

**MOBILE MICROCREDIT UPTAKE AND FINANCIAL PERFORMANCE OF SMES:
A CASE STUDY OF MUKONO CENTRAL DIVISION**

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DECLARATION

I, KIYINGI JOSEPH do hereby declare that the work of this research is my original work and has never been submitted to any Institution of learning for any academic award.

Signature:.....

Date:.....05-5-2026.....

APPROVAL

This research report has been submitted for examination with my approval

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Date 15/04/26.....

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Supervisor

DEDICATION

This dissertation is written to honor my parents and friends who have counseled me morally and financially during my studies. May God bless them abundantly for the unconditional love, care, and support that they have shown me. My sincere thanks go to my lecturers who inspired me with wisdom during the course of writing this research proposal. Most importantly, my heartfelt thanks go to God Almighty who guided and provided for me in preparing this research.

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TABLE OF CONTENTS

Table of Contents	
DECLARATION.....	ii
APPROVAL.....	iii
DEDICATION.....	iv
ACKNOWLEDGEMENT.....	v
TABLE OF CONTENTS.....	vi
ABSTRACT	1
1.1 Introduction.....	2
1.3.1 General objective.....	5
1.3.2 Specific objectives.....	5
1.4 Research Questions.....	5
1.5 Scope of the study.....	5
1.5.1 Subject Scope.....	5
CHAPTER TWO.....	8
LITERATURE REVIEW.....	8
2.1 Introduction.....	8
2.3 Mobile Microcredit Uptake and Profitability of SMEs.....	9
CHAPTER THREE.....	19
RESEARCH METHODOLOGY.....	19
3.1 Introduction.....	19
3.2 Research Design.....	19
3.3 Study Population.....	19
3.4 Sample Size.....	19
3.5 Sampling Techniques and Procedures.....	20
3.6 Data Collection Methods.....	20

3.7 Data Collection Instruments	20
3.8 Procedure for Data Collection.....	20
3.9 Data Analysis.....	21
3.10 Limitations of the Study	21
CHAPTER FOUR.....	23
PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS	23
4.1 Introduction	23
4.2 Response Rate	23
4.3 Demographic Characteristics of Respondents (N = 80)	24
4.3.1 Gender of Respondents.....	24
4.3.2 Age group.....	24
4.3.3 Level of education.....	24
4.3.4 Type of business (SME)	25
4.3.5 Years in business operation.....	25
4.4 Mobile Microcredit Uptake and Profitability of SMEs	26
4.6 Mobile microcredit usage patterns and credit management.....	27
4.7 Financial performance of SMEs.....	28
CHAPTER FIVE.....	30
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	30
5.0 Introduction	30
5.1 Summary of the findings.....	30
5.1.1 Mobile microcredit uptake and profitability of SMEs	30
5.1.3 Mobile microcredit usage patterns and credit management.....	31
5.1.4 Financial performance of SMEs	32
5.2 Conclusions	32
5.3 Recommendations	33

5.4 Areas for further research	34
References.....	35
QUESTIONNAIRE.....	41

LIST OF TABLES

Table 3.1: Sample Size Distribution	20
Table 4.1: Response Rate	23
Table 4.2: Mobile Microcredit Uptake and Profitability (N = 80).....	26
Table 4.3: Timely Access and Repayment (N = 80)	27
Table 4.4: Mobile Microcredit Usage Patterns (N = 80).....	27
Table 4.5: Financial Performance of SMEs (N = 80)	28

ABSTRACT

The study looked at the adoption and use of mobile microfinance services as well as financial performance of SMEs in Mukono Central Division, Uganda. The aim of this study was to ascertain the impact that adoption and use of mobile microcredit services have on the financial performance of SMEs. The study sought to find out whether there is a link between mobile microcredit adoption and profitability of SMEs, what the impact of access and repayment of mobile microcredits in time has on financial performance, and how mobile microcredit use affects financial performance of SMEs.

