

FINANCING STRATEGIES AND PERFORMANCE OF SMALL AND MEDIUM
AGRIBUSINESS ENTERPRISES IN UGANDA.

A case study of farmer communities in Kitimbwa Sub County,

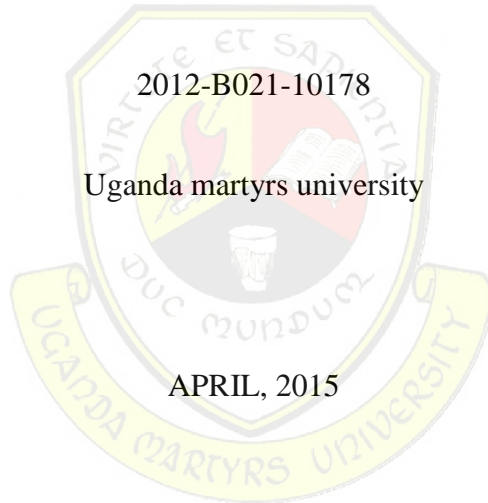
Kayunga District.

Kavuma Ronald

2012-B021-10178

Uganda martyrs university

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AN UNDERGRADUATE DISSERTATION SUBMITTED TO THE FACULTY OF BUSINESS
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DEDICATION

This work is dedicated to the Almighty God for his grace and providence that has enabled me accomplish it as well as my Parents who provided the emotional and financial support and my Friends Moses Kibrai, Gitta Edward and Tumusiime Joseph Billy without whose caring support it would not have been possible for me to succeed.

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LIST OF ABBREVIATIONS

AFD	Agence Française de Development
AFI	Alliance for Financial Inclusion
AFRACA	African Rural and Agricultural Credit Association
AGRA	Alliance for a Green Revolution in Agriculture
BMZ	German Federal Ministry for Economic Cooperation and Development
CABFIN	Capacity Building for Rural Financial Institutions
CBRO	Community-Based and Resource-Oriented Organization
CECAM	Caisses d'Epargne et de Crédit Agricole Mutuels
DEF	Development Effectiveness Framework
DFI	Development Finance Institution
FAO	Food and Agriculture Organization of the United Nations
FBO	Farmer-Based Organization
GIZ	Gesellschaft für Internationale Zusammenarbeit (formerly GTZ)
GPII	Global Partnership for Financial Inclusion
GTZ	Gesellschaft für Technische Zusammenarbeit
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation

IFRS International Financial Reporting Standards

KfW Kreditanstalt für Wiederaufbau

LSMS-ISA Living Standards Measurement Study-Integrated Surveys on Agriculture

MDG Millennium Development Goal

MFI Micro Finance Institution

MFW4A Making Finance Work for Africa

NASFAM National Smallholder Farmers' Association of Malawi

NBFI Non-Bank Financial Institutions

NGO Non-Governmental Organization

PPP Public-Private Partnership

RIAS Rabo International Advisory Services

RSF Risk Sharing Facility

SME Small and Medium Enterprise

UNCDF United Nations Capital Development Fund

UNIDO United Nations Industrial Development Organization

VCF Value Chain Finance

WFP World Food Programme

WRMS Weather Risk Management Services

ABSTRACT

The main purpose of this study was to investigate the relationship between financing strategies and performance of Agribusiness firms with two specific objectives where one was to assess the relationship between financial products available by the financial institutions and performance of agribusiness firms in Kitimbwa sub county and the other was to examine the relationship between lending policies by financial institutions' and performance of agribusiness firms in Kitimbwa sub county. The research design was case study approach and the study approach was the multi method research approach. The sample size was 115,960, data was collected by use of questionnaires. Analysis was done by use of SPSS version 16 and data was presented in tables. Whereas qualitative data was not collected.

The findings showed that the respondents utilized the financial products such as the agricultural loan, the group loan and leases. Similarly, in second objectives, the findings show that in relation to Lending Policies and performance of Agribusiness firms. The majority of the respondents involved in the study were not required to provide collateral to access Agricultural financing, majority of the respondents believed that the interest rates attached to the loans is not manageable to them and that those who accessed the financing majority do not believe it enabled their businesses to grow thus a barrier. Majority of the respondents involved in the study do not believe that the lending policies were flexible and favorable for them.

In conclusion, there is a relationship between financing strategies and performance of agribusiness firms however there are several other factors that work collaboratively. The study recommends that favorable lending policies be put in place, farmers be empowered with information about the financial products available and how to effectively manage financing.

CHAPTER ONE:

GENERAL INTRODUCTION

Introduction

This study focuses on agricultural financing strategies and as independent variable with its dimensions as financial products provided by financial institutions and lending policies followed by financial institutions. The dependent variable of this study is performance of Agribusiness Firms with its variables as level of output by Agribusiness Firms and quality of output of Agribusiness Firms. Over the years several writers have discussed widely the issue of agricultural finance in relation to other factors for instance (Obansa 2013) in his study agricultural financing and economic growth in Nigeria,(Zeller 2002) in his study Models of rural financial institutions and others however all these have not come up with a specific relationship between financing strategies and performance of small and medium Agribusiness enterprises yet several innovations have been made in a bid to improve agricultural lending despite its continued stagnation or slow development in some places for instance in Uganda.

1.1 Background to the study

Finance refers to the art and science of managing money. It includes financial service and financial instruments.(Paramasivan 2008) Finance refers to the control of money in the business or art of managing the monetary resources of an organization, country, or person Finance can also simply be defined as the science of funds management, or the allocation of assets and liabilities over time under conditions of certainty and uncertainty.

Agriculture is a major source of livelihood throughout the world, especially for the majority of people living in rural areas in developing countries. (Ali 2008) A key challenge for the majority of these farmers is access to finance. Lack of access to finance is a key impediment to farmers in improving the efficiency of their productions and adopting better technologies.

Agricultural financing mainly refers to the study of the financing and liquidity services credit provides to farm borrowers (Ali 2008). (Shreiner and Yaron 2001) define agricultural financing as cited by Obansa (2013) as (public or private) resources (in form of equity, gift or loan) for improving social welfare through development of agricultural sector. According to (Ali 2008) agricultural finance can be defined as the study of those financial intermediaries who provide loan funds to agriculture, and the financial markets in which these intermediaries obtain their funds. (Lins et al 1980) as cited by (Pandey 2013) defined agricultural finance as the study of financing and liquidity services credit provides to farm borrowers. It is also considered as the study of those financial intermediaries who provide loan funds to agriculture and the financial markets in which these intermediaries obtain their loanable funds.

Murray (1953) as cited by (Raghuram et al 2013) defined agricultural finance as “an economic study of borrowing funds by farmers, the organization and operation of farm lending agencies and of society’s interest in credit for agriculture .(Tandon and Dhondyal 1962) as cited by (Raghuram et al 2013) defined agricultural. Finance as a branch of agricultural economics, which deals with and financial resources related to individual farm units. The study of agricultural finance can be broadened even further to account for all economic and financial interfaces between agriculture and the rest of the macroeconomics, including the effects that changes in national economic policies have upon the economic performance of agriculture and the financial position of farmers as studied by other researchers however all these have not studied the

relationship between financing and quality and level of output in small and medium agribusiness enterprises in Uganda.

According to the (International finance corporation report 2012) small and medium enterprises Agribusinesses are basically farmers (smallholders, medium and large) involved in primary production.

(Štefan B et al 2013) note that agribusiness in the European countries has an impact,- a case in point is the contribution of small and medium enterprises which is substantial in the provision of agricultural produce and employment opportunities to people in Ukraine and Slovenia however; regardless of their contribution to agricultural production they have limited access to financing. Even without taking into account the size of firms, banks operating in Ukraine perceive agribusiness to be risky. Thus this implies that there are a few financial institutions' that are willing to take up the will.

According to a study carried out in India It is clear that cooperatives are still dominating in the field of agricultural and allied credit though the share of institutional credit reduced the research paper concludes that institutional credit has played a vital role in supporting agricultural production in India and the amount of institutional credit for agriculture and allied activities has increased over the years according to (Murthy et al 2009)

According to (cracking the nut conference 2011) rural and Agricultural Finance have long been considered tough nuts to crack, but recently there has been renewed interest in overcoming the obstacles that hinder access to rural and agricultural finance. Finance is an important ingredient for development, as it allows rural and agricultural communities to become successful in creating livelihoods and improving food security.

According to a study carried out in Nigeria, agriculture remains the mainstay of the economy since it is the largest sector in terms of its share in employment. Nigeria is placing much emphasis on financing other sectors most especially agricultural sector, since agriculture has the potential to stimulate economic growth. Finance is required by agricultural sector. In certain cases such loans may also be needed to purchase new and appropriate technologies. Not only can finance remove financial constraints, but it may also accelerate the adoption of new technologies. (Obansa 2013)

1.2 Statement of the problem

There have been several initiatives by government to revamp the agricultural sector in Uganda over the years through different financing strategies some of the recent initiatives include; the Agricultural Credit Facility (ACF) which was set up by the Government of Uganda (GoU) in partnership with Commercial Banks, Uganda Development Bank Ltd (UDBL), Micro Deposit Taking Institutions (MDIs) and Credit Institutions all referred to as Participating Financial Institutions (PFIs) to facilitate the provision of medium and long term loans to projects engaged in agriculture and agro-processing on more favorable terms than are usually available from the PFIs.

Although it is expected that the initiatives should be able to create a better environment for agribusiness enterprises, leading to better performance and output in these agribusiness enterprises. It can still be argued that financial injections into the agricultural sector of the economy are still insufficient for a strong agribusiness environment though has been steadily improving from 1.8% in 1995 to 5% as presented by some reports stating that Government financial statistics obtained from the International Monetary Fund (IMF) show that the share of

public resources allocated to the agricultural sector is about five percent in 2004(Niringiye 2009). Because of this, it is important to examine why even with more injection of finances, agribusiness output seems not to be improving in Uganda. It is against this background that this research will seek to answer the question: What is the relationship between Agricultural financing strategies and performance of small and medium Agribusiness enterprises?

1.3 Objectives of the study

1.3.1 Broad objective of the study;

To investigate the relationship between financing strategies and performance of small and medium Agribusiness enterprises.

1.3.2 Specific objectives

To assess the relationship between financial products availed by the financial institutions and SME agribusiness performance in Kitimbwa sub county.

To examine the relationship between lending policies by financial institutions' and SME agribusiness performance in Kitimbwa sub county.

1.4 Research questions

What is the relationship between financial products availed by financial institutions and SME agribusiness performance?

What is the relationship between lending policies by financial institutions' and SME agribusiness performance?

1.4 Hypothesis

There is a relationship between Agro based financing and performance of agribusiness organizations.

