives are recognized by law and the cooperative societies' regulations (Uganda Cooperative Societies Statute 1991).

Similarly, (Mamalishe, 2012) views savings and credit cooperatives (SACCOs) as private and cooperative financial intermediaries where membership is open and voluntary. He further argues that SACCOs provide an easy way of opening up saving accounts since it is a requirement to access the credit. SACCOs belong to members, who manage them democratically, thus providing regular financial access which is credible to foster growth of members' enterprises. In Uganda's context, the government and development partners have availed funds to SACCOs to offer financial services to entrepreneurs. Okello (2012) argues that it is a legal requirement to all members to open up a business account with SACCOs to ease loan accessibility due to the absence of tangible valued securities from members. It was



important to understand whether SACCO financial services support the growth of members' enterprises in Uganda.

Freakly (2015) discloses that lack of access to funds due to laborious demands like valuable securities, formal going concern business operations from commercial banks, led to the emergence of SACCOs in developing countries. However, in Uganda the awareness of SACCO activities is more highly recognized in urban areas than rural areas (Uganda Investment Authority, 2014). Uganda's economic environment has made the poor people lack access to safe funds due to the absence of collateral securities and concentration of banks in urban centers. Poor savings culture makes it hard for the low income earners to maneuver the set requirements to access financial services from commercial banks which SACCOs have mitigated (Nelton, 2010). In order to support the growth of SACCO members' enterprises in Masaka District in Uganda, there was a need to establish the relationship between SACCO financial services and growth of members enterprises which the study wanted to establish.

SACCOs sensitize members to save money in order to earn interest on their savings (Cramer, 2009). These savings are largely used for investment and also enable members to receive dividends each period (usually annually) which is also an added income to the members. Olio (2011) discloses that SACCO management is controlled by the members as shareholders and they determine account management charges and remuneration which is always low and affordable. Van (2013) argues that SACCO service charges on loans are not very high as they are determined by the members themselves. This is done to ensure the sustainability of their cooperation and growth of their enterprises which the study wanted to establish.

SACCOs are majorly targeted to serve the poor. This is done through organizing groups, training them on the necessary requirements for them to access loans and the way the loans are to be spent. This ensures a good repayment rate and in return, these microfinance institutions

become stronger to serve the poor as they don't lose capital out of defaults (Alvarez and Burney, 2010).

However, members are restricted from making withdraws during loan re-payment period since credits are unsecured (Amuhat, 2010). Opportunities to members only exist because of the actions and reactions of SACCO loan beneficiaries who try to exploit them. In this sense, opportunities begin as consciousness in the minds of the entrepreneurs (enterprise owners or in this case SACCO loan beneficiaries), which in turn depends on the level of risk-taking propensity and risk perceptions (Caird, 2011). Thus, it was relevant to investigate the relationship between SACCO financial services and the growth of members' enterprises.

### **2.2.1 Sources of SACCO funds**

A SACCO is owned, governed and managed by its members, who have the same common bond for example working for the same employer, belonging to the same church, labour union, and social fraternity, living or working in the same community. SACCO membership is open to all who belong to the group, regardless of race, religion, color and gender or job status. Greogrely (2013) argued that the major source of funding for a SACCO is members' subscription where members agree to save their money together in the SACCO and to make loans to each other at reasonable rates of interest. Interest is charged on loans to cover the interest cost on savings and the cost of administration. The members are the owners and hence decide how their money will be used for their own benefit. The hypothesis of this argument is that mobilizing funds from members' subscription guarantees offering low interest charge loans to members which induce growth of their enterprises. This may be true in the context of urban centers in Uganda due to the economic status of the financial systems but may not be the case to SACCOs in rural areas which are characterized by high incidences of poverty, poor supply of marketing information and high transaction costs for sourcing funds. These

conditions probably lead to an inadequate supply of funds to members thereby leaving a funding gap that was investigated.

According to Munyiri (2006), SACCOs which are started locally in the financial sectors of many countries, are more attractive to customers thus deeply entrenching themselves. They have solid bases of small savings accounts constituting a stable and relatively low-cost source of funding and low administrative costs (Branch, 2005). SACCOs are able to advance loans at interest rates lower than those charged by other financial providers. SACCOs have the ability and opportunity to reach clients in areas that are unattractive to banks such as rural or poor areas.

The core objective of SACCOs is to ensure members' empowerment through mobilization of savings and disbursement of credit (Ofei, 2001). SACCOs in Uganda in their struggle to achieve this objective have been able to mobilize funds from development partners and government through "Entandikwa" savings scheme (Government of Uganda SACCO Report, 2014). Mobilization of funds from all stakeholders by SACCOs enables the extension of financial services to support the growth of members' enterprises which needed a clear understanding to establish the relationship.

Namatovu (2016) discloses that government funding is the prime source of money for SACCOs in Uganda since most people are poor and their subscriptions are too small to meet their business desires. President Yoweri Museveni (2017) said that collecting money little by little and saving it in SACCOs supplements government efforts as many companies from abroad have developed through such practice. The President informed the members of Masaka Elders' SACCO that the government had offered them Shs. 200 million to facilitate its activities and widen its capital base. . He, therefore, advises the people to put to task their districts leaders to explain the whereabouts of the funds government has been remitting and the projects accruing

from these financial remittances. This ease government pledge to guarantee funding of SACCOs in Uganda enables them to avail regular access to funds by small business owners to support enterprise growth.

### **2.2.2 Attributes of SACCO financial services**

Covin and Bodt (2002) argue that credit size largely determines the growth of members' enterprises. Adequate credit size fosters growth of member's enterprises. Credit size is the amount of funds borrowed. Most Ugandan SACCOs lend out credit from UGX 10,000 up to UGX 15,000,000 after fulfilling the lending terms and conditions. George (2011) discloses that SACCOs offer low loan size which sometimes is inadequate to cater for enterprises operation requirements. Most SACCO members' enterprises need small loans to boost their working capital and enable them to meet their market needs since the little money they receive is inadequate and larger sums beyond their enterprise capacity is equally bad as it leads to idle cash which does attract unnecessary spending. However, SACCOs set credit sizes which minimize risks of recovering loans from members since their collateral substitutes are not dependable and authentic assessment is the prime determinant of credit size adequacy (Hitch and Yethel, 2011). Thus, it raised a concern to investigate the relationship between SACCO financial services and the growth of members' enterprises in Masaka Town.

Namukasa (2009) argues that an interest rate is a cost charged on borrowing money and it is computed basing on the risk of the business in the credit application form which is the return expected by the SACCO. Offering credits at an interest rate is because of the risk attached; the opportunity cost of foregoing present consumption and more so time value for money. This phenomenon of lending funds to borrowers by loaning institutions is referred to as credit creation. SACCO interest rates depend on the source of funds: that is if it is members' savings, they agree on the interest charge with the guidance of a technical person; donors and the

government do set interest on funds disbursed to SACCOs. The loan repayment rate considers accrued interest that is capitalized when the borrower first enters loan repayment. However, commercial bank interest rates are determined by the central bank while for SACCOs, interest rates depend on the nature of the situation, agreement signed and source of funds. This difference in establishment of loan borrowing interest rates which is always low for SACCOs necessitated a study to establish the relationship between SACCO financial services and growth of members' enterprises.

Fredry (2010) discloses that the persistent variation of interest payments on a loan, collection charges and late fees whether next to accrued but unpaid interest and finally to principal impact on the cash flows of the members' enterprises. However, monthly payments will not count as reducing the principal balance until all of the accrued but unpaid interest has been repaid, even if the monthly payments exceed the new interest that accrues each month (SACCO policies, 2015). Retelh (2010) discloses that SACCO credit/loan repayment rate calculation is based on comparisons of the sum of the principal balance and the accrued but unpaid interest on the loans as opposed to comparisons of the principal balance. This helps to determine whether the borrower is paying down the total loan balance. However, loans in deferment or forbearance will naturally continue to be excluded from the numerator in the loan repayment rate, since borrowers in deferment or forbearance do not make any payments on their loans. Thus, the study was to analyze the relationship between SACCO financial services and the growth of members' enterprises.

Annim (2009) argues that credit period is the period given to the borrower by the SACCO to pay back the principal of the loan and interest. SACCOs charge low interest rates on credits and provide short pay-back period usually between 6 months and 12 months. The IMF report (2007) attributes that lending is predominantly short term period and low to members' enterprises due to poor credit discipline, contractual enforcement problems, scarcity of projects

and lack of collateral. Wellen and Mulder (2008) assert that loaning institutions always offer shorter term credits which directly impact on the growth of members' enterprises. This is a common practice of the loans offered by the SACCOs to members with enterprises. Ojaral (2013) found a significant inverse response of the loan size to the unit change in the interest rates but his concern is not directly linked to individual SACCO members' enterprise growth.

Rengarajan (2012) argues that micro credit has long term and short term impact on the growth of members' enterprises which does not depend only on "the size of the loan" or "number of loans" in a given period but also on market dynamics. Market dynamics include capability of the poor clients to productively use the micro credit facility for income generation and their propensity to consume versus investment, inducing the growth of members' enterprises. Veron (2017) argues that SACCOs offer adequate micro credits to boost working capital for small businesses which leads to enterprise growth since such funds are within the business capacity operation means. Kajura (2016) argues that micro credits lead to overtrading among small businesses which leads to their growth.