The research was conducted using a descriptive research method where a quantitative research approach was applied. The total number of respondents in the target population was 100 SMEs that operate in the Mukono central division such as retail shops, hardware shops, grocery shops, and general merchandise businesses. The sample size of the study involved 80 respondents who were determined using Krejcie and Morgan's (1970) sample size table. Data collection methods involved use of questionnaires while SPSS was used to analyze the data collected.

It was found that mobile microcredit has a strong effect on the profit levels of SMEs in Mukono Central Division. It has been seen that mobile microcredit makes working capital available for SMEs, manages their cash flows, and helps in the growth of businesses. It has been found that the availability of mobile microcredit in time makes a great contribution to the performance of SMEs in terms of finances. However, delay in repayment may lead to certain penalties and lack of access to credit facilities in the future. Also, it has been found that proper use of mobile microcredit by the SMEs is a key contributor to better performance levels of SMEs.

In conclusion, the mobile microcredit system plays a vital role in enhancing the financial performance of SMEs through improved liquidity, convenience, and ease of acquiring credits for business purposes. Recommendations of the study include the use of mobile microcredit by SME owners for productive activities and practicing good repayment discipline for continued financial services access. Another recommendation includes the need for mobile credit lenders to improve financial education and knowledge among SME owners for better management of their finances and credits.

CHAPTER ONE

1.1 Introduction

This chapter presents the background of the study, problem statement, objectives, scope and the significance of the study.

1.2 Background to the study

In the modern digital world, mobile microcredit has emerged as a powerful instrument in the financial sector for businesses and individuals in underdeveloped countries such as Uganda. This new method of financing has played an essential role in changing the way payments are made, creating a safe and easy online platform for financial operations (John, 2018). In other words, mobile microcredit services have become crucial for quick payments, saving money, earning money, and financial inclusion of banked and unbanked populations living in both rural and urban regions (Chiemo, 2020; Amos-Abanyie, 2019; Serugga, 2019). From a broad perspective, mobile microcredit can be referred to as a new financial innovation that has been highly beneficial for SMEs in East Africa (Islam, Muzi & Meza, 2018; Lorenz & Pommet, 2020).

In Uganda, small and medium enterprises (SMEs) depend on mobile microloans to finance their operations (Nkwabi & Mboya, 2019; Wambura, 2020). The mobile money system enables customers to send money, withdraw cash, and obtain loans without having to go to a financial institution by making use of smartphones (Dayour, Adongo & Agyeiwaah, 2020). This platform helps enterprises conduct transactions, buy goods, and even identify potential ventures through smartphones and other digital gadgets, increasing competition and encouraging innovation among SMEs (Zumanu, 2019; Mutalemwa & Anthony, 2014; Baganzi & Lau, 2017). In addition, the use of mobile microloans enables clients to perform transactions anytime they wish as long as there is access to the Internet (Masocha & Dzomonda, 2018; Tineishemo, 2018; Mishra, 2014).

The use of mobile microfinance differs from that of conventional financial institutions and microfinance organizations in that it involves cheaper and more convenient deposit, withdrawal, and money transfer services (Akyoo & Sife, 2015). To benefit from

this service, users are required to download applications, provide personal data including names, contact numbers, and emails, and finally make loan requests through the application. Hence, mobile lending enables entrepreneurs to make requests for, receive, and manage their loans through mobile phones (Gosavi, 2018; Alumasa & Muathe, 2021).

In the last decade, the use of mobile microcredit by SMEs has seen considerable growth around the world, from Africa to Asia, the Middle East, and Latin America. It is estimated that more than 70 percent of countries in the developing world provide mobile microcredit facilities today (Pankomera & Greunen, 2019). The growth of mobile financial solutions can be attributed mainly to the fact that there is a need for financial products accessible to people outside the scope of conventional banks, especially in remote locations like India (Potnis, Gaur & Singh, 2020).