1.5 Scope of the study

1.5.1 Geographical scope: The research will be carried out in Kitimbwa Sub County, Kayunga district. Kitimbwa Sub County is one of the eight sub counties of Kayunga district. According to the official website of Kayunga district agriculture is the major economic activity as well as the major source of employment in Kayunga district with 93% of the population is employed in subsistence agriculture. Agricultural production mainly involves growing of coffee, bananas, sweet potatoes, cassava, maize, beans and groundnuts. Fruits particularly pineapples, melon, passion fruits and mangoes are also grown for commercial purposes. The main cash crop is coffee. Crop farming is concentrated in the sub-counties of Kangulumira, Kitimbwa, Kayonza, Nazigo, Kayunga and Busaana; while Galiraya and Bbaale sub counties are mainly engaged in livestock farming. Livestock kept include cattle, goats and pigs thus this makes Kayunga district a viable place to carry out this research.

1.5.2 Content: The research will mainly focus on Agribusiness finance as the independent variable and the dimensions for this variable will be financial products provided by financial institutions, lending policies by financial institutions and the level of monitoring put in place by financial institutions in loan management.

The dependent variable is SME agribusiness performance and its dimensions will be quality of products and the level of output of the SME agribusiness. Although the study also includes

moderating variables as government policies, consumer demand and agricultural practices these will not be covered in this study.

1.6 Significance of the study

This research will facilitate policy making in that it will enable policy makers especially ministry of finance and economic planning to come up with favorable policies so as to improve Agricultural financing with in the nation Uganda and the region at large.

The research findings will aid future research projects in a way that the findings will provide a basis for further research in the field of agricultural financing and finance at large.

The research will also build research knowledge base for academicians like me and others with special interest in agri-business finance.

1.7 Justification

There have been several studies on agricultural finance however all these studies have not been able to establish the relationship between financing and quality and level of output in small medium agribusiness enterprises in Uganda Thus the study will establish whether there is a likely relationship between the roles of agricultural financing in performance of small and medium enterprise agribusinesses.

There is urgent need to conduct the study due to the fact that there is absence of a unified knowledge in the best way to finance agriculture.

There is need to develop better understanding about agricultural finance and its role in performance of SME agribusiness performance in Uganda.

There is need to solve the problem of the ever declining agricultural sector performance through finding a solution by providing reliable financial solutions to this problem.

1.8 Definition of key terms

Agribusiness

According to the (International finance corporation report 2012) small and medium enterprises Agribusinesses are basically farmers (smallholders, medium and large) involved in primary production.

Agricultural finance

Agricultural finance is a sector based concept comprising of financial services for agricultural production, processing and marketing such as short term loans, medium term loans, leases, crop and livestock insurance among others. It is the offering of specialized financial services to a actor in the agricultural value chain it is at times referred to as external financing.

1.9 Conceptual framework

Description of the conceptual framework: The conceptual frame work on the next page in figure 1 tries to explain the relationship between Agricultural financing and the performance of Agribusiness Firms. In this conceptual frame work the Agricultural financing is studied as the independent variable with its dimensions as Financial products provided by financial institutions and by Lending policies by financial institutions' whereas performance of Agribusiness SME's is studied as the dependent variable with dimensions as Quality of products produced by Agribusiness Firms' and Level of output by Agribusiness SME's.

Conceptual framework

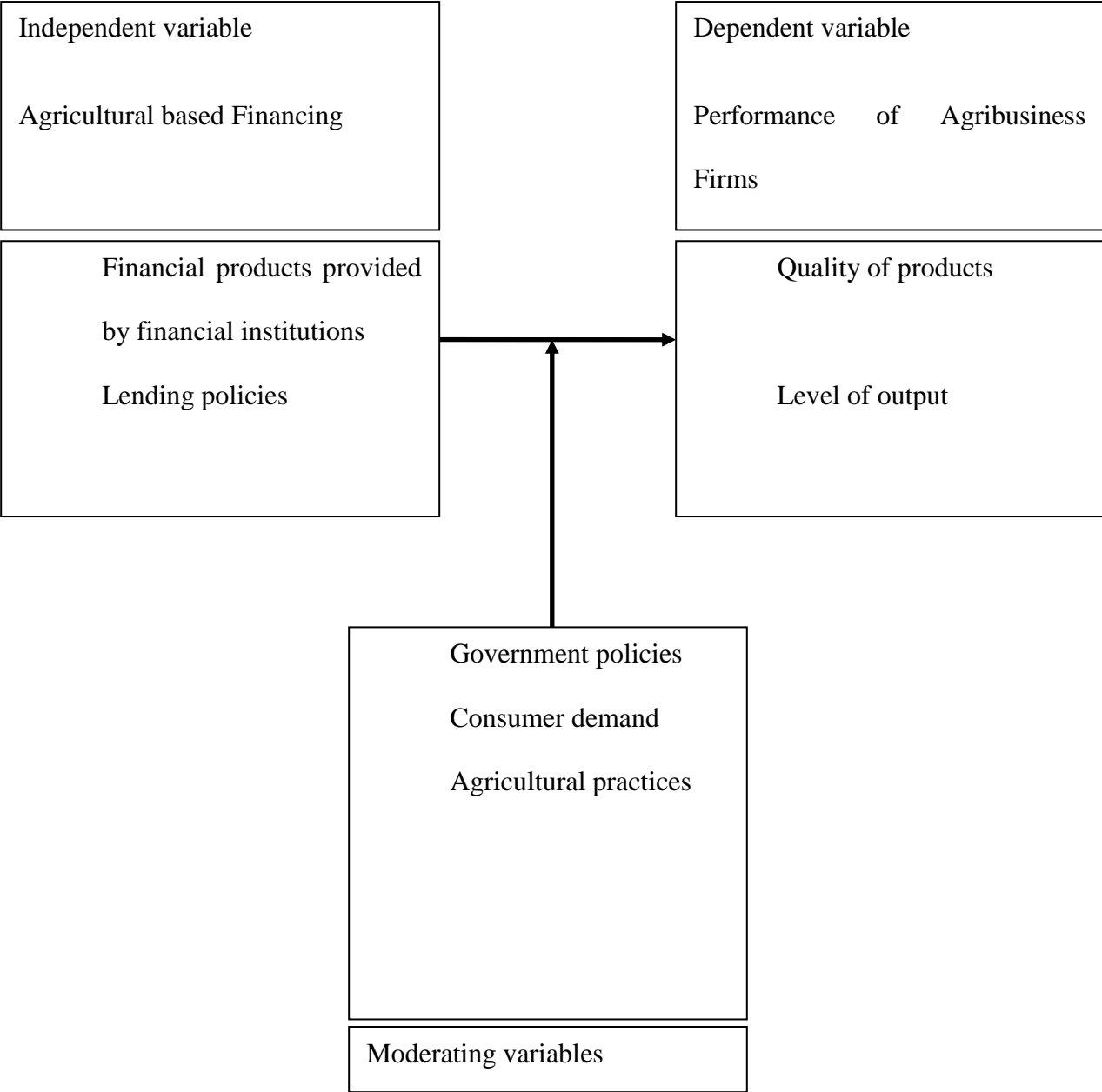


Fig 1

By Researcher (2013)

CHAPTER TWO

LITERATURE REVIEW

Introduction

Agriculture finance refers to (public or private) resources (in form of equity, gift or loan) for improving social welfare through development of agricultural sector. It encompasses not only government funds but also funds of non-governmental organizations that use matching grants to attempt to promote community and sector development, income equality and local empowerment.

Public funds are subsidized funds and private funds regardless of their price, are not subsidized, unless a contribution is tax free or the market price is affected by an explicit or implicit state guarantee of the liabilities of a development finance institution. (Obansa, 2013).

Agriculture financing can be divided into the non-debt (non –leverage) and debt (leverage) categories. (Thirlwall, 1976) as cited by (Obansa, 2013) states that Debt represents funds with fixed contractual financial obligations, to which the resources of a nation might be plead as collateral.

To cope adequately, in the long-run, a nation's debt- servicing capacity must grow at a rate not less than the growth rate of its debt burden (Ariyo, 1999) as cited by (Obansa, 2013). Non-debt funds on the other hand, do not impose fixed or compulsory servicing obligations on the nation. The regularity and magnitude of non-debt resource flows, however, depend on perceived country risk, relative investment yield and enabling factors such as the quality of governance (Ariyo 1999) as cited by (Obansa,2013).

This nexus based on the economic development experience of developed countries. As often stressed by development literature, agricultural surplus is important for the structural transformation accompanying economic growth (Moody, 1981) as cited by (Obansa, 2013). This is based on the view that the agricultural sector should transfer to the non-agricultural sector the „surpluses of „investible“ resources generated in agriculture (Kuznets, 1961) as cited by (Obansa, 2013). On this basis, it is suggested (implicitly or explicitly) that developing countries must extract resources from agriculture for successful industrial development (Ohkawa and Rosovsky, 1996); (Mellor, 1973); (Johnston and Kilby, 1975) as cited by (Obansa, 2013) this statement suggests that the with the increased economic development in the nation there should be a direct relationship between the growth of the agricultural sector thus implying high performance of Agribusiness SME's which hold the biggest number in this nation Uganda.

Thus this study embarks on seeking to establish the relationship between Agricultural financing and SME agribusiness performance.

Performance has been the subject of extensive and increasing empirical and conceptual investigation in the small business literature (Bidzakin, 2009).

Whilst it is generally agreed that performance should be viewed in relation to one or more goals the issues that remain unresolved are the goals against which performance should be assessed and from whose perspective the goals should be established. Organizational theories and the accounting literature, driven by classical economic theory emphasize profit maximization as the central goal of the firm (Bidzakin, 2009). These theories are modelled on large businesses.

The situation is different in small businesses where ownership and control as well as management of the firm are usually vested in one key person (the owner-manager). The owner-

manager does not only dictate the goals of the firm but also exerts a powerful influence on the way the firm pursues these goals (Bidzakin, 2009).

Consequently, researchers have challenged the application of the conventional goal of profit maximization to the assessment of performance in small firms, advocating instead non-financial goals that portray the 'big picture' of the small firm (Bidzakin, 2009). The major goals of the small firm must be first understood before its performance can be assessed (Bidzakin, 2009).

Owner-managers pursue a range of goals, emphasizing in particular survival and stability of the firm (Bidzakin, 2009). Other goals pursued enterprises, generalize the concept of performance and fail to take account of differences in goals between firms of varying sizes (Bidzakin, 2009).

The separation of ownership and control from management in large firms and the agency relationship gives rise to profit maximization as a performance goal, measured by indicators such as return on assets and return on investment (Jarvis et al., 2000) as cited by (Bidzakin, 2009). Other measures include efficiency, market share, liquidity, size, leverage, growth, customer satisfaction, quality of products, contribution to community development, and employment of family members as cited by (Bidzakin, 2009).