Acquah and Asmah (2003) establish that there is a strong relationship between SACCO interest rates, demand for credit and loan repayment and the growth of members' enterprises in Uganda. The results showed a negative relationship between high interest rates, short loan repayment period and the growth of an entity. The low rate of interest charge on secured loans enhances growth of enterprises and this has forced many borrowers to acquire secured loans as long as they avail a security for the loan (Namukasa, 2009). Therefore, it was observed that variation in interest rate charges induces the variation on growth of small businesses.

### **2.3 Growth of SACCO members' enterprises**

Gilbert (2011) suggests how and where questions are important in the context of the growth of an enterprise. It has been highlighted that growth is a function of the decisions an entrepreneur

makes, like how to grow internally or externally and whether to grow in domestic market or international market specifically in form of size and age in the business operations. Mateev and Anastasov (2010) establish that SACCO members' enterprises growth is related to size as well as other specific characteristics like financial structure and productivity. They further emphasize that the total assets which is one of the measures of the enterprise size has a direct impact on the sales, but the number of employees, investment in research and design, and other intangible assets have not much influence on the enterprises' growth prospects.

Lorunka (2011) remarks that the gender of the founder, the amount of capital required at the time of starting the business, and growth strategy of the enterprise are very important factors in predicting growth in a small enterprise like those of SACCO members. It's further emphasized by Halunah (2016) that availability of human capital resources induces growth of an enterprise. This can be predicted on the basis of commitment of the person starting a new enterprise with the support of the service received from the attached SACCO since the main aim of the SACCO is to improve the livelihood of members' enterprises. Currently, this was the prime strategy adopted by the Uganda government to shift people into the middle income earners' bracket.

Brockhau (2011) discloses that increase in sales of SACCO members' enterprises indicates their growth. Increase in sales builds confidence in the owner, customers and confirms a going concern for the entity. Covin (2010) argues that increase in sales of members' enterprises after accessing SACCO credit, indicates growth in net assets (capital) and the increase in profits which leads to growth of members' enterprises. This helps to maintain a superior stand in the industry through sales and profit maximization. It guarantees the existence of the enterprise and also encourages customers to make regular shopping due to the variety of products which leads to the growth of members' enterprises. Thus, the researcher examined the level of growth of SACCO members' enterprises.

Curran (2012) postulates that increase in the number of customers guarantee the increase in revenue which leads to the growth of members' enterprises. Attracting more people and retaining the old customers gives birth to loyal customers and long term survival in the market. This strategy is relatively straight forward where by more visitors to the business directly increases the chance of realizing more sales and growth of members' enterprises. Mochona (2009) states that in an effort to gain audience attention through adverts, an entrepreneur ought to create brand awareness within the resonated target markets and motivate audiences to purchase the advertised product or service which increases revenues for an entity. To sustain growth in today's market and meet customers' demands, it has become important for members' enterprises to differentiate themselves on the basis of capabilities and competencies. This position is relevant in Uganda since advertising the brand of products by the SACCO members' enterprises indicates growth.

Michael and Barton (2011) argue that increase in the average transaction size by customers in which they are induced to purchase more through up selling, leads to increase in revenues for members' enterprises. Kettler (2012) argues that repeated customers should be motivated using cheap rewards like a drink and other desserts since the more items the customers purchase, the more they spend, and the more revenue the business collects. Hence, the researcher evaluated the level of growth of SACCO members' enterprises.

Robbins and Tonge (2007) argue that rewarding staff and fixing affordable profitable prices on the products enables the members' enterprises to collect more revenue from every purchase a customer makes. This increases the volume, average transaction size, and induces repeated customers which increases the sales for the enterprise. High volumes of products stocked by the enterprise attract new dealers and agents to open up other business outlets/ branches in other areas (Chaler, 2012). It is important to gain access to new dealers there by widening the market



shares and taking goods nearer to customers which increases sales of the parent enterprises and hence leads to growth of members enterprises which required an evaluation.

Gilmore (2001) asserted that advertising products on local market through making advertising notices, sign posts, bill boards, product display and after sales services leads to increase in sales volume for the enterprise which accelerates growth of the enterprises. Majority of the customers are attracted by local adverts like displaying products outside the shop and use of persuasive bill boards to buy the products which increases sales volume of members' enterprises. The more adverts run by members' enterprises, the more the enterprises become known by customers leading to growth. This could also help to identify strong market competitors as basis to measure the level of growth of members' enterprises.

Urde (2009) argues that adoption of strong brand orientation widens business market share which leads to growth. Brand orientation approach is the processes of the organization revolving around the creation, development and protection of brand identity in a constant interaction with target customers with the aim of achieving lasting competitive advantages in the form of brands. In a study by (Sashittal and Tankersley, 2011) on members' enterprises, their findings indicate that profitable results come from the efficient and effective execution of a brand-oriented strategy. Ideally the support for profits maximization supported from such scholars concurs with the primary objective of the business which is recognizable and applicable. Therefore, competitive advantage attainable through the brand orientation strategy of the members' enterprises leads to increase in sales and growth, which the study examined.

Qian and Bates (2008) argue that the ability for the firm to diversify its operations indicates growth. This strategy induces the entity to enter into a new market or industry in which the business doesn't currently operate, while at times also creating a new product for the new market. Indeed, products tend to create or stimulate new markets and in turn promote product

innovation which fosters growth of an enterprise. In Uganda, diversifying business operations by engaging in multiple business ventures by SACCO members indicates growth of their enterprises.

Guizani and Merunka (2011) explain that enterprises with a brand strategy, address another avenue for marketers to create and deliver value-added customer experiences. Brand awareness for SACCO members' enterprises is determined by the increase in the number of new customers referred by the loyal customers. This is the central drive of brand strategy to create an extended experience for customers and to add value to the brand through continuous access to SACCO services. This induces growth of the enterprises.

Rheler (2010) argues that offering training on servicing financial credit eases loan re-payment, thus maintaining repeated customers. Repeated customers in the business promote enterprise development and make the enterprise become stronger and survive competition in the market environment. However, for developing countries, through the composition of modern marketing staff, branding is a single challenge. To accept the brand of goods and services, usually it includes a basic understanding of the products and therefore, the development and maintenance of formal connection to instill brand awareness to customers which is significant towards enterprise growth (Lee and Ang, 2013). This universal assertion required an evaluation, which the study investigated.

#### **2.4 Saving services and growth of members' enterprises**

Farooq (2012) argues that offering members with saving services specifically induces them to save their own money on the SACCO accounts which enables them to develop confidence and gain capacity to tap any positively identified opportunity that affects growth of their enterprises. Saving enables the business to accumulate money for itself which is bank interest

free if the owner wants to invest it and even eases access to an overdraft for the business which leads to its growth.

Babatz (2013) argues that saving in SACCOs attracts interest which enables members to accumulate funds to make major purchases. The hypothesis of this argument is that access to low interest credit from SACCOs leads to growth of members' enterprises. Members' enterprises are able to save for a major purchase, such as acquisition of equipment by paying with cash which is fast and easy, with no added interest expense. In some cases, this allows for quick discounts which stimulate the growth of enterprises (Aker, 2013). Cash savings adversely impact the business' ability to meet other short term obligations such as payroll and loan payment. However, this financial sanity positively affects the balanced savings plan to replace assets, which is important for the guaranteed growth of the business in the long term.

Nienhaus (2007) establishes that SACCOs have provided financial cover up to the poor people enabling them to save and borrow funds to finance their enterprise growth. Many businesses have a seasonal sales cycle and some sectors like agriculture and manufacturing see dramatic fluctuations between high and low seasons. The more frequent and deep the downtimes, the more savings the enterprise should have and even for those businesses that see little or no downtimes, it's a good idea to plan for the unexpected moments through savings which guarantee SACCO members' enterprises to have sufficient emergency funds to meet business working capital. Banks have heightened incentives to engage in risky investments under the implicit assumption that investment account holders will absorb some of the losses with the SACCOs (Farook, Hassan, and Clinch, 2012). Spreading of the risk between the SACCO and its members affects SACCO financial services and accelerates growth of members' enterprises which the study intended to establish.

Hamza and Saadaoui (2013) argue that saving services positively affect the expansion and growth of the members' enterprises. It's hypothesized that SACCO saving services positively affect growth of members' enterprises. Interest on savings, boosts the deposit balances on the savings account which guarantees financing of strategic plans for growth of members' enterprises. SACCOs provide several options for the businesses to have quick access to their savings when a need arises which is beyond the traditional savings. Certificates of Deposit, for instance, can provide the opportunity to earn more interest for money that can be tied up for longer periods of time through credit creation. Higher consumption of saving services by SACCO members enhances the sustainability of the SACCO operations which fosters growth of members' enterprises.