Mobile loans play a vital role in providing funds to SMEs in Africa. It is shown in literature that around 150 million mobile loan accounts exist on the African continent, with microbusinesses in South Africa being some of the most active participants (Lepoutre & Oguntoye, 2018; Bushe, 2019). Although mobile devices are expensive and banks are available to provide credit services, mobile loans have become increasingly popular due to convenience (Bushe, 2019).

The concept of business performance is usually referred to as the results obtained from employing resources in the process of value creation within a specified period (Eldor, 2020). The financial performance of SMEs can be assessed using variables like growth in income, profitability, staff training, and growth of operations (Ramaswamy & Ozcan, 2018; Effiom & Edet, 2020; Muhandachi, 2020). In order for SMEs to succeed, they need to use their resources effectively, identify business goals, concentrate on customers' needs, and evaluate chances of expanding their products or services. Research has indicated that mobile microcredit utilization positively affects SME performance through increased access to finance, increased efficiency, and business growth (Alumasa & Muathe, 2021; Macharia, 2021; Murage, 2021; Chen & Kitsis, 2017).

However, SMEs in Uganda have faced problems accessing funds from formal institutions such as banks due to high lending criteria, need for collateral, and high risks associated with these institutions (Dobson, 2020; Omondi & Jagongo, 2018). Mobile microcredit becomes an ideal alternative for most SMEs due to its fast, easy, and affordable accessibility. The advantage of mobile microcredit, including affordability, convenience, and ease of access, is therefore highly advantageous for most SMEs working informally in the country, and which constitutes a substantial share of Ugandan business sector (Muraya, 2019; Murage, 2021). Studies have shown that the adoption of mobile microcredit has positively affected the efficiency of SMEs in Uganda by increasing their profitability and competitiveness in Mukono Central Division.

1.2 Problem statement

Within Mukono Central division, SMEs have numerous difficulties in staying alive in the initial years when they are established since most collapse as a result of lack of financing, insufficient skills, and unfavorable business prospects. According to UNBS (2020), 60%, 21%, and 19% of the total number of SMEs within Mukono Central Division collapse after one, two, and five years respectively. This shows that financial shortages contribute significantly to business collapse in the SME industry. Despite contributing immensely to Uganda's economic development through 85% share of the SME sector which provides over 65% employment and 50-60% of GDP, their productivity is relatively low. Financial institutions set strict lending conditions and charges interest and collateral to SMEs. However, mobile micro credit has been found to be a practical alternative, providing fast, affordable, and easily obtainable loans via various online platforms like MTN, Isente, Mokash, and Fido Loans for sums as low as UGX 3,000 to as high as UGX 1,000,000. Even as mobile microcredit adoption becomes popularized, there is scant literature analyzing the impact of mobile microcredit adoption on the financial performance of SMEs within Mukono. The research seeks to analyze the relationship between mobile microcredit adoption and financial performance of SMEs in order to find possible solutions.

1.3 Objectives

1.3.1 General objective

To evaluate the effect of mobile microcredit uptake on the financial performance of small and medium enterprises (SMEs) in Mukono Central Division.

1.3.2 Specific objectives

- i. To examine the relationship between mobile microcredit uptake and the profitability of SMEs in Mukono Central Division.
- ii. To assess the effect of timely access and repayment of mobile microcredit on the financial performance of SMEs in Mukono Central Division.
- iii. To analyze how mobile microcredit usage patterns and credit management practices will influence the financial performance of SMEs in Mukono Central Division.

1.4 Research Questions

- i. What is the relationship between mobile microcredit uptake and the profitability of SMEs in Mukono Central Division?
- ii. How does timely access to and repayment of mobile microcredit affect the financial performance of SMEs in Mukono Central Division?
- iii. In what ways do mobile microcredit usage patterns and credit management practices influence the financial performance of SMEs in Mukono Central Division?