Assessment of performance in small firms must therefore take account of a range of goals, both financial and non-financial. Since research interest in the small business sector derives from its contribution to economic development, performance of individual firms in the sector can be assessed by the extent to which they add value to the economy as cited by (Bidzakin, 2009).

Thus in relation to this study the performance of agribusiness firms will be measure in terms of level of output and Quality of products produced.

2.1 Financing strategies and performance of small and medium agribusiness enterprises

According to (Cabannes, 2012) a financial product is a contract between two agents stipulating movements of cash now and in the future they depend on various conditions, stated in the contract. Financial institutions today Uganda refer to their services as financial products and these include the loans, accounts, transactions they carry out and others however this study will mainly focus on the loan able funds available for financing Agribusinesses . Thus with the in light with the definition of agricultural financing one should not be confused when the term credit is used instead of financing due to the fact that the term credit can be used to mean the borrowed funds (finance in terms of cash) or even assets thus one should not be confused by the interchangeable use of the word in this section.

The word “credit” comes from the Latin word “credo” which means” I believe”. Hence, credit is based upon belief, confidence, trust and faith. Thus, borrowing depends upon the ability to command capital or services currently with a promise to repay it in future date, in other words borrowing involves obtaining certain amount of funds to be repaid as specified in agreement. The loan is based upon the confidence of borrower’s future solvency and repayment. Hence, credit means ability to command the other’s capital in return for a promise to re-pay at some specified time in future. Besides, credit is the combination of “ability to borrow” and “willingness to borrow”. In fact, credit is an individual’s borrowing capacity, often being considered as an “economic good” to be produced, managed and marketed (Pandey, 2012).

There are further suggestions that there are four C’s of credit, these include, character, capacity, capital and condition, that must be considered in lending or using (Pandey, 2012). The term character implies here the credit character related to those qualities of an individual which make him conscious about his debt. These characters may include borrower’s moral qualities like

honesty, integrity, sense of responsibility and trust worthiness. If a person has been borrowing the loan and also timely repaying the debt, it reflects that he possesses ideal credit character and vice-versa. Quite often, an individual may possess ideal character in usual sense, but rank low on credit character or vice-versa.

Character is one of the basic cornerstones in assessing the risk bearing ability. A man of high credit character can withstand unforeseen events and may save himself from becoming insolvent. Character has also a bearing on returns and repayment capacity. The term capacity means the ability to pay his debt as and whenever it becomes due. Since payments usually depend upon income, the capacity is a function of income rather than savings. Moreover, income alone does not indicate capacity. The term capital refers to the equity or net worth of an individual or business. It assures that funds are available to repay the loan, if character and capacity prove to be inadequate. Hence, capital represents as one of the cornerstones for measuring the risk bearing ability. The term condition also signifies the financial condition of the borrower which has direct relevance with the risk bearing ability.

(Pandey, 2013) further explains that there are seven P's of credit, these include; purpose, person, productivity-planning scheme or projections, phased disbursement, proper utilization, payment of installment or repayment and protection security. All these characters determine the soundness of credit, i.e. generating adequate income (relates to purpose and productivity planning scheme or projections), repaying the same whenever falls due (payment of installment or repayment) and maintaining risk-bearing ability (person and protection-security).

In relation to the agribusiness sector in Uganda there are several financing strategies such as leases, asset financing, Short term loans, long term loans and others, however these various

financing strategies if not managed rightly can result into financial distress of a firm though it may not affect the firm's value as stated by the Modigliani-Miller theorem.

The Modigliani-Miller theorem offers under efficient market conditions a firm's value is unaffected by how the firm is financed according to Modigliani and Miller 1958 as cited by (Enlow and Katchova, 2012). It should however be noted that Conditions of financial distress alter the relationship between financial conditions and firm performance. Firms see a state of financial distress as a costly position to maintain.

A firm in this position faces limited access to credit and deteriorated relationships with stakeholders; this results in derivations from the firm optimal capital structure. Ultimately this places the firm in a position where perceived financial distress can induce an aggressive response by competitors seizing the opportunity to gain market share, indicating a competitor drive loss in market share. Firms in financial distress also face market threats from customer-driven losses and manager-driven reductions.

Other studies have examined how capital structure impacts agribusiness firms (Sporleder and Moss, 2001) as cited by (Enlow and Katchova, 2012). These studies focus on equity vs. debt distribution and introduce the topic of capital structure within agribusinesses. The firm's response to these costs differs with anticipated situation of financial distress and the event of an unanticipated condition of financial distress; each case has an impact on firm performance.

Previous studies have shown that existing market distress has a differing impact on firm performance (Enlow and Katchova, 2011).

Initially, Enlow and Katchova designed this study to look at the impact of various management and consumer driven factors on financial performance; applying a methodology suggested in

1994 study by Opler and Titman that looked at depressed industries. This study demonstrates that a positive relationship exists between financial condition of a firm and firm performance in indentifying conditions of an industry downturn. During these downturns, more highly leveraged firms tend to lose market share and experience lower operating profits than their competitors (Opler and Titman, 1994) as cited by (Enlow and Katchova, 2012). Their hypothesis suggested that by examining the impact of corporate decision making, they can look into some methods that reduce the impact of a financial decline under distressed conditions. It appears that financial distress can simultaneously cause substantial and costly losses of business while promoting needed changes in operation (Opler and Titman, 1994) as cited by (Enlow and Katchova, 2012).

2.2 Lending policies and performance of small and medium agribusiness enterprises

Since the mid-1980s, there has been a paradigm shift in financial policy (including rural finance) from subsidized credit to financial systems development (Adams, 1998) as cited by (Zeller 2002). The old paradigm of sector-directed, supply-led and subsidized credit has been based on faulty assumptions about the willingness and ability of poor farmers and other entrepreneurs to pay for financial services, which led to faulty policy design and implementation. The new paradigm departs not from the need, but from the demand (i.e. willingness and ability to pay market prices) for savings, credit and insurance services by farmers and other entrepreneurs. Instead it focuses on building sustainable financial institutions and systems, and introduced the operational policy objective of financial sustainability of MFIs.

The new paradigm recognizes that high transaction costs and risks that partly result from information asymmetries and moral hazard problems (Stiglitz and Weiss, 1981) as cited by (Zeller 2002) for both financial intermediaries and clients are some of the root causes of the gap

between demand and supply. Therefore, the new paradigm places emphasis on searching for technological and institutional innovations (including suitable governance and incentive structures) to reduce the costs and risks of financial intermediation.

The new paradigm recognizes the possibility of market as well as government failure (i.e. institutional failure in general), and neglects the thesis put forward by proponents of market liberalization that a “financial system which is not repressed would by itself function optimally” (Krahn and Schmidt, 1994, p.24) as cited by (Zeller, 2002). The new paradigm in contrast sees financial market liberalization (e.g. with respect to interest rate formation) as a necessary but not sufficient condition for deepening financial systems. Moreover, as the required technological and institutional innovations needed to deepen the financial system and to serve poorer segments of the population can be readily copied by for-profit financial institutions, the resulting free-rider problem prevents the private sector from sufficiently investing (compared to socially optimal levels) in such innovations. In conclusion, public investment in pro-poor (and pro-rural) financial innovation is required.

This holds true not only for microfinance, but for rural finance as well. Thus, public investment in rural finance can be justified, for example, to fund (action)-research and promising institutional start-ups as well as institutional expansion until reaching financial sustainability within reasonable time periods, and to support pilot experiments with promising new products, technology or technical assistance, such as for training of staff and transfer of best practices. Given the long gestation periods required in building sustainable institutions, public investment in institution-building requires long-term planning horizons with operational flexibility in instruments and timing.

2.3 Quality of products and performance of small and medium agribusiness enterprises

The quality of products in agribusiness is dependent on several factors among these include consumer expectations from the product the market demands by market regulators and others. According to a study carried out on Analysis of demand determinants of High quality food products through application of the cumulative proportional Odds model (Lanfranchi, Ginnetto , and Zirilli, 2014) they focused the attention on the variable "quality judgment on typical products" which is expressed as an ordinal variable on three levels.

Based on the 1290 subjects responding to the questionnaire, 2.2% express a low quality judgment (defining the quality of local products as worse than usual), 20.1% express an intermediate judgment considering the same quality of local products compared to conventional products) and, finally, 77.7% expressed a very positive quality judgment (supporting the higher quality of local products). (Lanfranchi M, Ginnetto C, and Zirilli A 2014)

Unfortunately, in the agri-food market situations of information asymmetry often occur due to the differentiation of products which look similar because they belong to the same category. The consumer finds it difficult to properly identify qualitative differences. On the basis of the analysis on the consumption of local products and the relative degree of consumer information that they carried out, it was concluded that, even today, it is necessary to implement and increase EU policies on safety and protection of consumers of food products (D'Amico, M. et al., 2011) as cited by (Lanfranchi , Ginnetto , and Zirilli 2014).

To this end, the main policies identified are: to improve the information on the labeling of the product, improve the standard of the product process and strengthen the process of HACCP and traceability. The purpose of this paper was to determine whether the quality judgment about

typical products (expressed on an ordinal scale with three levels) depends on other variables, which may be potentially predictive. Subsequently, they estimated an ordinal logistic regression model, which represents the methodologically adequate solution to model a structure of dependence between variables, when the response variable is ordinal with more than two categories; in particular, they estimated a Cumulative Proportional Odds Model (Lanfranchi, Ginnetto, and Zirilli 2014).

By means of the Cumulative Proportional Odds Model, they assessed if the quality judgment depends on some predictors, such as: the qualification and the income class of the respondents, the judgments expressed with reference to the factors “taste”, “security” and “convenience” of the typical products and, lastly, the consumer habit to read the label of products (Lanfranchi, Ginnetto, and Zirilli 2014).

The model proposed in this study shows that only certain variables affect the judgment on the food quality and hence the choice of purchase. Among these variables, the most significant is the level of per capita income. In conclusion, we can say that the purpose of enhancement of agricultural food production is achieved through the progressive reduction of the degree of "information asymmetry" that characterizes the current market (Lanfranchi, Ginnetto, and Zirilli 2014).

2.4 Level of output and performance of small and medium agribusiness enterprises

A farm can be regarded as a system with inputs, processes and outputs from the farm. If a farmer wants to be successful, then the outputs from the farm must be greater than the inputs. Many farmers struggle to make a living because their inputs are more than the outputs and

consequently profits are low. Inputs are activities on the farm which benefit the outputs. Outputs are the products, such as money, crops and meat.

Processes are the methods of farming such as ploughing, weeding, harvesting, grazing, spraying, dipping, milking and planting. Obviously the processes will vary according to the type of farm. On an arable farm the outputs will be the type of crop, such as maize or vegetables. On a pastoral farm the processes will be grazing, calving and milking and the outputs meat and milk. Good outputs result in profit, so the outputs should be of a greater value than the inputs. Outputs such as animal feed and manure may become an input through the feedback process.