It is relevant to understand that interest on savings, induces the clients' desire to save as suggested by Cook and McKay (2015) who argue that interest on savings induces SACCO members to save as it has a positive relationship on the growth of members' enterprises. Savings come from high returns out of good performance which indicates growth since a constrained enterprise cannot save much. Inducing enterprises to save due to the attractive savings interest indirectly encourages members to work hard which leads to the growth of their enterprises. In Uganda, the emergence of SACCOs has changed peoples' livelihood and boosted the gross domestic product by offering micro credits on approval of collateral substitute. This has for example largely increased women's economic empowerment in rural areas by making it easier for them to access funds to grow their enterprises (Morawczynski and Pickens, 2009), thus necessitated investigation of the relationship between SACCO financial services and growth of members' enterprises in Masaka Town Masaka district.

## **2.5 Credit services and growth of member's enterprises**

Hetler (2012) establishes that the SACCO credit size influences the growth of members' enterprises and savings deposits determine the size of the loan depending on the value of collateral substitutes to access enough funds to invest in the enterprises which accelerates growth. Habwere (2015) discloses that members' enterprises are either micro or small scale size enterprises requiring a lot of financial facilitation to transform them although it increases the cost of capital which adversely affects growth. However, credit offered by SACCOs is not insured but guaranteed by fellow members. Credit size offered always depends on the funds available in the SACCOs.

Zineldin (2008) asserts that the credit size for SACCO members largely depends on the size of the enterprise which predicts growth of members. However, members approve the feasibility, means for repayment and viability of idea/project attached to the loan application. A large sum of money is worth to foster growth of feasible members' small scale enterprises compared to a small sum of money which is inadequate to facilitate the enterprise operations. However, the entrepreneurial traits of the business owner determine its going concern. The hypothesis of this argument is that the credit size offered by the SACCOs guarantees the growth of members' enterprises.

Nwosa and Oseni (2013) assert that large sums of credit positively impact on the growth of SACCO members' enterprises, constant supply of funds to members' enterprises enables them to exploit the identified opportunities within the environment which leads to the growth of their enterprises since all businesses grow by constant supply of funds to facilitate their operations. SACCOs should lend adequate funds to their members to foster growth since excess funds lead to wastage and little funding leaves the enterprise stranded, thus the investigation of the relationship between SACCO credit services and growth of members' enterprises.

Harvie (2010) argues that loan periods significantly impact on the performance of the loans whereby the longer the loan period, the better is for the enterprise to utilize it well to achieve growth than shorter loan periods. However, Teltol (2014) argues that entrepreneurial traits and economic environment significantly determine the growth of an enterprise. The feasibility study conducted on the opportunity to which the credit is allocated induces the performance of the loan by generating returns to which it purports. This is to suggest that adoption of desirable entrepreneurship traits induces optimum allocation of resources which promotes the growth of small businesses. Contrary, Frelmier (2011) discloses that loan periods do not affect the growth of the business except the margin of the interest attached, thus the investigation of the relationship between SACCO credit financial services and the growth of members' enterprises.

Waithanji (2014) discloses that interest charges on SACCO funds has a positive effect on the growth of members' enterprises. Higher interest rate charges hinder growth of enterprises since profits will be reduced through servicing the loan with little remaining for investment than low interest rate charges which leaves some reserves on profit for investment to enhance growth of members' enterprises. SACCO members borrow investment capital and they use it for the purpose for which they borrowed it. Most of them do not have other sources of financing other than from SACCO institutions and they invest it in the identified business opportunities which lead to growth of members' enterprises. Madole (2013) discloses that micro credits from SACCO's supplements internal sources of capital which has positive statistic significant impact on growth of members' enterprises which the study wanted to establish.

Co-operative savings and credit societies in Uganda have gained a wide recognition for the role of improving financial services of the low income households and thus contributing to economic growth and development of enterprises (Hulmes, 2011). Azedah (2010) argues that SACCOs form an integral part of the country's financial system especially availing credit to rural entrepreneurs to invest in their business enterprises to achieve growth. SACCOs are an

essential component of the financial system helping to increase micro savings mobilization from low income earners, availing wider access to financial services and increased investments (Gatete, 2014).

Kabuga (2009) argues that saving and credit services are concurrently consumed thus a prime intelligent use of the economic resources that a member possesses to provide for the needs that may present themselves in the future. Savings in a SACCO should be a systematic process by which the members form a reserve and serves as a basis to obtain credit to qualifying members of the society which demonstrates growth of members' enterprises. The optimum allocation of economic resources induces growth of small enterprises. Having discussed the relationship between SACCO financial services and growth of member's enterprises, there was a need to establish whether they can be applicable to SACCO members' enterprises in Masaka Town

## **2.5 Advisory financial services and growth of member's enterprises**

According to William Nnyanja (2017) asserted that SACCOs offer investment advisory services to member enterprises that makes investment recommendations or conducts securities analysis in return for a fee, whether through direct management of client assets or via written documents or publications. This was measured as the number of member enterprises who have ever received any kind of investment advisory services, thus needed to establish whether it can be applicable to SACCO members' enterprises in Masaka Town.

### **2.6.0 Mediating variables**

#### **2.6.1 Government policies**

Shleifer (2002) argues that government policy on funding towards SACCO legal reserves, selective credit control on the sectors to lend money to, determines the lending criteria. In the context of Uganda, easy access to loanable funds with minimum requirements and low interest rate is based on those prioritized by the government. Equally, the government approach of

channeling micro credit funds for the poor through SACCOs was viewed as a viable approach underpinning the complexity surrounding the poor and their willingness to join SACCOs, gain access and use of credit. Micro credit through SACCOs would be effective in benefiting the poor with the SACCO formation process, the design, requirements and practice of micro credit fund for the poor respond to poor people's needs while the management of rural financial outreach programs focus on strengthening and mentoring of SACCOs (Andy, 2011). For example, SACCO credits set to boost small scale enterprises as prescribed by the government are easy to access and profitable for the entity which leads to growth of members' enterprises.

The government of Uganda through the Co-operative Societies Act of 1991 (as amended), addresses concerns on the registration and regulation of cooperative societies in Uganda, including savings and credit cooperative organizations (SACCOs), this prescribes the way saving and credit financial services are offered to members, thus influence the link between SACCOs and its members which predicts their outcome. The government regulates the interest cost charged on credit transactions offered to members' enterprises which largely predicts the growth of members' enterprises since the higher the credit transaction costs, the higher the cost of capital in the businesses.

Tirole (2008) argues that local government regulatory policies in terms of affordable licenses and market taxes, award of tenders to traders themselves after proper vetting, business facilitating services, providing social services amongst others, fosters growth of enterprises. Availability of viable infrastructure like well-developed roads, financial institutions, insurance companies, security systems, street lights amongst others provides favorable operational environment for the growth of enterprises.



### **2.6.2 Political environment**

Richards et al (2009), maintains that the successful performance of multinational companies depends to a great extent on the political environment of the host country. According to these scholars, political environment refers to forces and issues originating from the political decisions of the government, which are capable of altering the expected outcome and value of a given economic action, by changing the probability of achieving business objectives specifically growth. The entrepreneurs for SMEs in Uganda operate in a dynamic political environment characterized by risks of multiple taxation, currency devaluation, inflation, repatriation, expropriation, confiscation, campaigns against foreign goods, kidnapping, terrorism, and civil wars (Griffen, 2005). Actions taken by government such as regulatory, legal framework, and political changes may adversely affect business income and act as barriers to local investment and entrepreneurship.

Political environment is a factor considered by Walter (2014) to be essential towards entrepreneurship development in the country. He argues that the implication of political environment to a business is that the risk emanating from it is a measure of the likelihood that political events may complicate its pursuit of earnings through direct impacts (such as taxes or fees) or indirect impacts (such as opportunity cost forgone). As a result, political risk is similar to an expected value such that the likelihood of a political event occurring may reduce the desirability of that investment by impacting on its anticipated returns. There are also political risks or events arising from nongovernmental organizations' actions, factors that are outside the government responsibility. Political risk de-stabilizes the economy through insecurity and instability which affects the business environment and then poses a casual effect on SACCO financial services and the growth of members' enterprises.

There are wars, revolutions, terrorism, extortion, and kidnappings (Andoh, 2007). Politics influences the administration of SACCOs in the country and the transaction cost set for them

under the co-operative Societies Act of 1991 which induces the rate at which SACCOs charge their credits. This affected the accessibility level to saving and credit SACCO financial services.

### **2.6.3 Demographic**

According to William Nnyanja (2017), in Uganda the position of SACCO has been heightened by the launch of the government “Bonnabagaggawale” (“prosperity for all”) program intended among other interventions to address inadequate access to financial services. This program is designed to use a SACCO per sub-county strategy to channel both agricultural and commercial loans at below market rates to borrowers. The demographic breakdown showed that people borrow and save for a range of investment process in Uganda, even in the poorest groups. As expected, rural inhabitants save and borrow more for purposes such as starting a business, agricultural investments. Individuals with a better education are more likely to borrow, save and invest than those with less education.