1.5 Scope of the study

1.5.1 Subject Scope

The research was concerned with investigating the impact of mobile microcredit adoption on the financial performance of SMEs in Mukono Central Division. The major areas under investigation involved evaluating the relationship between mobile microcredit access, repayment behavior, and utilization and their effects on financial performance measures like profitability, liquidity, and return on assets (ROA).

1.5.2 Geographical Scope

The experiment was conducted in Mukono Central division in Uganda. The reason why Mukono was chosen for the research was that it had several SMEs that operate in various sectors. These SMEs could help conduct an experiment to determine the effects of mobile microcredits on financial performance. Besides, the local problems faced by SMEs were taken into account.

1.5.3 Time Scope

This research focused on establishing the effect that the adoption of mobile microcredit has had on the financial performance of small businesses operating in Mukono Central division between 2020 and 2024. This study involved an analysis of the use of mobile microcredit, including patterns of repayment and borrowing behaviors among SMEs, based on their financial records and information regarding transactions made through mobile money platforms. Additional data were sourced from publications within the financial sector and government reports.

It is significant that the timeframe selected was from 2020 to 2024 as it encompasses a very exciting era for Ugandan SMEs in regard to mobile financing, especially micro-credit facilities. It is worth mentioning that the spread of the COVID-19 virus in 2020 led to new developments in mobile microcredit as well as coping strategies for business owners. Further recovery and financial inclusion were experienced throughout this period. This is why studying this timeframe became crucial since it enabled researchers to understand how SMEs would handle mobile microcredit issues.

1.6 Justification of the Study

This research was done to fill the existing gap in the knowledge about how mobile microcredit adoption influences the financial performance of SMEs in Mukono Central Division. The importance of SMEs in the future growth of the economy and employment in Mukono Central Division is recognized, but many SMEs lack access to credit management. The findings gave practical recommendations on how to implement the mobile credit scheme in order to improve the financial performance of SMEs in a responsible way.

1.7 Significance of the study

This research would help provide useful information regarding the impact of adoption of mobile microcredits on the financial performance of SMEs, thereby providing useful guidance in developing mobile credit mechanisms that can facilitate the growth of SMEs through development of appropriate credit terms, easy-to-use platforms for accessing mobile microcredit, and education on the same.

Furthermore, this study would form a basis for further academic work by providing empirical information concerning the impact of mobile microcredits on the performance of SMEs. It would provide SME owners and managers with information that can enhance their capacity to access, use, and manage mobile microcredits in an effort to increase profitability and continue with their business operations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, the existing literature pertinent to the study on mobile microcredit adoption and financial performance of Small and Medium Enterprises (SMEs) in Mukono Central Division will be reviewed. It includes a review of the theories, concepts, and empirical findings in the context of mobile microcredit and financial performance of SMEs. This review will be divided into key themes as follows: (i) The association between mobile microcredit adoption and profitability of SMEs, (ii) impact of timely access to mobile microcredit and loan repayment on SME financial performance, and (iii) impacts of mobile microcredit adoption and credit management practices on financial performance. Relevant literature from around the world during the past decade will be reviewed in order to show the state-of-the-art research and motivate this study.

2.2 Theoretical Review

The theoretical framework forms the basis upon which this study seeks to analyze mobile microcredit and financial performance of SMEs. The main theory behind this research is the theory of financial intermediation, especially as it applies to mobile finance and adoption of credit through mobile channels.

The Theory of Financial Intermediation states that financial intermediaries mitigate the issue of information asymmetry and transaction costs associated with savings and borrowing by providing liquidity and credit facilities to small business firms that cannot easily access such facilities from commercial banks (Mishkin & Eakins, 2018). Given the growing use of mobile phones in Sub-Saharan Africa, there have arisen mobile-based credit platforms to act as intermediaries, addressing the problem of credit constraints faced by small businesses. Such platforms rely on mobile phone networks to offer credit services quickly and flexibly without involving documentation and trips to banks.