However output level have a direct link with the level of inputs such as the farm size, level of mechanization, use of fertilizers, effective control of diseases , pests, and parasites among others. For instance, in a study cited by (Ajah and. Nmadu 2012), it was observed that increased yield in maize production was associated with expanded land area. Furthermore, the study reported that the net return from maize production increased by 2.1 percent for every 10 percent improvement in extension services. According to the study it showed that promoting extension services to enhance easy access by farmers to research information and good agronomical practices is capable of increasing maize production. Similarly, the study also indicated that a 10 percent increase in membership of social organizations (such as farmers's associations and cooperative societies) increased the net earnings by 10.4 percent. Betty (2005) observed that a 1 percent increase in the quantity of fertilizer applied, seed rate and labor, increased maize output by 0.17, 0.63 and 0.46 percent, respectively.

A study conducted by Ibrahim, Alhassan, Ibrahim and Ibrahim (2008) as cited by (Ajah and. Nmadu 2012) indicated that fertilizer use was positive and statistically significant implying that

fertilizer has a positive and significant effect on maize output. In another study by Safa (2005), it was noted that education, family size and farm size significantly influenced the profitability of farm products. Furthermore, Awotide et al. (2008) as cited by (Ajah and. Nmadu 2012) also observed that farm size, labor input and seed input limited maize output.

Other studies have shown that farmers' socio-economic factors such as the level of education, farm size and number of years of experience, technological and institutional factors, and gender affect the net returns from farm production activities, depending on their location. Many variables (weather/climatic conditions in an area, pests, diseases, soil conditions, sunlight, and farmers' socio-economic characteristics) act both in isolation and in combination to influence the productivity of crops like maize. However, based on the results of the study, land area cultivated, land rent, quantity of fertilizer applied, years of farming experience and household size were the major socioeconomic factors that influenced maize output in the study area. Although there were variations in the magnitude of the parameters and signs of the coefficients tested. (Ajah and. Nmadu 2012)

This supported the assumption that socio-economic variables actually influence maize output. Based on the findings, it was recommended that farmers in the study area should be informed through extension services of the socio-economic factors that influence maize output so that the farmers will take them into account in the production decision-making process. More research into the socio-economic variables that influence maize should be carried out. (Ajah and. Nmadu 2012)

The approach to smallholder intensification and commercialization being promoted by NASFAM presents lessons that can be learned in order to increase agricultural productivity and

Profitability. Farmer organizations continue to be vital in facilitating farmers' commercialization. The results highlight the importance of supporting the development of farmer organizations, such as NASFAM, that provide capacity building training to smallholder farmers in business management and promote market access.

However, the decision to participate and extent of commercialization is hampered by credit market constraints, food insecurity and biases arising out of gender differentiation evident in ownership of assets such as limited access to land, capital and greater domestic responsibilities for women which reduce the labor available for farming.

Micro-credit would increase farmers' access to resources and inputs that enable them raise their productivity or scale up their existing activities and enter markets. The implications of food insecurity on attempts to commercialize should be considered comprehensively in programs. Policy makers should give much emphasis to creating access to stable food markets which in their absence farmers may be constrained in their attempt to commercialize their farming systems.

Food markets in Malawi can be made functional by addressing the constraints that private traders face such as storage, access to capital, poor infrastructure, and unpredictable government interventions among others since these limits inter-seasonal movement of maize and integration of markets.

The main lesson for similar initiatives is that a more targeted approach, focusing on female farmers and addressing their constraints to market participation, such as access to credit, will have positive spillover effects for their household's welfare. In addition, the results call for investing in the young farmer especially given the rising levels of unemployment and

underemployment for young people. Agriculture has the potential to provide young people and others in rural areas with reasonable livelihood and reduce the increased vulnerability associated with rural-urban migration such as limited employment prospects.

Furthermore in a study conducted in Nigeria on Identification of Factors that Influence Technical Efficiency of Food Crop Production in West Africa, study reveals that farm size; fertilizer and hired labor are the major factors that are associated with changes in the output of food crops. The effect of land area on output is positive and the coefficient found to be statistically significant ($p = 0.01$). Chemical fertilizer and Hired labor have positive effects on output and their coefficients are statistically significant ($p = 0.01$). (Amaza, Bila and Iheanacho 2006)

The model for the inefficiency effects in the frontier function includes age, education, access to credit, access to extension and crop diversification. All the farmer-specific variables were significant in accounting for the observed variation in efficiency among the farmers. The policy implication of the study is that technical efficiency in food crop production could be increased by 32 percent through improved use of available resources, given the current state of technology. This can be achieved through improved farmerspecific efficiency factors, which include improved farmer education, access to credit, access to improved extension services and less crop diversification. (Amaza, Bila and Iheanacho 2006)

CHAPTER THREE: RESEARCH METHODOLOGY

Introduction

This chapter entails the aspects of research design, study area, study population, sample size sampling techniques, data sources, data collection, quality assurance, measurement of variables, and data analysis. Ethical issues as well as study limitation. The section seeks to explain the methodology of the research, how it was done and the reason for the choice. The design of this study is a case study approach the research approach is the multi method research approach and the time dimension of the study is a cross sectional study as analyzed below.

3.2 Research design

The design of this study is a case study approach the fact that it involves empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence thus this makes this design appropriate for this study due to the fact that it provides a particular rich understanding of the context of research in the process being enacted.

The research approach is the multi method research approach and this refers to the combination of both quantitative and qualitative data collection techniques in other words here more than one data collection technique is used with the associated data analysis procedures this is appropriate to this study due to the fact that it has been adopted by management and business research.

For the quantitative data collection technique I intend to use the descriptive statistics using mean and standard deviation and interpreting what they mean. I also intend to use the qualitative approach so as to get in depth information from the respondents.

3.3 Time dimension

The time dimension of the study is a cross sectional study and one report shall be produced. This is to be used due to the minimal time available to carry out the research in a bid to fulfill partial requirements for attainment of a bachelor's degree.

3.4 Study population

The total population in 2002 was 294,613 of which 151,514 female and 143,099 male with Children below 18 years constituting 59% of the population and 96% engaged in Agriculture. (Naava, 2010) Thus using the above information our study population will be;

$$294,613 * 59\% = 173821.67$$

$$\text{Adults} = 294,613 - 173,821 = 120,792$$

$$\text{Population engaged in Agriculture} = 120,792 * 96\% = 115960$$

$$\text{Percentage of women} = 151514/294613 * 100\% = 51\%$$

$$\text{Percentage of men} = 143,099/ 294613 * 100\% = 49\%$$

Thus our Study population will be; 115960.

3.5 Area of study

Kitimbwa sub county is found in Kayunga District which enjoys a unique location as it lies in the central region of Uganda, It is 74 Km East of Kampala City, bordered by Mukono district to the south, Jinja and Buikwe to the east, Kamuli to the northeast, Amolator and Apac in the North,

Luweero in the west and Nakasongola to the northwest. Kitimbwa Sub County is made up seven parishes and forty eight villages. Kitimbwa Sub County is a choice sufficient for the study due to the fact it is one of the sub counties in Kayunga district that are engaged in Agriculture and this is mainly in crop farming.

3.6 Sample size

Using the Krejice and Morgan table the sample size is 384 where N is 115,960 and S is 384. In that N is the population size and S is the sample size.

Sampling techniques

The sampling procedure used was the random selection system. This was done by selecting eight farmers per village at random out of the total population per village to be used as the study population until I got to the sample space.

Data sources

The data sources considered include both the primary and secondary sources. The primary sources include the respondents and the secondary sources include the documents available for review.

3.7 Data collection methods and instruments

3.7.1 Questionnaires

The primary instruments used were questionnaires. These had closed ended questions in the questionnaires. The closed ended questions with in the questionnaires helped to collect quantitative data. The quantitative questionnaires helped to ease the measurement of the variables in the study.

3.7.2 Document review

In case of document review I intend to use content analysis this will be carried out on the records kept by the farmers and the district agricultural officers.

Data analysis

Quantitative data was analyzed by use of software and this was by specifically SPSS and presented using tables. Whereas qualitative data will analyzed using categorization and presented using narrative format.

3.9 Quality control methods

3.9.1 Reliability

Reliability was ensured by making sure that the data collection tools were be tested using test and retest method and the results shall be compared to ensure they can give data that is reliable.

3.9.2 Validity

Validity was ensured by asking friends, the supervisor and experts who understand the field. This helped to ensure that the data that was to be collected and the tools to be used were valid.

3.10. Measurement of Variables

Independent variable is Agricultural based Financing this is measured by its dimensions which are the financial products provided by financial institutions and the Lending policies of the financial institutions.

The Dependent variable is Performance of Agribusiness Firms and it is by measured by its dimensions which are Quality of products and Level of output of the agribusiness firms.

3.11 Ethical considerations

All information from various sources that is to be used in this study the sources have been acknowledged the same in the text and in the reference list using the Harvard referencing system.

Access to the data was got through official channels only this was be done by acquiring an official letter of introduction provided by the university which was be presented to the field before accessing the data.

Official introduction to the management of the site where the researcher collected the data was also ensured at all times.

Voluntary participation in providing responses to the tools of data collection from the respondents was also secured this was be done by convincing the respondents to provide the data at will and not through duress or manipulation.

Confidentiality to all the respondents was guaranteed, this was done through declaring a statement of confidentiality and also following it strictly, this was also be accompanied with explaining to the respondents that every document and information acquired by the researcher from them was not be exhibited anywhere.

3.12 Limitations of the study

This study though several precautions have been taken to ensure that valid and reliable information is prepared the study still faces some limitations and these include; The time of data collection was one week which is indeed a short period and it is likely that the data gathered is shallow without in depth information thus the conclusions in this report cannot be generalized.

The sample size of the study was 384 which is small in comparison to the total population in this

field thus the conclusions in this report are not enough to be generalized in all areas. The tools also used in this work are also susceptible to error due to the fact that they were used by humans thus are susceptible to human error.

CHAPTER FOUR

PRESENTATION OF RESULTS AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter presents the results of the study, interpretation and discussion. The presentation in this chapter shows the results as tested according to the objectives of the study. The chapter begins with the sample characteristics of the respondents classified as background information such as gender, age group of respondents, nature of business, Number of people employed, Line of Agribusiness, Source of funding all were presented using frequency tabulation. The study uses descriptive statistics to present the responses of respondents on the variables using mean and standard deviation.

4.1.1 Gender of respondents

Frequency tabulation was used by the researcher to present the gender of the respondents involved in the study. Table 4.1; below presents the results.