### **2.7 Chapter conclusion**

This chapter reviewed literature and theories on SACCO financial services and the growth of members’ enterprises. The existing literature reveals that members have access to SACCO financial services. Studies carried out in developing countries on SACCO financial services and the growth of members’ enterprises indicate that larger sums of credit and saving positively impact on the growth of SACCO members’ enterprises. However, majority were as a result of the effects of savings and credit services on growth. SACCO financial services play significant role on the growth of the enterprises amidst of fluctuating returns, thus needed to establish the link between saving and credit financial services on growth of members’ enterprises in Masaka town, Masaka District.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

This chapter presents the research methods and instruments that were used in the study. It covers the research approach and design, survey population, sampling design and size, data

collection sources, method and instruments, data processing and analysis, and ethical considerations.

### **3.1 Research design and approach**

Selltiz et al, (1962) defined research design as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with the economy in procedure

According to Kumar (2005), a research design serves as a plan, structure or strategy of investigation, or an arrangement of conditions for collection and analysis of data. The study adopted a cross-sectional survey design. A cross-sectional survey is a snapshot at a particular point in time (Churchill and Israel, 2010). A cross-sectional survey allowed the researcher to report the data immediately as collected from the field. The study used a correlation design to establish the relationship between SACCO financial services and growth of the members business.

This study adopted a mixed method approach. Mixed methods research is defined as a philosophically underpinned model of inquiry combining both qualitative and quantitative models of research so that evidence is mixed and knowledge is increased in a more meaningful manner than adopting a single approach alone (Creswell, 2012). Mixed method helped to generate a whole detailed account of respondents' experience and at the same time, enabled the researcher to establish their relationship and confirmation of hypotheses (Castro and Kopak, 2010).

### **3.2 Primary source of data**

Yin, (1994) and Wilson and Marlino (2005) stipulates that the rationale for using multiple sources of data were to triangulate evidence in order to increase the reliability of data and the

process of gathering it and hence corroborating the data gathered from self-administered questionnaires as well as secondary information such as record review, internet sources, and library research. The sample size of a qualitative research was not only studied in a few sites or individuals but also collected extensive detail about each site or individual studies (Creswell, 2013). The researcher proposed SACCO managers and staff to give views and opinion to reinforce the relevance of the resource based view theory on growth of members' enterprises and supplements of the quantitative results.

Quantitative approach aided collection of data from respondents in numbers. This was appropriate to collect data from large samples like SACCO members with enterprises and also to examine the relationship between SACCO financial services and growth of members' enterprises. The units of analysis were SACCOs and members with enterprises in Masaka district in Uganda.

Qualitative approach enabled collection of respondents' views that explains phenomena instead of numerals. It aided in the gathering of opinions from SACCO staff. These staff was deemed to have adequate exposure on the performance of members' enterprises through regular supervision, evaluation of their loans and monitoring of members enterprises and they are the center of ensuring regular access to credit of worthy SACCO members. In most cases SACCO staffs are aware of growth variation of borrowers through regular visits and compliance to loan repayment. Cressy (2002) points out that a network of local contacts and shared interests that provide qualitative data were more beneficial in facilitating SACCO lending to members' enterprises.

### **3.3 Study population**

According to Descombe (2003), population refers to a group of people, events or things or elements of interest that a researcher wished to investigate. According to the UCSCS Annual

Report (2018), there are 1496 registered SACCOs in Uganda. 12 of these SACCOs are located in Masaka Town and have an estimate of 60 target staffs and accessible 40 SACCO staff. This target population was suitable for the study. Hence, top management of SACCOs in Masaka Town constituted the study population. The researcher proposed that staffs gave relevant information on the subject matter and directed the researcher to the members' enterprises which are within Masaka Town.

### **3.4.0 Sampling techniques and sample size**

#### **3.4.1 Sampling techniques**

The study adopted stratified, purposive, convenience and simple random sampling methods to select respondents. These were implemented in the following ways;

Purposive sampling was used to select respondents from the SACCOs management. In this case, the management was included in the study because of their technical expertise and strategic linkage with the variables in the study. Stratified sampling was adopted to classify the staff according to their departments. Then simple random sampling was used to select respondents from functional departments particularly accounts and loans departments. These departments were preferred because the accounts department monitors clients' portfolio while the loans department interacts with clients extensively. To select client respondents, convenience random sampling methods were used. Purposive sampling was used to ensure that only people with relevant information are selected. Simple random sampling was used to select a representative sample from each category.

### **3.4.2 Sample size**

According to Freebody (2003), Sample size is the number of observations used for calculating estimates of a given population. Based on Krejcie and Morgan sampling table (1970) given the population size of 40 that was selected purposively out of the population study, the sample size was 36 respondents. The purpose of taking a sample was to obtain a result that is representative of the whole population being sampled without going to the trouble of asking everyone and these was selected purposively out of the study population who included managers, assistant managers, loan officers and SACCO members from three major SSACOs in Masaka town that were Masaka Elders SACCO, Kiyembe Cooperative Society SACCO, Masaka maize millers and Producers SACCO and their opinions supplemented quantitative findings as overall controllers of SACCO activities. Purposive sampling was appropriate in this situation because, it enabled the researcher to select unique cases that were informative and also helped him to gain detailed knowledge about the entire phenomenon of SACCO financial services and growth of member enterprises rather than making statistical inferences.

### **3.5.0 Data collection methods**

The researcher proposed to use questionnaire administration data collection method to collect primary data

#### **3.5.1 Administering of questionnaires**

This helped the researcher to get the information directly from the respondents because he delivered the questionnaire himself and got information there and then.

### **3.6.0 Data collection instruments**

The researcher used a self-administered questionnaire which he delivered to all categories of respondents to get the information about the study. The questionnaire was used because it allows the respondent to answer the questions without the influence or fear of the researcher.

#### **3.6.1 Questionnaire as a quantitative data collection instrument**

Amin (2005) defines a questionnaire as a form consisting of interrelated questions prepared by the researcher about the research problem under investigation, based on the objectives of the study. Questions were set on a 5-point Likert scale range from 1 (strongly disagree), 2 (disagree), 3 (neither agree nor disagree), 4 (agree) and 5 (strongly agree). This was a suitable scale to access knowledge/ views from the target population that was SACCO members with enterprises (Han, 2006). The degree of agreement on questions is on five-rating scale. They posed the properties of magnitude and equal intervals between adjacent units. Questionnaire survey was further used because it facilitates collection of relevant information from the SACCO members as they were given time to think before giving their opinion and this was a less costly method (Sekaran et al, 1992). This answered the research questions about the relationship between SACCO credit, saving and advisory financial services and the growth of members' enterprises.

#### **3.6.2 Procedures for administering questionnaire**

Questionnaires were designed in accordance with the research objectives and piloted to 3 SACCO staff from SACCO's in Masaka Town that didn't participate in the study before final printing for data collection. The researcher proposed to pick the filled questionnaires from the respondents after a minimum of two days on their appointment. The questionnaires were self-administered and some respondents can fill them immediately while others were dropped and picked after a minimum of 2 days on the appointment of the respondents. The entire process



depended on the respondents' consent and agreement. However, majority took an average of 20 minutes to fill the questionnaire for those who responded immediately.

### **3.7 Quantitative data processing and analysis**

Quantitative data was coded and entered in SPSS to generate the ANOVA, mean, standard deviation and Pearson correlation. Quantitative analysis involves the use of tables that show the frequency or occurrence of descriptive statistics and inferential statistics that establish the statistical relationships between variables (Saunders, 2011). The results were analyzed and converted into tables and percentages. Data for the various research questions were analyzed using percentages obtained to show the distribution of opinions and perceptions of respondents. The statistical summaries of the results were presented in the form of percentages and tables using computer data analysis package such as the Statistical Package for Social Science (SPSS) and other relevant software which helped interpret results.

### **3.8 Mediating variables**

Mediating variables included government policy, political environment and demographic which reinforce the findings from the dependent and independent variables. Mediating variables explain the extent by which independent variables predict the dependent variable and therefore collate to support the model that fit results. Thus, achievement of enterprise growth was explained with favorable government policies, conducive political environment and increased population size of the area. Hussey and Eagan (2006) and James and Sudha (2016) recommend other methods for determining the model fit such as. The study used Karl Pearson's model to establish the study relationship. Where CFI was close to 1, the model was good.

### **3.9 Ethical consideration**

The researcher got a letter of introduction from Uganda Martyrs University allowing him to proceed to collect data and prepare the report thereafter. The researcher presented this letter to the SACCO authorities where the study was conducted. The questionnaires were administered to SACCO clients/members with enterprises by the researcher. With regards to face-to-face interviews, the researcher contacted the key informants and provided them with a snap-shot of what the study was about and thereafter requested for their consent to participate in study. The consent was verbal on SACCO members' enterprises while formal on SACCO staff.

### **3.10 Conclusion of the chapter**

This chapter presented the method and procedure that was used to conduct the study in order to answer the specific research objectives raised in chapter 1. The chapter was organized in the following themes: the introduction, research design and approach, source of data, population, sample size, sampling strategies, data collection instruments, reliability and validity of instruments, data collection procedure and data analysis ethical consideration and conclusion. The next chapter presents the results and findings of the study.