2.3 Mobile Microcredit Uptake and Profitability of SMEs

Over the last few years, the emergence of mobile microcredit has become a breakthrough development in the financial sector that enables individuals to obtain credit easily for SMEs in regions with poorly developed banking services. The concept of mobile microcredit is a term that indicates short-term small loans provided via a mobile money application and repaid in the same way. Because of its advantages, mobile microcredit adoption has been found to be connected to many aspects of SME performance, namely profitability. In particular, studies in this field have found the positive correlation between mobile microcredit adoption and profitability; however, the strength and nature of their connection have been found to depend on a number of variables.

Numerous studies show that mobile microcredit improves SME profitability through better access to working capital, making possible to capture profitable business ventures that would otherwise not be realized due to cash flow shortages. As noted by Muthiora (2015), mobile microcredit minimizes the time taken between borrowing and loan disbursement, giving SMEs the ability to purchase raw materials or acquire income-generating resources in good time. The swift delivery of funds represents an important difference between mobile and traditional bank loans, where the former is characterized by long delays and stringent requirements that exclude many small firms from accessing loans. For instance, according to the findings by Mbiti and Weil (2016),

SMEs that had consistent access to mobile microcredit reported higher sales volumes and profit levels than those that lacked access to mobile microcredit services.

Additional proof for this point comes from empirical research conducted in East and West Africa. In this regard, for example, Alhassan et al. (2019), who studied small and medium enterprises in Ghana, found that companies which took up mobile microcredit were more likely to adopt new technology and equipment that improved their performance and cut costs. The same conclusion was drawn by Adeola and Evans (2017) from research done in Nigeria, in which they observed a positive relationship between taking up mobile microcredit and growth in businesses in urban areas with tough competition.

The theoretical foundation for this result is grounded on the Resource Based View (RBV) of the firm, according to which having access to valuable and difficult-to-replicate resources might become the foundation of competitive advantage (Barney, 1991). Applied in the context of small firms, mobile microcredit can be treated as the strategic resource that helps the companies to obtain the necessary inputs, technology, and stock at key points in time, thus gaining competitive advantage. The idea behind the effectiveness of mobile microcredit also finds its support in transaction cost theory, which emphasizes the cost-effectiveness of this approach due to lower transaction costs than those involved in regular banking transactions (Williamson, 1981).

Apart from operational financing, mobile microcredit plays a role in enhancing the financial management of SMEs. Through the use of loans on mobile money applications, many businesses find themselves in a position where they can monitor their transactions, cash flow, and develop a digital credit history to enable future borrowing. A study carried out by Klapper, El-Zoghbi, and Hess (2016) finds that the adoption of digital finance by SMEs is accompanied by better accounting practices and financial discipline - fundamental elements of profitability.

However, other studies warn that the adoption of mobile microcredit cannot automatically guarantee profitability in SMEs. Misuse of funds, expensive interest costs,

and lack of financial skills may make the adoption of mobile microcredits less profitable. According to Kolawole & Adeyemo (2020), the inability to manage funds well results in misallocation of borrowed funds towards consumption rather than productive investments. Such diversion of credit makes it difficult for firms to earn enough income to offset loan repayments and other expenses, hence low profitability levels.

The other factor that makes matters worse is the high-interest rates that characterize most mobile microloans. Mobile money lenders are known to demand higher interest rates compared to traditional commercial banks, taking into consideration the risk associated with unsecured loans and high operational costs borne by the borrower. The problem is that it might become very difficult for the borrower to realize profits from such loans if the gains from the business ventures are insignificant. As an illustration, studies conducted by Nakibuule and Namusonge (2021) in Uganda show that although the use of mobile microloans improved sales volumes, there was no statistical significance of profit margins owing to the costs of services and interest payments.

Furthermore, financial literacy has proven to be a key factor mediating the relationship between credit and profitability. For instance, research conducted by Murendo, Mutsonziwa & Nyikadzino (2018) in Zimbabwe found out that small businesses that were financially knowledgeable utilized mobile microcredit as a tool for managing their inventories, purchasing in bulk and buying short-term assets and hence made profits. Those that lacked financial literacy, on the other hand, had problems in terms of budgeting and timely repayments and hence incurred penalties and loan roll-overs.