Table 4.1: GENDER CHARACTERISTICS OF THE RESPONDENTS

Gender	Frequency	Percent
Male	200	52.6
Female	180	47.4
Total	380	100.0

Source; Primary Data

The results in table 4.1.1 present that 52.6 % of the gender is male and 47.4% female thus this presents a slight divergence from the study carried out by Naava in 2010 which shows that the women engaged in Agri-business were more than the men.

4.1.2 Age of respondents

Frequency tabulation was used by the researcher to present the Age of the respondents involved in the study. Table 4.2; below presents the results.

Table 4.2: Age groups of respondents

Age Group	Frequency	Percent
18-30 Years	49	12.9
31-45 Years	92	24.2
46-55 Years	111	29.2
56 Years And Above	128	33.7
Total	380	100.0

Source; Primary Data

The results in table 4.1.2 above presents the age of the respondents involved in the study. The results show that the highest population engaged in agri-business are those above 56 years of age thus accounting for 33.7% followed by those in the age group 46 – 55 years of age accounting for 29.2%, the ones with in the age group 31 – 45 years of age account for 24.2% and the list is 12.9% which is the age group of those with 18 -30 years of age.

4.1.3 Nature of the business

Frequency tabulation was used by the researcher to presents the Nature of the Agribusiness engaged in by the respondents involved in the study.

Table 4.3; below presents the results.

Table 4.3; Nature of the business

Nature of Business	Frequency	Percent
Sole Proprietorship	380	100.0

Source; Primary Data

The results in table 4.1.3 above present the nature of agri-businesses of the respondents involved in the study and they present that 100% of the respondent's business were sole proprietorships thus meaning that majority of the labor is mainly family members and the capital invested is small in relation all the other characteristics of sole proprietorships.

4.1.4 Number of Employees

Frequency tabulation was used by the researcher to present the Number of employees employed by the respondents involved in the study. Table 4.4; below presents the results.

Table 4.4; Number of Employees

Number of Employees	Frequency	Percent
1-10	362	95.3
11-25	14	3.7
26-45	4	1.1
Total	380	100.0

Source; Primary Data

The results presented in table 4.1.4 presents the number of employees employed by the business of the agri-business firms involved in the study. The results show that 95.3 % of the businesses were employing between 1-10 employees in their operations, 3.7% were employing between 11-

25 employees and 1.1% were employing between 26 – 45 employees in their businesses. Thus meaning that majority of the businesses employ less than 10 employees in their operations.

4.1.5 Line of Agribusiness

Frequency tabulation was used by the researcher to present the Line of Agribusiness of the respondents involved in the study. Table 4.1; below presents the results.

Table 4.5; Line of Agribusiness

Line of Agribusiness	Frequency	Percent
Animal Husbandry	23	6.1
Crop Husbandry	105	27.6
Both Of The Above	252	66.3
Total	380	100.0

Source; Primary Data

The results presented in the table 4.1.5 above show that 66.3% of the population involved in the study are engaged in both animal husbandry and crop husbandry, 27.6% do crop husbandry alone and 6.1% are involved in animal husbandry solely.

4.1.6 Source of Funding

Frequency tabulation was used by the researcher to present the source of funding for the startup capital of the agribusinesses of the respondents involved in the study. Table 4.6; below presents the results.

Table 4.6; Source of Funding

Source of Funding	Frequency	Percent
Own / Personal Savings	357	93.9
Financial Institution	6	1.6
Friends / Family	17	4.5
Total	380	100.0

Source; Primary Data

The results presented in the table 4.1.6 above show that 93.9% of the people involved in the study their startup capital was their savings, 4.5% were funded by friends and family members and 1.6% used funds from the financial institutions thus meaning that majority of the people start up their agri-businesses using personal savings.

Financial institutions provide credit the low percentage of funding accessed from them can be explained by the fact that, credit is based upon belief, confidence, trust and faith. Thus, borrowing depends upon the ability to command capital or services currently with a promise to repay it in future date, in other words borrowing involves obtaining certain amount of funds to be repaid as specified in agreement. The loan is based upon the confidence of borrower's future solvency and repayment. Hence, credit means ability to command the other's capital in return for a promise to re-pay at some specified time in future. Besides, credit is the combination of "ability to borrow" and "willingness to borrow". In fact, credit is an individual's borrowing capacity, often being considered as an "economic good" to be produced, managed and marketed (Pandey, 2012).

There are further suggestions that there are four C's of credit, these include, character, capacity, capital and condition, that must be considered in lending or using (Pandey, 2012). The term character implies here the credit character related to those qualities of an individual which make

him conscious about his debt. These characters may include borrower's moral qualities like honesty, integrity, sense of responsibility and trust worthiness. This explains why most people use personal saving to start businesses because the moral qualities cannot be easily determined by the financial institutions available in a short while. If a person has been borrowing the loan and also timely repaying the debt, it reflects that he possesses ideal credit character and vice-versa. Quite often, an individual may possess ideal character in usual sense, but rank low on credit character or vice-versa but it should be noted that the majority of the masses in Uganda are unbanked coupled with a low savings culture. (Muhereeza 2015)

Character is one of the basic cornerstones in assessing the risk bearing ability. A man of high credit character can withstand unforeseen events and may save himself from becoming insolvent. Character has also a bearing on returns and repayment capacity. The term capacity means the ability to pay his debt as and whenever it becomes due. Since payments usually depend upon income, the capacity is a function of income rather than savings. Moreover, income alone does not indicate capacity. The term capital refers to the equity or net worth of an individual or business. It assures that funds are available to repay the loan, if character and capacity prove to be inadequate. Hence, capital represents as one of the cornerstones for measuring the risk bearing ability. The term condition also signifies the financial condition of the borrower which has direct relevance with the risk bearing ability.

Its further explained that there are seven P's of credit, these include; purpose, person, productivity-planning scheme or projections, phased disbursement, proper utilization, payment of installment or repayment and protection security. All these characters determine the soundness of credit, i.e. generating adequate income (relates to purpose and productivity planning scheme or projections), repaying the same whenever falls due (payment of installment or repayment) and

maintaining risk-bearing ability (person and protection-security) in relation to the above findings majority of the owners of the agribusinesses fail on all these parameters. (Muhereeza 2015)

4.2.1 Financial Products and performance of Agribusiness firms

In this section Descriptive statistics mean, standard deviation and variance was used by the researcher to present the financial products used by the respondents involved in the study. Table 4.7; below presents the results.

Table 4.7; financial products and performance of Agribusiness firms

Statements	N	Minimum	Maximum	Mean	Std. Deviation
Agricultural Loan	380	1.00	5.00	1.5895	1.17129
Group Loan	380	1.00	5.00	1.2711	.77405
Lease	380	1.00	4.00	1.1974	.69714
Long Term Loan	380	1.00	5.00	1.2368	.76652
Short Term Loan	380	1.00	5.00	1.6421	1.21265

Source; Primary Data

Agricultural loan

From the table majority of the respondents disagreed with the statements as shown by the mean of 1.5895 which is an indicator that majority of the respondents involved in the study do not utilize the agricultural loan facility in financing their Agribusinesses however other respondents had different views as shown by the standard deviation 1.17129. This is in line with the data presented in the agricultural finance year book 2014 that showed that long term and medium term lending was declining by about 18% compared to the other agricultural finance products. (Agricultural finance)

Group Loan

From the table majority of the respondents disagreed with the statements as shown by the mean of 1.2711 which is an indicator that majority of the respondents involved in the study do not utilize the group loan facility in financing their Agribusinesses however other respondents have common views as shown by the standard deviation 0.77405. These are usually provided by microfinance intuitions andnon-banking institutions such as village savings schemes. This however disagree with the data presented in the agricultural finance year book which states that there is an increase in agricultural short term loans though this sector accounts for about 4% of agricultural finance.(Agricultural finance 2014)

Lease

From the table majority of the respondents disagreed with the statements as shown by the mean of 1.1974 which is an indicator that majority of the respondents involved in the study do not utilize the lease facility in financing their Agribusinesses however other respondents have common views as shown by the standard deviation 0.69714. This is in line with the data presented by the agricultural finance year book which stated that the leases accounted for 2% of the total agricultural financing products.

Long term Loan

From the table majority of the respondents disagreed with the statements as shown by the mean of 1.2368 which is an indicator that majority of the respondents involved in the study do not utilize the Long term loan facility in financing their Agribusinesses however other respondents have common views as shown by the standard deviation 0.76652.

Short term loan

From the table majority of the respondents disagreed with the statements as shown by the mean of 1.2368 which is an indicator that majority of the respondents involved in the study do not utilize the agricultural loan facility in financing their Agribusinesses however other respondents had different views as shown by the standard deviation 1.21265.

This is not in agreement with the research presented in the agricultural finance year book 2013/14 which showed an upward trend in utilization of agricultural financing solutions. It should be noted that the respondents had closely related views on the statement of using and agricultural loan and short term loan as presented by the standard deviation.

4.2.3 Lending policies and performance of Agribusiness firms

In this section Descriptive statistics mean, standard deviation and variance was used by the researcher to present the lending policies experienced by the respondents involved in the study. Table 4.8; below presents the results.

Table 4.8; Lending policies and performance of Agribusiness firms

Statements	N	Minimum	Maximum	Mean	Std. Deviation
Required Me To Provide Collateral	380	1.00	5.00	1.6447	1.24667
Provided Manageable Interest Rates	380	1.00	5.00	1.6316	1.18747
Enabled My Business To Grow	380	1.00	5.00	1.5763	1.11926
Lending Policies Were Favorable	380	1.00	5.00	1.5526	1.08959
Lending Policies Were Flexible	380	1.00	5.00	1.5658	1.13165

Source; Primary Data

Required to provide collateral security

From the table majority of the respondents disagreed with the statements as shown by the mean of 1.6447 which is an indicator that majority of the respondents involved in the study were not required to provide collateral to access Agricultural financing strategies however other respondents had different views as shown by the standard deviation 1.24667.

This confirms the fact that majority have less capital to sustain their business and since majority start business using personal savings as well as operating sole proprietorships as presented in the findings earlier on , therefore majority have little or no collateral which can be used to access bigger capital. Those with collateral have unregistered collateral such as unregistered land , chattels which makes it very difficult for them to access funding if requested for collateral, thus the effect of this is that they can only access small amounts of capital which is little or inadequate for their business needs.(Muhereeza 2015)

The term capital refers to the equity or net worth of an individual or business. It assures that funds are available to repay the loan, if character and capacity prove to be inadequate. Hence, capital represents as one of the cornerstones for measuring the risk bearing ability. The term condition also signifies the financial condition of the borrower which has direct relevance with the risk bearing ability. (Pandey, 2013)

Provided manageable interest rates

From the table majority of the respondents disagreed with the statements as shown by the mean of 1.6316 which is an indicator that majority of the respondents involved in the study believe the interest rates attached to the loans is not manageable to them thus a barrier to accessing the

various financial product in financing their Agribusinesses however other respondents had different views as shown by the standard deviation 1.17129.