## **CHAPTER FOUR**

### **DATA ANALYSIS**

#### **4.1 Introduction**

This chapter presents the empirical data obtained from the study and relates the results on savings and credit co-operative (SACCO) financial services and growth of members'

enterprises. Quantitative results included descriptive statistics, correlation analysis and regression analysis.

The findings of each research question are presented in the consecutive sub-sections and the study objectives to be answered include:

1. To assess the relationship between saving services and growth of members’ enterprises
2. To establish the relationship between credit services and growth of members’ enterprises
3. To establish the relationship between financial advisory services and the growth of members’ enterprises

#### 4.2 Response rate

The study used a sample of 36 respondents who were managers, assistant managers and SACCO clients/ members with enterprises in Masaka town. The researcher was able to access all the respondents for quantitative data collection and received back 31 filled-in questionnaires and the 5 remaining questionnaires were not received back. The response rate of 86.1 percent was achieved and this was sufficient to provide reliable findings since it was within the limits of acceptable statistic confidence interval of 85% level.

**Table 1: showing response rate**

<b>Response rate</b> = Quantitative participants =	31
Total target sampled participants	36
Response rate = $0.861 \times 100$	

Response rate =86.1%

### 4.3 Descriptive statistics

This section presents the finding from the demographic factors and descriptive statistics on study variables.

#### 4.3.1 Demographic factors

Demographic factors covered by the study were gender, age bracket, level of education, years in business, position in SACCO, amount borrowed, estimated average annual sales.

#### 4.3.2 Gender of the respondents

The researcher examined the gender of the respondents using questionnaires as this contributes a lot in the research and the findings were as indicated in the table 2 below;

**Table2 showing gender of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	18	58.1	58.1	58.1
Female	13	41.9	41.9	100.0
Total	31	100.0	100.0	

**Source: Primary data 2020**

From the above it is clearly seen that genders of the respondents were 18 and 13 male and female respectively. The 58.1% represents a highest portion of male than female that is 41.9% and this portrays that most of the SACCOs tend to employ more male than female especially in the loan department, however the 41.9% female respondents contributes to the business community especially in the small sector like in markets and agribusiness following the government agenda of women empowerment.

### 4.3.3 Age bracket of the respondents

This was examined using questionnaires and the findings are shown on table 3 below:

**Table 3 showing age bracket of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-25	12	38.7	38.7	38.7
26-30	6	19.4	19.4	58.1
31-35	3	9.7	9.7	67.7
36-40	6	19.4	19.4	87.1
Above 40	4	12.9	12.9	100.0
Total	31	100.0	100.0	

**Source: Primary data 2020**

From the above, the researcher found out that 38.7% of the respondents were between the ages of 18-25 which shows that the SACCOs deal with mature staffs that are capable of giving quality SACCO financial services this because the majority of the respondents were above 25 years with 61.3% and this indicates that more membership of business ownership for adults above 25 years of age in Uganda. SACCOs in Masaka town like Masaka Elders Sacco started in 2006, therefore have old registration which implies that both their members are equally old.

#### 4.3.4 Level of education of the respondents

The respondents' qualification contributes highly to the study and quality of the SACCO financial services provided as well as growth of member enterprises, the researcher examined this through the questionnaires and the findings were as clearly shown table 4 below:

**Table 4 showing Level of education of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Certificate	3	9.7	9.7	9.7
Diploma	8	25.8	25.8	35.5
Degree	16	51.6	51.6	87.1
Masters	4	12.9	12.9	100.0
Total	31	100.0	100.0	

**Source: Primary data 2020**

According to the table above 9.7% are certificate holders, 25.8% are diploma holders, 51.6% are degree holders, 12.9% are masters holders this was done to determine the level of training of SACCO members for each category and compare the SACCO financial services provided with the growth of member enterprises. The findings shown in the table four above revealed that the majority of the respondents were degree holders who are mainly the business owners in Masaka town, followed by the diploma holders, masters and certificate holders who work in the various SACCO departments like management, loans, cleaners and security guards based on their qualifications. This implied the reliability and validity of the data collected since majority of the respondents were educated.

#### 4.3.5 Years in business of the respondents

This was examined using questionnaires and the findings are shown on table 5 below:

**Table 5 showing Years in business of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than one year	5	16.1	16.1	16.1
1-3 years	14	45.2	45.2	61.3
Above 3 years	12	38.7	38.7	100.0
Total	31	100.0	100.0	

**Source: Primaryr data 2020**

From table five above the researcher found out that 16.1% respondents were less than one year in business, 45.2% respondents were between 1-3 years in business and 38.7% respondents were above 3 years. This implies that sampled respondents were consumers of SACCO savings and credit financial services in their enterprises for the period over 1 year which guaranteed reliability and validity of the data collected.

#### 4.3.6 Position in the SACCO of the respondents

This was examined using questionnaires and the findings are shown on table 6 below:

**Table 6 shows the Position in the SACCO of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent

Manager	3	9.7	9.7	9.7
Assistant manager	3	9.7	9.7	19.4
Loans officer	13	41.9	41.9	61.3
SACCO members	12	38.7	38.7	100.0
Total	31	100.0	100.0	

**Source: Primary data 2020**

Table 6 above revealed that majority of the respondents were loans officers with 41.9% followed SACCO members with 38.7%, the manager and the assistant manager with 9.7% each. This implies that sampled respondents were directly involved in SACCO financial services such as loans officers and the business owners who were able to provide data about the growth of member enterprises which guaranteed reliability and validity of the data collected.

#### **4.3.7 Amount borrowed of the SACCO respondents**

This was examined using questionnaires and the findings are shown on table 7 below:



**Table 7 shows the Amount borrowed of the SACCO respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Below Ugx 500,000	4	12.9	12.9	12.9
500,000-1,000,000	9	29.0	29.0	41.9
1,000,000-3,000,000	12	38.7	38.7	80.6
Above ugx 3,000,000	6	19.4	19.4	100.0
Total	31	100.0	100.0	

**Source: Primaryr data 2020**

From the table 7 above the researcher found out that 12.9% of the respondents borrow amount below shs 500,000, 29.0% borrowed amount between shs 500,000 up to 1,000,000, 38.7% were those between shs 1,000,000 up to 3,000,000 and 19.4% were those above shs 3,000,000. The result indicated that majority of SACCO members (12 entrepreneurs) borrowed amount between shs 1,000,000 up to 3,000,000, this indicated that members borrow money from SACCOs to finance their businesses in Masaka town.

#### **4.3.8 Estimated average annual sales of the respondents**

This was examined using questionnaires and the findings are shown on table 8 below:

**Table 8 shows the estimated average annual sales of the respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Below shs 10M	8	25.8	25.8	25.8
Shs 10M-100M	12	38.7	38.7	64.5
Shs100M-150M	7	22.6	22.6	87.1
Above shs 150M	4	12.9	12.9	100.0
Total	31	100.0	100.0	

**Source: Primary data 2020**

Table 8 revealed that 25.8% of the respondents their average annual sales were below shs 10,000,000, 38.7% their average annual sales were between shs 10,000,000 up to 100,000,000, 22.6% their average annual sales were between shs 100,000,000 up to 150,000,000 and 12.9% their average annual sales were above shs 150,000,000. The result indicated that 12 entrepreneurs had estimated average annual sales between shs 10,000,000 up to 100,000,000 which indicated business growth. Although earning less than UGX 150,000,000 per year, these enterprises are subject to taxes prescribed for small business operating within the Masaka Town or presumptive tax. This therefore justifies the members use SACCO financial services but experience increasing realized annual sales that predict growth.

#### **4.5.1 Descriptive statistic on SACCO financial services**

SACCO financial services are in form of savings services which is measured in terms of members' deposits and interest on savings, credit services which is measured in terms of credit

size, interest rates and credit period and the advisory services which is measured in form of training and consultancy of members, their impact on dependent variable that is growth of members' enterprises that will be measured in terms of increase in working capital, expansion and sustainability of the enterprise in conjunction with the mediating variables which include government policies, political environment and demographic. Sustainability is where the enterprise is able to fulfill its financial obligations as well as customer supply demands on the market of its products or services.

#### **4.5.2 Descriptive statistics on SACCO saving services of the respondents**

SACCOs' major aim is to offer savings and credit financial services to their members specifically for business ventures. Currently, many entrepreneurs belong to specific SACCOs of their interest in order to cope up with the business needs in terms of easy accessibility to saving and credit financial services. It is unusual for a business to operate without the dual financial necessities as provided from the SACCOs. This therefore necessitated the evaluation of the SACCO saving and credit financial services as discussed below;

### 4.5.3 Descriptive statistics on SACCO saving services of the respondents

This was examined using questionnaires and the findings are shown on table 9 below:

**Table 9 Descriptive statistics on SACCO saving services of the respondents**

Variables	SD	D	N	A	SA	Mean	Stddev
Saving Services	F (%)	F (%)	F (%)	F (%)	F (%)		
The SACCO provides training about savings account	0 0	0 0	2 6.5	15 48.9	14 45.2	4.39	.615
It is easy to open up savings account in the SACCO	0 0	0 0	0 0	9 29.0	22 71.0	4.71	.461
I have a savings account for my business	0 0	0 0	0 0	15 48.4	16 51.6	4.52	.508
Savings passbooks are easily obtained	0 0	0 0	2 6.5	10 32.3	19 61.3	4.55	.624
My savings are insured	0 0	0 0	5 16.1	8 25.8	18 58.1	4.42	.765
I earn interest on savings.	0 0	2 6.5	2 6.5	13 41.9	14 45.2	4.26	.855
The SACCO charges low management fees on savings account	0 0	0 0	3 9.7	13 41.9	15 48.4	4.39	.667
It is easy to withdraw my savings	0 0	0 0	1 3.2	12 38.7	18 58.1	4.55	.568
The SACCO offers saving services daily (24/7 days)	0 0	1 3.2	4 12.9	10 32.3	16 51.6	4.32	.832

**Source: Primary data 2020**

The findings from table 8 indicated the level of accessibility on saving cooperative financial services by SACCO members. The provision of training about savings account indicated mean of 4.39 and insignificant standard deviation of 0.659. Majority of the respondents agreed with 48.9% which implied that SACCOs provided training on how to open up saving accounts.

Findings whether it was easy to open up savings account in the SACCO indicated a mean of 4.71 and insignificant standard deviation of 0.461. Majority of the respondents strongly agreed which indicated that SACCOs provided simple steps to open up an account as a way of mobilizing members.

Findings whether members had a savings account for their businesses indicated a mean of 4.52 and insignificant standard deviation of 0.508. Majority of members strongly agreed to have opened up savings accounts for their businesses with the SACCOs.

Findings whether members easily obtained savings passbooks indicated a mean of 4.55 and insignificant standard deviation of 0.624. Majority of the respondents strongly agreed which implied that it was easy for members to access passbooks to ease track of their savings and accountability.

Findings whether SACCO savings were insured indicated a mean of 4.42 and insignificant standard deviation of 0.765. Majority of the respondents strongly agreed which implied that members savings deposit with the SACCOs were insured.

Findings whether members earned interest on savings indicated a mean of 4.26 and insignificant standard deviation of 0.855. Majority of the members strongly agreed which implied that SACCO savings attracted interest.

Findings whether SACCOs charged low management fees on savings accounts indicated a mean of 4.39 and insignificant standard deviation of 0.667. Majority of the respondents strongly agreed which implies that SACCOs charge low management fees on members' savings attracting them to continue savings.

Findings on whether it was easy for members to withdraw their savings indicated a mean of 4.55 and insignificant standard deviation of 0.568. Majority of the members strongly agreed which implies that it was very easy for members to access their savings.

Findings on whether SACCOs offered saving services daily (24/7 day) indicated a mean of 4.32 and insignificant standard deviation of 0.832. Majority of the respondents strongly agreed which implied that SACCOs operate daily (24/7 day) which increases access to SACCO service by members.

#### 4.5.4 Descriptive statistics on credit financial services

This was examined using questionnaires and the findings are shown on table 10 below:

**Table 10 shows the Descriptive statistics on credit financial services**

Variables	SD	D	N	A	SA	Mean	StdDev
Credit services	F (%)	F (%)	F (%)	F (%)	F (%)		
SACCO provides regular training before accessing the loans	0 0	0 0	4 12.9	13 41.9	15 45.2	4.32	.702
I have received training on how to service a financial credit	0 0	0 0	3 9.7	9 29.0	19 61.3	4.52	.677
I have a SACCO financial credit in my business	0 0	0 0	0 0	12 38.7	19 61.3	4.61	.495

My financial credit is insured	2 6.5	2 6.5	1 3.2	9 29.0	17 54.8	4.19	1.195
The SACCO charges low interest rate on the financial credit	0 0	2 6.5	2 6.5	20 64.5	7 22.6	4.03	.752
SACCO financial credits have a short loan repayment period	0 0	0 0	2 6.5	14 45.2	15 48.4	4.42	.620
The SACCO offers low financial credit amount to us	0 0	0 0	1 3.2	14 45.2	16 51.6	4.48	.570
The SACCO offers a stringent financial credit payback period	3 9.7	1 3.2	5 16.1	13 41.9	9 29.0	3.77	1.203
SACCO financial credit cost increases the cost of capital for the business	0 0	0 0	3 9.7	12 38.7	16 51.6	4.42	.672
SACCO's request high value collateral securities compared to loans disbursed	0 0	0 0	5 16.1	9 29.0	17 54.8	4.39	.761
A minimum of two guarantors are needed for a member to take a loan	0 0	0 0	2 6.5	14 45.2	15 48.4	4.42	.620

**Source: Primary data 2020**

The researcher found out from table 9 above indicated the level of accessibility of credit cooperative financial services by SACCO members. The provision of regular training to members before accessing the loans indicated mean of 4.32 and insignificant standard deviation of 0.702. Majority of the respondents strongly agreed which implied that SACCOs trained their members before accessing the loans especially investing the loans on the said activity prescribed within the loan agreement or business plan.

Findings whether members received training on how to service a financial credit indicated a mean of 4.52 and insignificant standard deviation of 0.677. Majority of the respondents strongly agreed which implied that SACCOs regularly provided training to members of how to service a financial credit to induce loan performance.

Findings whether members had borrowed SACCO financial credit indicated a mean of 4.61 and insignificant standard deviation of 0.495. Most of the members strongly agreed to have SACCO financial credits in their businesses which implied that the target sample was relevant for the study. Thus, guaranteed reliability of the data collected since members were knowledgeable on accessibility and use of SACCO credit financial service.

Findings whether SACCO financial credit was insured indicated a mean of 4.4.19 and a significant standard deviation of 1.195. Although majority strongly agreed which implied that loans offered by the SACCOs were insured it seemed that some of the members were not sure whether their credit were insured.

Findings on whether SACCOs charged low interest rates on the financial credits indicated a mean of 4.03 and insignificant standard deviation of 0.752. Majority agreed which implied that SACCOs charge low interest rates on their loans which reduce the cost of capital in the business.

Findings whether SACCO financial credits had a short credit payback period indicated a mean of 4.42 and significant standard deviation of 0.620. Majority strongly agreed which implied that financial credits offered to members had short payback period usually 6 months on average.



Findings whether SACCOs offered low financial credit amount indicated a mean of 4.48 and insignificant standard deviation of 0.570. Majority strongly agreed which implied that credit lent to members was low as compared to their business demands.

Findings whether SACCOs offered a stringent financial credit payback period indicated a mean of 3.77 and a significant standard deviation of 1.203. Majority slightly agreed which implied that the shorter payback period was stringent due to fear of loan defaults. However it seemed that some of the members disagreed as a result a significant standard deviating was revealed.

Findings whether SACCO financial credit cost increased the cost of capital for the business indicated a mean of 4.42 and insignificant standard deviation of 0.672. majority of the respondents strongly agreed that financial credit cost increased the cost of capital for the business.

Findings whether SACCOs request high value collateral securities compared to loan disbursed indicated a mean of 4.39 and insignificant standard deviation of 0.761. Majority of the respondents strongly agreed which implied that SACCOs request high value collateral securities compared to loan disbursed.

Findings whether SACCO financial credit was guaranteed indicated a mean of 4.42 and insignificant standard deviation of 0.620. Majority strongly agreed which implied that loans offered by the SACCOs were guaranteed by the fellow members.

#### 4.5.5 Descriptive statistics on growth of member enterprises

Growth is the primary objective of an investor like SACCO members with enterprises and therefore this was examined using questionnaires and the findings are shown on table 11 below:

**Table11 shows the descriptive statistics on growth of member enterprises**

Variable	SD	D	N	A	SA	Mean	Std
----------	----	---	---	---	----	------	-----

							Dev
Growth of member enterprises	F (%)	F (%)	F (%)	F (%)	F (%)		
My enterprise has been increasing its sales over a period of time	0 0	0 0	0 0	13 41.9	18 58.1	4.58	.502
The number of my business customers has increased since obtaining the loan	0 0	0 0	2 6.5	9 29.0	20 64.5	4.58	.620
The business has accessed new dealers/outlets to sell its products	0 0	0 0	2 6.5	11 35.5	18 58.1	4.52	.626
The business has acquired a strong brand	0 0	0 0	0 0	14 45.2	17 54.8	4.55	.506
The business has managed to advertise its products	0 0	0 0	4 12.9	10 32.3	17 54.8	4.42	.720
The business has opened up new branches	1 3.2	0 0	2 6.5	15 48.4	13 41.9	4.26	.855
My business has widened its floor operation area	0 0	0 0	2 6.5	12 38.7	17 54.8	4.48	.626
I have registered high sales after accessing SACCO financial services	0 0	0 0	2 6.5	10 32.3	19 61.3	4.55	.909

**Source: Primary data 2020**

From table 11 above the researcher found out that increase in enterprise sales over a period of time indicated mean of 4.58 and insignificant standard deviation of 0.502. Majority of the respondents strongly agreed which implies that members' enterprises had managed to increase their sales over a period of time.