Enabled my business to grow

From the table majority of the respondents disagreed with the statements as shown by the mean of 1.5763 which is an indicator that majority of the respondents involved in the study do not believe that the financial products enabled their businesses to grow thus a discouragement to using them in financing their Agribusinesses however other respondents had different views as shown by the standard deviation 1.11926.

Lending policies were favorable

From the table majority of the respondents disagreed with the statements as shown by the mean of 1.5526 which is an indicator that majority of the respondents involved in the study do not find the lending policies favorable which partly explains why they do not utilize the different financial products in financing their Agribusinesses however other respondents had different views as shown by the standard deviation 1.17129.

Lending policies were flexible

From the table majority of the respondents disagreed with the statements as shown by the mean of 1.5658 which is an indicator that majority of the respondents involved in the study do not believe that the lending policies were flexible for them however other respondents had different views as shown by the standard deviation 1.13165.

This agreed with the results presented in the agricultural finance year book which suggests policy action in a number of areas such as giving attention to enabling legislative and fiscal

environments in order to promote some financing strategies such as leasing among others(Agricultural finance year 2013/14).

4.2.4 Quality of products and performance of agribusiness firms

In this section Descriptive statistics mean, standard deviation and variance was used by the researcher to present the Quality of products produced by the respondents involved in the study.

Table 4.9; below presents the results.

Table 4.9; Quality of products and performance of agribusiness firms

Statements	N	Minimum	Maximum	Mean	Std. Deviation
Consummates with the quality standards of my business	380	1.00	5.00	3.3579	.97641
Competitive advantage over my competitors	380	1.00	5.00	3.4079	.87440
Consummates with the prices of the market	380	1.00	5.00	3.3079	.93450
Regulatory requirements of agricultural market	380	1.00	5.00	3.1974	.87504
Products meet market demand	380	1.00	5.00	3.4368	.92100

Source; Primary Data

Quality of products consummates with quality standards of my business

From the table majority of the respondents agreed with the statements as shown by the mean of 3.3579 which is an indicator that majority of the respondents involved in the study believe that the quality of their products consummates with the quality standards of their businesses however other respondents had common views as shown by the standard deviation 0.97641.

The quality of products in agribusiness is dependent on several factors among these include consumer expectations from the product the market demands by market regulators and others. Thus these results present the agribusinesses believe since their products are fully consumed the quality is okay which is not in line with the data presented by the agricultural finance year book that pointed out that most agricultural products do not meet the required quality for international markets thus the low prices offered for the goods.(Agricultural Finance year book 2012)

Quality of products give competitive advantage over my competitors

From the table majority of the respondents agreed with the statements as shown by the mean of 3.4079 which is an indicator that majority of the respondents involved in the study believe that the quality of their products give them a competitive advantage over their competitors in the business however other respondents had common views as shown by the standard deviation 0.97641.

Quality of products consummates with the prices of the market

From the table majority of the respondents agreed with the statements as shown by the mean of 3.3079 which is an indicator that majority of the respondents involved in the study believe that the quality of their products consummates with the prices of their products in the market however other respondents had common views as shown by the standard deviation 0.93450.

Quality of Products meet regulatory requirements of the agricultural market

From the table majority of the respondents agreed with the statements as shown by the mean of 3.1974 which is an indicator that majority of the respondents involved in the study believe that they meet the regulatory requirements of the agricultural market however other respondents had common views as shown by the standard deviation 0.87504. Though this is not in agreement

with the results presented by the Agricultural finance year book 2012 which states that despite the increased efforts by farmers to improve their produce quality these are hampered by lack of institutions to enforce them and other factors beyond their own making(Agricultural finance year book 2012).

Quality of Products meet market demand

From the table majority of the respondents agreed with the statements as shown by the mean of 3.4368 which is an indicator that majority of the respondents involved in the study believe that the quality of their products give them a competitive advantage over their competitors in the business however other respondents had common views as shown by the standard deviation 0.92100.

4.2.5 Output level and performance of agribusiness firms

In this section Descriptive statistics mean, standard deviation and variance was used by the researcher to present the Output level of the respondents involved in the study.

Table 4.10; below presents the results.

Table 4.10; Output level and performance of agribusiness firms.

	N	Minimum	Maximum	Mean	Std. Deviation
Output of my firm consummates with level of inputs	380	1.00	5.00	3.4421	.82463
The market demand for my products	380	1.00	5.00	2.9684	1.00608
The standard level of output for my firm	380	1.00	5.00	3.2789	.99661

Source; Primary Data

Output of Firm consummates with level of input.

From the table majority of the respondents agreed with the statements as shown by the mean of 3.4421 which is an indicator that majority of the respondents involved in the study believe that the output of their firms consummates with the level of inputs of their businesses however other respondents had common views as shown by the standard deviation 0.82463.

The level output of the firm meets market demand for my products

From the table majority of the respondents disagreed with the statements as shown by the mean of 2.9684 which is an indicator that majority of the respondents involved in the study believe that the output level of their firms do not meet the market demand of the products of their businesses however other respondents had divergent views as shown by the standard deviation 1.00608.

The level of output of the firm meets the standard level of output of the firm

From the table majority of the respondents agreed with the statements as shown by the mean of 3.2789 which is an indicator that majority of the respondents involved in the study believe that the level of output of their firms meet the standard level of output of their businesses however other respondents had common views as shown by the standard deviation 0.99661.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the discussions and recommendations arising out of the research findings in chapter four and suggests areas of further study. The study has generated several findings which are in line with existing literature and previous research findings.

5.1 Summary of findings

The results show 52.6 % of the gender is male and 47.4% female thus this presents a slight divergence from the study carried out by Naava in 2010 which shows that the women engaged in Agri-business were more than the men. Thus this explains the low productivity since majority of the production is manual and largely on small scale the largest output is for home consumption and the excess of that is what is sent to the market.

The results show that the highest population engaged in agri-business are those above 56 years of age thus accounting for 33.7% followed by those in the age group 46 – 55 years of age accounting for 29.2%, the ones with in the age group 31 – 45 years of age account for 24.2% and the last is 12.9% which is the age group of those with 18 -30 years of age. This in relation to the fact that a lot of the production is manual further explains the low level of output by the farmers.

The results of the study present that 100% of the respondent's business were sole proprietorships thus meaning that majority of the labor is mainly family members and the capital invested is small in relation all the other characteristics of sole proprietorships.

The results present that the number of employees employed by the majority of businesses of the agri-business firms involved in the study. The results show that 95.3 % of the businesses were employing between 1-10 employees in their operations, 3.7% were employing between 11-25 employees and 1.1% were employing between 26 – 45 employees in their businesses. Thus meaning that majority of the businesses employ less than 10 employees in their operations

The results show that 66.3% of the population involved in the study is engaged in both animal husbandry and crop husbandry, 27.6% do crop husbandry alone and 6.1% are involved in animal husbandry solely. Thus meaning that majority of the agribusiness enterprises engage in both animal husbandry and plant husbandry.

The results show that 93.9% of the people involved in the study their startup capital was their savings, 4.5% were funded by friends and family members and 1.6% used funds from the financial institutions thus meaning that majority of the people start up their agri-businesses using personal savings.

Financial products and performance of agribusiness firms

Agricultural loan

The results show that majority of the respondents disagreed with the statements as shown by the mean of 1.5895 which is an indicator that majority of the respondents involved in the study do not utilize the agricultural loan facility in financing their Agribusinesses however other respondents had different views as shown by the standard deviation 1.17129.

Group Loan

The results show that majority of the respondents disagreed with the statements as shown by the mean of 1.2711 which is an indicator that majority of the respondents involved in the study do not utilize the group loan facility in financing their Agribusinesses however other respondents have common views as shown by the standard deviation 0.77405.

Lease

The results show that majority of the respondents disagreed with the statements as shown by the mean of 1.1974 which is an indicator that majority of the respondents involved in the study do not utilize the lease facility in financing their Agribusinesses however other respondents have common views as shown by the standard deviation 0.69714.

Lending Policies and performance of Agribusiness firms

Required to provide collateral security

From the table majority of the respondents disagreed with the statements as shown by the mean of 1.6447 which is an indicator that majority of the respondents involved in the study were not required to provide collateral to access Agricultural financing strategies however other respondents had different views as shown by the standard deviation 1.24667.

Provided manageable interest rates

From the table majority of the respondents disagreed with the statements as shown by the mean of 1.6316 which is an indicator that majority of the respondents involved in the study believe the

interest rates attached to the loans is not manageable to them thus a barrier to accessing the various financial product in financing their Agribusinesses however other respondents had different views as shown by the standard deviation 1.17129.

Enabled my business to grow

From the table majority of the respondents disagreed with the statements as shown by the mean of 1.5763 which is an indicator that majority of the respondents involved in the study do not believe that the financial products enabled their businesses to grow thus a discouragement to using them in financing their Agribusinesses however other respondents had different views as shown by the standard deviation 1.11926.

Lending policies were favorable

From the table majority of the respondents disagreed with the statements as shown by the mean of 1.5526 which is an indicator that majority of the respondents involved in the study do not find the lending policies favorable which partly explains why they do not utilize the different financial products in financing their Agribusinesses however other respondents had different views as shown by the standard deviation 1.17129.

Lending policies were flexible

From the table majority of the respondents disagreed with the statements as shown by the mean of 1.5658 which is an indicator that majority of the respondents involved in the study do not believe that the lending policies were flexible for them however other respondents had different views as shown by the standard deviation 1.13165.

This agreed with the results presented in the agricultural finance year book which suggests policy action in a number of areas such as giving attention to enabling legislative and fiscal

environments in order to promote some financing strategies such as leasing among others(Agricultural finance year 2013/14).

Quality of products and performance of Agribusiness firms

Quality of products consummates with quality standards of my business

From the table majority of the respondents agreed with the statements as shown by the mean of 3.3579 which is an indicator that majority of the respondents involved in the study believe that the quality of their products consummates with the quality standards of their businesses however other respondents had common views as shown by the standard deviation 0.97641.

Quality of products give competitive advantage over my competitors

From the table majority of the respondents agreed with the statements as shown by the mean of 3.4079 which is an indicator that majority of the respondents involved in the study believe that the quality of their products give them a competitive advantage over their competitors in the business however other respondents had common views as shown by the standard deviation 0.97641.

Quality of products consummates with the prices of the market

From the table majority of the respondents agreed with the statements as shown by the mean of 3.3079 which is an indicator that majority of the respondents involved in the study believe that the quality of their products consummates with the prices of their products in the market however other respondents had common views as shown by the standard deviation 0.93450.