Findings on whether SACCO enterprises had attained increased number of customers after obtaining SACCO financial services indicated mean of 4.58 and insignificant standard deviation of 0.620, majority of the respondents strongly agreed which implies that access to SACCO financial services facilitated improvement of business operations to attract new customers and retain the old ones.

Findings on whether SACCO enterprises had accessed new dealers/outlets to sell their products indicated a mean of 4.52 and insignificant standard deviation of 0.506. Where majority of the respondents strongly agreed, which implied that access to saving and credit financial services in an enterprise facilitates expansion of market.

Findings on whether SACCO members' enterprises had acquired a strong brand indicated a mean of 4.55 and insignificant standard deviation of 0.626. Majority of the members strongly agreed to have strong brand in Masaka town after accessing SACCO financial services.

Findings on whether SACCO enterprises had managed to advertise their products indicated a mean of 4.42 and insignificant standard deviation of 0.720. Majority of the respondents strongly agreed which implies that members' enterprises had managed to advertise their products in Masaka town after accessing SACCO financial services.

Findings on whether SACCO enterprises had opened up new branches indicated a mean of 4.26 and insignificant standard deviation of 0.855. Majority of the respondents agreed which implied that a significant number of them seemed to have opened up new branches to widen their market.

Findings on whether SACCO members' enterprises had widened their floor operation area indicated a mean of 4.48 and insignificant standard deviation of 0.626. Majority of the respondents strongly agreed and had widened their floor space operation area after accessibility of SACCO saving and credit financial services

Findings on whether SACCO enterprises registered high sales after accessing SACCO financial services indicated a mean of 4.55 and insignificant standard deviation of 0.909. Majority of the respondents strongly agreed to have registered increased sales which implied that access to SACCO financial services improved their business operations.

#### 4.5.6 Descriptive statistics on mediating variables

The mediating variable explains the relationship between SACCO financial services on the growth of members' enterprises and therefore this was examined using questionnaires and the findings are shown on table 12 below

**Table 12 showing Descriptive statistics on mediating variables**

Variables	SD	D	N	A	SA	Mean	Std Dev
Mediating variables	F (%)	F (%)	F (%)	F (%)	F (%)		
The government regulatory policy favors the growth of enterprises	0 0	0 0	0 0	17 54.8	14 45.2	4.45	.506
The government charges affordable licenses fees on the operation of enterprises	0 0	2 6.5	3 9.7	9 29.0	17 54.8	4.32	.909
The political environment in Masaka district does not adversely affect enterprise operations	0 0	0 0	2 6.5	16 51.6	13 41.9	4.35	.608
The area is politically stable to induce growth	0 0	0 0	4 12.9	9 29.0	18 58.1	4.45	.723
The SACCO operations are free from harmful political intervention	3 9.7	1 3.2	1 3.2	10 32.3	16 51.6	4.13	1.258
SACCO leaders are democratically elected without political interference	2 6.5	0 0	3 9.7	8 25.8	18 58.1	4.29	1.101
The population of Masaka frequently access loans from SACCOS	0 0	0 0	5 16.1	8 25.8	18 58.1	4.42	.765

Individuals with a better education are more likely to borrow, save and invest than those with less education	0	0	1	15	15	4.45	.568
Rural inhabitants save and borrow more for purposes such as starting a business and agricultural investments.	0	2	4	9	16	4.26	.930

**Source: Primary data 2020**

From table 12 above the researcher findings on the government regulatory policy favors the growth of enterprises indicated mean of 4.45 and insignificant standard deviation of 0.506. Majority of the respondents agreed which implied that the government regulatory policy favors the growth of member enterprises in Masaka town.

From table 12 above the researcher findings on the government charges affordable licenses fees on the operation of enterprises indicated mean of 4.32 and insignificant standard deviation of 0.909. Majority of the respondents strongly agreed which implied that the government charges affordable licenses fees on the operation of enterprises in Masaka town.

From table 12 above the researcher findings on the political environment in Masaka district does not adversely affect enterprise operations indicated mean of 4.35 and insignificant standard deviation of 0.608. Majority of the respondents agreed which implied that the political environment in Masaka district does not adversely affect enterprise operations.

From table 12 above the researcher findings on the area is politically stable to induce growth indicated mean of 4.45 and insignificant standard deviation of 0.723. Majority of the respondents strongly agreed which implied that the area is politically stable to induce growth of enterprises in Masaka town.

From table 12 above the researcher findings on the SACCO operations are free from harmful political intervention indicated mean of 4.13 and a significant standard deviation of 1.258. Although majority of the respondents agreed that the SACCO operations are free from harmful political intervention but due to the significant standard deviation of 1.258 implied that some SACCO operations are not free from harmful political intervention in Masaka town.

From table 12 above the researcher findings on SACCO leaders are democratically elected without political interference indicated mean of 4.29 and a significant standard deviation of 1.101. Although majority of the respondents strongly agreed that SACCO leaders are democratically elected without political interference, however due to the significant standard deviation of 1.101 implied that some SACCO leaders are democratically elected without political interference in Masaka town

From table 12 above the researcher findings on the population of Masaka frequently access loans from SACCOS indicated mean of 4.42 and insignificant standard deviation of 0.765. Majority of the respondents strongly agreed which implied that the population of Masaka frequently access loans from SACCOS.

From table 12 above the researcher findings on Individuals with a better education are more likely to borrow, save and invest than those with less education indicated mean of 4.45 and insignificant standard deviation of 0.568. Majority of the respondents strongly agreed which implied that Individuals with a better education are more likely to borrow, save and invest than those with less education

From table 12 above the researcher findings on rural inhabitants save and borrow more for purposes such as starting a business and agricultural investments indicated mean of 4.26 and insignificant standard deviation of 0.930. Majority of the respondents strongly agreed which

implied that rural inhabitants save and borrow more for purposes such as starting a business and agricultural investments however with some divergence in the standard deviation.

#### **4.6 Correlation analysis**

The researcher used correlation analysis to find out the degree, strength and the direction of the relationship between SACCO credit and saving financial services on growth of members' enterprises. The researcher used Karl-Pearson's coefficient of correlation method to establish the interrelationship between the variables.

**Table 13 shows the correlation matrix of the variables**

Saving and credit cooperatives financial services		Saving services	Credit services	Advisory services	Growth of member enterprises
Saving services	Pearson Correlation	1	.713**	.512**	.626**
	Sig. (2-tailed)		.000	.003	.000
	N	31	31	31	31
Credit services	Pearson Correlation	.713**	1	.718**	.879**
	Sig. (2-tailed)	.000		.000	.000
	N	31	31	31	31
Advisory services	Pearson Correlation	.512**	.718**	1	.817**
	Sig. (2-tailed)	.003	.000		.000
	N	31	31	31	31
Growth of member enterprises	Pearson Correlation	.626**	.879**	.817**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	31	31	31	31

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

**Source: Primary data 2020**

#### **4.6.1 The relationship between SACCO saving financial services and growth of member enterprises**

Findings from table 13 above revealed that saving financial services have a strong positive significant relationship on growth of members' enterprises with ( $r = 0.626$ , P value 0.000). This



implied that operating savings accounts attract saving interest rate and requires realization of more sales which relates to enterprise growth.

#### **4.6.2 The relationship between SACCO credit financial services and growth of member enterprises**

Findings from table 13 above revealed that credit financial services have a strong positive significant relationship on growth of members' enterprises with ( $r = 0.879$ , P value 0.000). This implies that accessibility to credit financial services provides immediate working capital and long term fund need to members' enterprises, thus enabling them to finance their activities to achieve growth since internal sources like savings are always inadequate to meet entire business needs.

#### **4.6.2 The relationship between SACCO advisory financial services and growth of member enterprises**

Findings from table 13 above revealed that SACCO advisory financial services have a strong positive significant relationship on growth of members' enterprises with ( $r = 0.817$ , P value 0.000). This implied that provision of advisory finance services to SACCO members enable them to invest their money in productive ventures which can generate profits, this in turn leads to the growth of member enterprises.

#### **4.7 Conclusion of the chapter**

This chapter presents the empirical data obtained from the study and relates the results on savings and credit co-operative (SACCO) financial services and growth of members' enterprises. Quantitative results included descriptive statistics and correlation analysis on the findings of each research question that were the relationship between saving services and growth of members' enterprises, the relationship between credit services and growth of members' enterprises, and the relationship between financial advisory services and the growth of members' enterprises.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

Drawings from the research problem, research questions and findings thereof, this chapter presents the summary, general conclusions and possible suggestions for further research.

#### **5.2 Summary of the results**

##### **5.2.1 To assess the level of growth of members' enterprises as the general research objective**

The major objective of the study was to assess the level of growth of members' enterprises. In general, the study found out that majority of the members with enterprises strongly agreed to have attained growth although not sustainable through variation on increase in sales over a period of time, increase in the number business customers after obtaining the loan, access to new dealers/outlets to sell their products, strong brand, running domestic adverts, wide floor operation area and high after sales services to customers which indicated high levels of growth at mean average of 4.20 and significant general average standard deviation on 0.91. These indicated growth of members' enterprises but were not certain of its survival for a long period of time.

##### **5.2.2 To establish the relationship between saving SACCO financial services and growth of members' enterprise**

Another objective of the study was to establish the relationship between saving SACCO financial services and growth of members' enterprises. Correlation analysis indicated that saving SACCO financial services had a strong positive significant relationship on growth of members' enterprise( $r = 0.626$ ,  $P$  value 0.000). This enabled the business to invest through diversification of resources.

### **5.2.3 To establish the relationship between credits SACCO financial services and growth of members' enterprises**

Another established objective was the relationship between credits SACCO financial services and growth of members' enterprises. The correlation analysis indicated that credit SACCO financial services had a strong positive significant relationship to growth of members' enterprises ( $r = 0.879$ , P value 0.000), however over dependence on credit had an adverse on the growth of members' enterprises.

### **5.2.4 To establish the relationship between financial advisory services and the growth of members' enterprises**

The objective was to establish the relationship between financial advisory services and the growth of members' enterprises and therefore the correlation analysis indicated that advisory SACCO financial services had a strong positive significant relationship to growth of members' enterprises that was ( $r = 0.817$ , P value 0.000).

## **5.3.0 Conclusions**

### **5.3.1 To assess the level of growth of members' enterprises as the general research objective**

According to the general objective of the level of growth in SACCO members' enterprises: Growth was attained through increase in sales over a period of time, increase in the number of business customers after obtaining the loans, access to new dealers/outlets to sell their products, strong brand, running domestic adverts, wide floor operation area and high after sales services to customers which indicated high levels of growth.

### **5.3.2 To establish the relationship between saving SACCO financial services and growth of members' enterprise**

Correlation analysis indicated saving SACCO financial services had a statistic positive significant relationship to growth of members' enterprises. However, it was confirmed that increased savings indicated growth of the business since it is a sign of self-independence; it enabled the businesses to invest through diversification of resources.

### **5.3.3 To establish the relationship between SACCO credit financial services and growth of member enterprises**

Correlation analysis indicated credit SACCO financial services had a strong positive significant relationship to growth of members' enterprises and it was confirmed that credit SACCO financial services facilitated the growth of members' enterprises in Masaka town.

### **5.3.4 To establish the relationship between financial advisory services and the growth of members' enterprises**

Correlation analysis indicated advisory SACCO financial services had a strong positive significant relationship to growth of members' enterprises and it was confirmed that advisory SACCO financial services facilitated the growth of members' enterprises because it enabled then to properly invest their loanable funds in profitable ventures in Masaka town.

## **5.4.0 Recommendations**

### **5.4.1 Recommendation to SACCO management**

The study recommended that SACCO managers, directors should encourage members to save money in order to enable their enterprises achieve growth since savings induce investment for the enterprises.

SACCO management should hence extend the loan facilities in line with the business plan presented since credit has no effect on growth of members' enterprises.

SACCO management should encourage members to regularly maintain their books of accounts to track the cash flow movements (receipts and payments) to enable them achieve growth and effective servicing of their credits.

Training workshops on financial management, savings, marketing, quality control should be prioritized before lending money to members. Members should be encouraged to attend these seminars organized on a regular basis with facilitators from national bodies like UCSCS and the Micro Finance Support Centre.

SACCOs should increase on saving interest accruing to members to attract members' enterprise to save more funds as a sign of growth.

SACCO managers should sensitize and train members on how to access, use and save money to cater for future needs/ demands of their businesses to enhance growth of members' enterprises.

#### **5.4.2 Recommendation to SACCO members**

Members should minimize on non-valued expenditure and concentrate on core areas to increase on the amount to save and reduce the amount consumed.

SACCO members should avoid borrowing more than what their businesses need as this may led to over capital gearing which always hinders growth as it worsens the gearing level of the business.

SACCO members should always design a strategic plan on how to use credit services in their businesses especially borrowed money to exploit an opportunity rather than investing in already declining products.

#### **5.5 Suggestions for further research**

The impact of SACCO credit policy and growth of members' enterprises

The impact of SACCO size and growth of members' enterprises

The impact of government policy and growth of member enterprises

SACCO accessibility and growth of member enterprises in greater Masaka

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**APPENDIX II: QUESTIONNAIRES**

**Questionnaire for Sacco Financial Services and Development of Members Enterprises in**

**Masaka Town**

Dear respondent,

I am **YigaGordan**, a student at Uganda Martyrs University pursuing a bachelor's degree in Business Administration and management. I am undertaking a study with the aim of gaining a clear understanding of how **Savings and credit co-operatives (SACCOS) financial services impact growth of members' enterprises in Uganda**. Please complete this questionnaire **independently** and **without** consultation with other respondents.

Although no confidential information is required, your responses will be treated with utmost confidentiality and only used for this study.

Thank you very much for your willingness to contribute to the success of this important research project.

.....

**YigaGordan**

**Researcher**

**SECTION A: DEMOGRAPHIC INFORMATION (PLEASE TICK ✓ WHERE APPROPRIATE)**

1. Gender: Male  Female

2. Age bracket:

18-25 years  26-30 years  31-35 years  36-40 years  above 40

3. Level of education

Certificate  Diploma  Degree  Masters

3. Years in business

Less than one year  Between 1-3 years  Above 3 years

4. What is your position in the SACCO

Manager  Assistant Manager  Loans Officer  SACCO Member

5. Amount borrowed from the SACCO

Bellow UGX 500,000  Between UGX 500,000 up to UGX 1,000,000

Between UGX 1,000,000 up to UGX 3,000,000  Above UGX 3,000,000

6. My estimated average annual sales are

Bellow UGX 10,000,000  Between UGX 10,000,000 up to UGX 100,000,000

Between UGX 100,000,000 up to UGX 150,000,000  Above UGX 150,000,000

**SECTION B: STATEMENT RELATING TO SACCO FINANCIAL SERVICES AND GROWTH OF SACCO MEMBER'S ENTERPRISES**



Please indicate (√) the extent to which you agree with the statements where (1 = strongly disagree; 2 = Disagree; 3 = Neutral; 4 = Agree; and 5 = strongly agree).

	<b>SAVING SERVICES</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
SF1	The SACCO provides training about savings account					
SF2	It is easy to open up savings account in the SACCO					
SF3	I have a savings account for my business					
SF4	Savings passbooks are easily obtained					
SF5	My savings are insured					
SF6	I earn interest on savings.					
SF7	The SACCO charges low management fees on savings account					
SF8	It is easy to withdraw my savings					
SF9	The SACCO offers saving services daily (24/7 days)					
<b>CREDIT SERVICES</b>						
	<b>CREDIT SERVICES</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
CF1	SACCO provides regular training before accessing the loans					
CF2	I have received training on how to service a financial credit					
CF3	I have a SACCO financial credit in my business					
CF4	My financial credit is insured					
CF5	The SACCO charges low interest rate on the financial credit					
CF6	SACCO financial credits have a short loan repayment period					
CF7	The SACCO offers low financial credit amount to us					
CF8	The SACCO offers a stringent financial credit payback period					
CF9	SACCO financial credit cost increases the cost of capital for the business					
CF10	SACCO's request high value collateral securities compared to loans disbursed					
CF11	A minimum of two guarantors are needed for a member to take a loan					
<b>GROWTH OF MEMBERS ENTERPRISES</b>						
	<b>GROWTH OF MEMBERS ENTERPRISES</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
ME1	My enterprise has been increasing its sales over a period of time					

ME2	The number of my business customers has increased since obtaining the loan					
ME3	The business has accessed new dealers/outlets to sell its products					
ME4	The business has acquired a strong brand					
ME5	The business has managed to advertise its products					
ME6	The business has opened up new branches					
ME7	My business has widened its floor operation area					
ME8	I have registered high sales after accessing SACCO financial services					
<b>MEDIATING VARIABLES</b>						
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
MV1	The government regulatory policy favors the growth of enterprises					
MV2	The government charges affordable licenses fees on the operation of enterprises					
MV3	The political environment in Masaka district does not adversely affect enterprise operations					
MV4	The area is politically stable to induce growth					
MV5	The SACCO operations are free from harmful political intervention					
MV6	SACCO leaders are democratically elected without political interference					
MV7	The population of Masaka frequently access loans from SACCOS					
MV8	Individuals with a better education are more likely to borrow, save and invest than those with less education					
MV9	Rural inhabitants save and borrow more for purposes such as starting a business and agricultural investments.					

**APPENDIX III: MORGAN'S TABLE**  
**Sample Size Determination**

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

Note: "N" is population size and "S" is sample size.

Source: Krejcie, R. V., & Morgan, D.W. (1970).

## **APPENDIX IV INTRODUCTORY LETTER**

Office of the Dean

Faculty of Business Administration and Management

Your ref.:

Our ref.:

Nkozi, 4th June, 2020

**To Whom it may Concern**

Dear Sir/Madam,

**Re: Assistance for Research:**

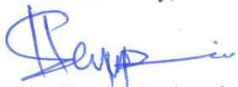
Greetings and best wishes from Uganda Martyrs University.

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

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

Thank you in advance.

Yours Sincerely,



Mr. Cyprian Ssebagala

Associate Dean