Quality of Products meets regulatory requirements of the agricultural market

From the table majority of the respondents agreed with the statements as shown by the mean of 3.1974 which is an indicator that majority of the respondents involved in the study believe that they meet the regulatory requirements of the agricultural market however other respondents had common views as shown by the standard deviation 0.87504. Though this is not in agreement with the results presented by the Agricultural finance year book 2012 which states that despite the increased efforts by farmers to improve their produce quality these are hampered by lack of institutions to enforce them and other factors beyond their own making(Agricultural finance year book 2012).

Quality of Products meets market demand

From the table majority of the respondents agreed with the statements as shown by the mean of 3.4368 which is an indicator that majority of the respondents involved in the study believe that the quality of their products give them a competitive advantage over their competitors in the business however other respondents had common views as shown by the standard deviation 0.92100.

Level of output and performance of Agribusiness firms

Output of Firm consummates with level of input.

From the table majority of the respondents agreed with the statements as shown by the mean of 3.4421 which is an indicator that majority of the respondents involved in the study believe that the output of their firms consummates with the level of inputs of their businesses however other respondents had common views as shown by the standard deviation 0.82463.

The level output of the firm meets market demand for my products

From the table majority of the respondents disagreed with the statements as shown by the mean of 2.9684 which is an indicator that majority of the respondents involved in the study believe that the output level of their firms do not meet the market demand of the products of their businesses however other respondents had divergent views as shown by the standard deviation 1.00608.

The level of output of the firm meets the standard level of output of the firm

From the table majority of the respondents agreed with the statements as shown by the mean of 3.2789 which is an indicator that majority of the respondents involved in the study believe that the level of output of their firms meet the standard level of output of their businesses however other respondents had common views as shown by the standard deviation 0.99661.

5.2 Conclusions

There is a relationship between financing strategies and performance of agribusiness firms and there are several other factors that work collaboratively to allow the good performance of firms

Financing strategies cannot transform the performance of agribusiness firms independently several other factors need to work collaboratively to improve the performance of the agribusiness firms in Uganda.

5.3 Recommendations

Favorable lending policies be put in place especially promotion low interest loans as well as long-term lending since agribusiness requires high investment in terms capital investment if farmer are to move to commercialized agriculture to compete favorably in the east African market.

Farmers need to be empowered with information about the financial products available in the market so as to increase their demand since majority lack the basic knowledge about the various financing strategies in the financial markets.

Farmers also need to be empowered with skills on financial management and how to effectively ensure good financial management of agribusinesses so as to allow agribusiness firm growth.

Policymakers need to undertake a detailed baseline diagnosis of the supply and demand for agricultural finance at the regional level, and engage in a dynamic process to continuously assess needs in the sector in order to develop strategies based on relevant information. It is useful to examine solutions for various categories of farmers and commodity sub-sectors, such as smallholders, commercial farmers, and agribusinesses, along with larger commercial farmers and corporate agribusinesses. Assessments to identify client needs (including savings, insurance, and other financial needs) and strategies to address this demand should be participatory processes, including stakeholders from agricultural organizations and private sector representatives. Such on-going evaluations must assess how agricultural finance policies are established, as well as whether they are properly implemented and effective in achieving stated goals and objectives. (International Finance Corporation 2011)

Coordination of policies intersecting both the financial and agriculture sectors is critical to facilitating access to finance for farmers and agricultural SMEs. The appointment of a single coordinating body as the advocate for agricultural finance can optimize policies that target farming as an economic enterprise to promote agricultural development through finance and investment. This high-level body can also reconcile and harmonize policies focused on objectives related to rural development, social support, and food security that are aligned with,

but not necessarily the same as, policies supporting agricultural finance. Coordination is often necessary between the ministry of finance, the ministry of agriculture, the central bank, and the ministry of trade and commerce. The government also requires solutions to increase access to long-term, local currency funding for financial institutions as well as to promote equity finance in addition to credit. This issue is not specific to agriculture but influences overall financial flow to support sustainable growth in the agriculture sector.(International Finance Corporation 2011)

Efficient and responsive credit services depend on a well-functioning judiciary system that provides objective decisions in a timely manner and with minimal political interference. Legal enforcement of contract rights for creditors, farmers, and SMEs is important to strengthen value chain structures and facilitate finance to all market participants. Commercial contracts between actors in the supply chain represent an alternative collateral source to lenders, help mitigate risks for farmers and SMEs, and serve to promote value chain linkages, growth-oriented contract farming, and nucleus farm or out-grower schemes. Lease financing can benefit from improved rights for repossession upon default as well as tax laws that encourage utilization of leasing arrangements.(International Finance Corporation 2011)

Under certain conditions, promoting secure forms of land tenure can be beneficial to stimulate productive farm-level investment and to allow producers to pledge land as collateral for obtaining finance. In the absence of long-term land-use rights, farmers lack incentives to grow through land expansion, productivity enhancements, and long-term investments, as well as sustainable and environmentally-friendly land use. Lenders may be more willing to finance operations in which they are able to take and enforce a charge over land, both in terms of larger loan amounts and longer terms. The move from usufruct to more permanent forms of tenure could be done with better systems of recording rights to land. Social and local legal

considerations should be taken into account, including (among others) communal rights, sensitivity to local customs, and limiting speculative and external investment except when broadly beneficial to local communities.(International Finance Corporation 2011)

Warehouse receipt financing, including the appropriate legislation, regulatory and supervisory oversight, and licensing of warehouses, represents an opportunity to lower vulnerability of farmers to unfavorable prices and conditions, reduce post-harvest losses, and increase the flow of credit into supply chains. A well-functioning warehouse receipt system can provide broad benefits such as permitting stored goods to be used as collateral; improving quality, control, and inspection of commodities; facilitating investments to increase and improve storage capacity and quality to reduce losses; enhancing marketing within value chains; and supporting the establishment of commodity exchanges. Alternative systems based on collateral management agreements can provide viable solutions to inventory financing but also require relevant legislation, such as registration for movable collateral.(International Finance Corporation 2011)

Effective organizational frameworks, such as cooperatives and other farmer-based organizations (FBOs), enable farmers to focus on commercial activities and participate in value chains. Governments need to provide an enabling environment and legislation supporting the development of cooperatives and other FBOs as economic enterprises. Cooperatives, as currently defined, operate under some inherent limitations, and other organizational options, such as informal associations of farmers and limited liability companies, in many cases may offer more appropriate organizational frameworks. A less hands-on approach when promoting cooperatives and farmer-based organizations would likely lead to better results in terms of ownership, profitability, and sustainability. In some countries, a revised legal framework permitting easy registration and legal status for farmer groups may be needed. Governments and donors can

support capacity building for cooperatives and FBOs that encourage best practices, such as clearly defined market-oriented objectives, mandatory supply agreements, proper capitalization structures, and sound business and governance principles.(International Finance Corporation 2011)

Government support should be directed towards public goods and investments in financial and physical infrastructure with industry-wide, systemic benefits. Utilization of “smart” subsidies that minimize market distortions and elimination of regressive measures help encourage private sector investment, leading to sustainable agricultural development and finance. Subsidies should be used to support the institution and not the borrowers. Moreover, subsidies should not undermine competition by favoring specific institutions but should support natural spillover effects to non-subsidized institutions. Subsidies function best when time-bound, limited, decreasing over time, and focused on infrastructure and product development. Incentives to encourage increased lending to the agriculture sector are welcome, but policymakers should avoid historically ineffective and sometimes damaging measures such as interest rate caps, debt forgiveness, and directed or mandatory lending targets, which impede the functioning of financial markets. (International Finance Corporation 2011)

The government needs to set up a state agricultural development bank this will need continuous evaluation so as to ensure their effectiveness. Good examples of reformed state-owned agriculture development banks are characterized by a governance and management structure free of political pressures and generally employ commercially-oriented policies, full risk management practices, loan products priced according to risk, and a portfolio mix to limit concentration risk. This will require strong political commitment and extensive technical assistance on addition to creating specialized units using bank branches and systems or adopting a second-tier or apex

function, providing financial linkages with other financial service providers.(International Finance Corporation 2011)

Partial credit guarantees and risk sharing facilities can be an effective mechanism in stimulating agricultural loans, particularly when accompanied by complementary technical assistance to banks. These schemes may include capacity building of local financial institution staff, support to develop targeted agriculture loan products, and technology transfer to support implementation. Guarantees targeting longer-term loans may also boost finance for equipment and other productivity-enhancing investments. It is recommended that guarantees in general require an appropriate portion of default risk to remain with the retail financial institution (i.e., coverage maximums, shared losses) to avoid moral hazard and adverse selection, and that the guarantees be gradually phased out in order to promote financial sustainability.(International Finance Corporation 2011)

Infrastructure investments via public-private partnerships (PPPs) are best targeted towards public goods supporting broad agricultural development. Certain types of infrastructure underpin the broader market for agricultural finance, such as weather stations for insurance, irrigation systems to mitigate weather risks, quality storage facilities to support warehouse receipt financing, and market information systems (e.g., prices, production, etc.), but these are best implemented via the private sector and/or PPPs for long-term sustainability. It is worth noting that other infrastructure investments, such as roads, railways, cold chain, transport, energy, and telecommunications are critical to agricultural development but not directly linked to agricultural finance.(International Finance Corporation 2011)

Development of agricultural insurance markets represents an opportunity for public-private partnerships to foster access to finance and improve agricultural productivity. Government can actively support growth of agricultural insurance through investments in weather stations and data collection, such as weather and area yield data, necessary for commercial products to be developed, which may also require suitably designed premium support. The government can also promote more traditional yield-based crop insurance through appropriate incentives and support systems. Fiscal support is necessary for reinsurance markets and funding for catastrophic risks. (International Finance Corporation 2011)

Support to extend credit reference bureaus, as well as other forms of client identification and credit reporting, into rural areas is beneficial to facilitate increased lending to agricultural producers. Efforts to establish credit bureaus are often concentrated in urban areas, but access to better client information is especially important in decision-making for agricultural loans given moral hazard concerns combined with the broad geographic dispersion of rural clients. There are promising innovations, such as biometric and fingerprint data, which support client identification and reporting, but pricing and fee systems must be appropriate for rural clientele and smaller loan sizes. (International Finance Corporation 2011)

Improve collateral registries for movable collateral and development of alternative forms of collateral are particularly important to increase lending in the agriculture sector. There are severe constraints to medium- and long-term finance for agricultural producers, yet investments in assets such as machinery, equipment, and irrigation are necessary to enhance productivity and agricultural development. Movable collateral registries, which support borrowers' ability to pledge such assets as collateral and lenders' ability to register their charge over these assets, are integral to support long-term investments in agricultural production and value chains, especially

when land tenure rights are not secure. Additionally, improving creditor rights to register security interests on sales contracts can support increased lending via value chain and contract farming structures. (International Finance Corporation 2011)

Growth of a vibrant rural financial system, including a variety of financial institutions, platforms, and distribution networks, is critical to supporting growth and development in the agriculture sector. The financial system should foster a mix of diverse financial institutions serving agricultural clients, with standards, oversight, and support appropriate to each type of institution, as well as facilitation of wholesale and partnering relationships between players to support innovation and expanded rural reach. A diverse system can best address demand for financial services beyond credit to include savings, insurance, and other products tailored for specific groups, such as youth and women. Although competition is important, cooperation and partnerships can leverage various institutions' strengths to play complementary roles and establish distribution channels. Commercial banks have strong managerial capacity and balance sheets, and financial cooperatives and rural credit unions offer rural reach and local knowledge, while alternative delivery platforms such as correspondents, agents, mobile branches, and mobile banking platforms support access to hard-to-reach clients.(International Finance Corporation 2011)

Government should invest in the regular collection and dissemination of reliable data related to agricultural finance, agricultural production, supply chains, and market pricing information. There is an extensive need for collection, organization, analysis, and dissemination of a broad range of agricultural finance data. Such data is necessary to inform effective agricultural finance policies and to bridge the gap in understanding that divides market participants from the supply and demand sides. Financial institutions need more information about prospective agricultural

clients and supply chains, while farmers and agricultural SMEs also need better understanding of banks and other financial service providers.(International Finance Corporation 2011)

Measurement of the agricultural finance gap, along with quantification of the opportunities for growth, is paramount to setting, evaluating, and improving agricultural finance policies. Policymakers can require banks and financial institutions to report data on agricultural lending, such as the amount, term, loan purpose, and repayment performance. Such data from financial institutions, together with census and other survey research, contributes to the on-going diagnostics and strategic reviews of agricultural finance within each country and leads to sound policy.(International Finance Corporation 2011)

The public sector can play a vital role in generating and disseminating data and information about a country's agriculture sector, which can reduce problems of imperfect and asymmetric information that currently hinder the efficient allocation of resources toward and within the agricultural economy. Although individual banks may collect some information from agricultural clients, certain data (particularly in aggregate form) has public good characteristics that benefit all players in the market. Central banks often collect aggregate data on loan portfolios to the agriculture sector. Such information can then be utilized by banks and other financial institutions to assess borrowers through parametric lending models and to support portfolio monitoring and risk management efforts.(International Finance Corporation 2011)

Banks and financial institutions require support in training, product development, and risk management specific to agriculture. Given the unique risks and characteristics of agricultural production and supply chains, bankers serving the segment require the development of specialized credit skills and policies, credit scoring and rating tools, and portfolio monitoring

practices. It may also be necessary to utilize agronomists and value chain specialists to provide research and analysis of key agricultural sectors. Lastly, rural financial institutions and savings and credit cooperatives need special attention to improve professionalism, governance, and management in order to remain a key link to the rural client base.(International Finance Corporation 2011)

Banks need assistance in strengthening value chain finance arrangements, such as multi-partite arrangements between financial institutions, agribusiness companies, and farmers. Banks can enhance value chains by offering a full range of financial services, improved product design, transparent pricing, direct disbursement to farmers, and cross-selling. These value chain finance linkages reduce agricultural lending risks and may come to serve as collateral substitutes. Extension services and access to quality inputs reduce production risks, while market and price risks are often addressed by forward contracts. Hence, loan appraisals can become more focused on assessing the cash flow created by the value chain transactions and the strengths and profitability of the entire chain, rather than solely on the creditworthiness of the individual borrower as applied in mainstream lending.(International Finance Corporation 2011)

It is important to strengthen farmers and farmer based organizations such as cooperatives in order to facilitate access to finance and improve the efficiency of value chains. Training in basic farm economics, financial literacy, organization, governance, business management, and financial skills promotes the development of economically-oriented farmer associations or cooperatives.

Effective organization of farmers focused on commercial activities brings structure to value chains, allows farmers to pool resources for purchasing and marketing power, supports collective

risk management efforts, and provides a counterparty through which financial institutions may finance production of smaller farmers. Well-organized farmer groups also ease the delivery of valuable extension services, training in improved agronomic and husbandry practices, certification, and other forms of technical assistance to elevate productivity.(International Finance Corporation 2011)

Another crucial need is capacity building for innovative instruments and approaches in the agricultural SME finance space, with focus on identifying the needs of farmers. Innovative instruments support hedging commodity price and weather risks, inventory financing, and payment and delivery systems, among others. This will enable financial institutions to develop appropriate products through capacity building aimed at farmers. Among such products are savings and payment services, loans, leases, hedging, and a range of insurance services, including health, life, crop, weather, and property insurance.(International Finance Corporation 2011)

5.4 Suggestions for further research

Land ownership policy and performance of Agribusiness farms

Value addition initiatives and financing strategies of agribusiness

Management of agri-business firms and performance

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APPENDICES

APPENDIX I

Uganda Martyrs University

Faculty of Business Administration and Management

Dear respondent, I am a student of Uganda Martyrs University pursuing a bachelor's degree in business administration and management, I am currently carrying out a study on Financing Strategies and performance of Agribusiness Firms. I guarantee confidentiality on all information provided to me through this tool. Your assistance in this study will be highly appreciated.

Back ground Information.

Gender / sex

Male

Female

Age Group;

18 -30 years

31 – 45 years

46 – 55 years

56years - above

Nature of Business;

Sole proprietorship

2. Cooperative society

3. Partnership

4. Group / Association

5. Company Limited Liability company

6.Public limited company

Number of people Employed

- | | | | |
|-----------|----------------------|----------------|----------------------|
| 1- 10 | <input type="text"/> | 2. 11 – 25 | <input type="text"/> |
| 26 – 45 | <input type="text"/> | 4. 46 – 100 | <input type="text"/> |
| 101 – 500 | <input type="text"/> | 6. 501 – Above | <input type="text"/> |

Line of Agribusiness

- | | | | |
|---------------------|----------------------|-------------------|----------------------|
| 1. Animal Husbandry | <input type="text"/> | 2. Crop Husbandry | <input type="text"/> |
| 3. Both the above | <input type="text"/> | | |

Source of Funding

- | | | | |
|---------------------------|----------------------|---|----------------------|
| 1. Own / Personal savings | <input type="text"/> | 2. Partners contribution/ share capital | <input type="text"/> |
| 3. Financial institution | <input type="text"/> | 4. Friends /Family | <input type="text"/> |

Measurement of Variables

1= strongly disagree, 2=Disagree 3= Not sure 4= Agree 5 = strongly agree

Financial Products and performance of Agribusiness Firms.

I have used an Agricultural loan to finance my business

I have used a group loan to finance my business

I have used a lease from a financial institution to finance my business

I have used a long term loan to finance my business

I have used a short term loan to finance my business

1	2	3	4	5

Lending Policies and performance of Agribusiness Firms.

The lending policies were flexible

The lending policies were favourable

The lending policies enabled my business to grow

The lending policies provided manageable interest rates

The lending policies required me to provide collateral for the financing

1	2	3	4	5

Quality of Products and performance of Agribusiness Firms

The quality of my products meets the market demands

The quality of my products meets the regulatory requirements of the agricultural market regulators

The quality of my products consumer ate with the prices of the market

The quality of my products provide give me a competitive advantage over my competitors

The quality of my products consume rate the quality standards of my business

1	2	3	4	5

Level of Output and performance of agribusiness firms

The levels of output of my firm consume rates with level of inputs.

The level of output of my firm meets the market demand for my products

The level of output of my firm meets the standard level of output for my firm.

1	2	3	4	5



**Office of the Dean
Faculty of Business Administration and Management**

Your ref.:
Our ref.:

Nkozi, 22nd January, 2015

To Whom it may Concern

Dear Sir/Madam,

Re: Assistance for Research:

Greetings and best wishes from Uganda Martyrs University.

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

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

Thank you in advance.

Yours Sincerely,


Moses Kibra
Dean



OFFICER
TELEPHONE
District Production Officer 077 2 453164
District Fisheries Officer 012 291822
District Agriculture Officer 012 488608
District Commercial Officer 012 460911



KAYUNGA DISTRICT LOCAL
GOVERNMENT
Office of the District Commercial Officer,
P.O. Box 18000
KAYUNGA

E-MAIL: info@kayunga.gov.ug, kayunga@yahoo.com
In any correspondence on this subject please quote
No.

THE REPUBLIC OF
UGANDA


Date: 16th February 2015

The Sub County Chief
Kitimbwa Sub County
SENIOR ASSISTANT SECRETARY
KITIMBWA SUB-COUNTY
P.O. BOX 18000, KAYUNGA

PLACEMENT OF STUDENT ON RESEARCH STUDY

This is to forward you Mr. Kavuma Ronald for Research work in your Local Government. He is to collect business data from farmers and small scale business people in Kitimbwa Sub County. He is attached to the Production Department under the Commercial Sector Kayunga.

Please give him the necessary assistance required for the smooth accomplishment of his research work


Kibumba Moses
For District Commercial Officer, Kayunga.

Distribution list
1 Chairman LCHI Kitimbwa

DISTRICT COMMERCIAL OFFICER
KAYUNGA DISTRICT
P. O. BOX 18000, KAYUNGA
DATE 16/02/2015

16/2/2015
Attention to LCI
Chairperson in Kitimbwa slc
The bearer, Kavuma Ronald has been
granted permission to conduct his
research in Kitimbwa slc.
Any assistance given is
well come. *(Signature)*
STS
Kitimbwa
slc

DETERMINING SAMPLE SIZE FOR RESEARCH
ACTIVITIES

ROBERT V. KREICH
University of Minnesota, Duluth

DARYLE W. MORGAN
Texas A. & M. University

The ever increasing demand for research has created a need for an efficient method of determining the sample size needed to be representative of a given population. In the article "Small Sample Techniques," the research division of the National Education Association has published a formula for determining sample size. Regrettably a table has not been available for ready, easy reference which could have been constructed using the following formula.

$$s = N^2NP(1 - P) + d^2(N - 1) + N^2P(1 - P).$$

s = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

No calculations are needed to use Table 1. For example, one may wish to know the sample size required to be representative of the opinions of 9000 high school teachers relative to merit pay increases. To obtain the required sample size enter Table 1 at $N = 9000$. The sample size representative of the teachers in this example is 368. Table 1 is applicable to any defined population.

Appendix II: Table for determining sample size from a given population

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

Note: “N” is population size

“S” is sample size.

Krejice, Robert V., Morgan, Daryle W., “Determining Sample Size for Research Activities”, Educational and Psychological Measurement, 1970.