Additionally, some studies have also revealed sector-dependent variations in the role of mobile microcredit in influencing profits. In a study conducted in Senegal by Diagne & Zeller (2020), it was established that agricultural SMEs benefitted more from mobile loans compared to service-oriented enterprises because the former had utilized mobile credits for seasonal input costs, which were crucial to their production processes. This is contrary to service-oriented businesses where irregular demand patterns hindered the effectiveness of short-term lending in achieving consistent profits.

Despite all these differences, however, a general conclusion derived from empirical research reveals a positive connection between mobile microcredit adoption and profitability of SMEs provided that credit utilization is strategic and supplemented by proper financial management. Many scholars suggest the implementation of additional measures like business education, digital financial literacy programs, and loans targeted at specific purposes to achieve the best results in terms of SME profitability through mobile microcredit adoption (Suri & Jack, 2016; Mbogo, 2019). It is vital not only to consider adoption rates but also utilization methods and the environment of SMEs in question.

In conclusion, the importance of mobile microcredit cannot be underestimated when considering its contribution to boosting profitability of SMEs in developing nations, through provision of quick capital that can be invested in productive ways, as well as sound financial management skills. Nevertheless, the positive outcomes associated with mobile microcredit do not come automatically but instead are dependent on certain factors. These include the interest charged, use of funds, financial knowledge of borrowers, and business circumstances.

2.4 Timely Access and Repayment of Mobile Microcredit on Financial Performance of SMEs

The timely availability of microcredit through mobile finance and appropriate repayment programs are crucial determinants of SME financial performance. Although the significance of access to finance in the development of SMEs has been well established in the literature (Beck & Demirgüç Kunt, 2006), the recent uptake of mobile money transfer services in Sub-Saharan Africa has transformed the role of credit access to offer more convenient ways of financing (Mbiti & Weil, 2011). This section explores literature concerning the effects of timely credit access and repayment programs on SME performance.

Empirical findings have continuously pointed out that the pace of loan disbursement in the mobile credit context improves the operational sustainability of SMEs. Promptness of loan disbursements allows businesses to cover gaps in cash flow management,

effectively maintain inventory rotations, and exploit various market opportunities. Specifically, Byaruhanga and Atuhair (2020), examining SMEs in Uganda, established that those companies which experienced rapid loan disbursement through mobile microcredits were better capable of covering their financial liabilities and maintaining a steady flow of income even during low-demand periods. More specifically, those firms operating on a seasonal basis, including agricultural businesses and fashion retailers, gained greatly from timely loans.

In a similar vein, studies conducted by Wilson and Stokes (2018) in the East African region revealed that delays in the provision of credit had negative implications for investment and production processes. In an environment where conventional banking institutions had rigorous loan application procedures, mobile-based microcredit was available instantaneously, allowing small businesses to manage inventory efficiently and sustain their supply chain networks. This result is consistent with the credit rationing hypothesis, which suggests that adequate credit enhances business efficiency by ensuring better production outcomes (Stiglitz & Weiss, 1981).

The flow of cash is vital in determining the success of small and medium-sized enterprises financially. Mobile microloans, which are provided instantly, aid enterprises in meeting their urgent costs such as payroll expenses, raw materials, and utilities bills. A research by Hassan and Fatoki (2019) conducted in Kenya found out that small and medium-sized enterprises that had timely access to mobile credits exhibited positive cash flows and profitability levels relative to SMEs accessing credit through other slower routes. Such SMEs also proved to be resilient during economic disturbances.

Moreover, in their cross-country study, Ayyagari, Demirgüç Kunt, and Maksimovic (2017) highlighted that financial inclusion that includes mobile credit results in higher investments and income generation. According to these authors, SMEs with access to quick financing are more likely to make strategic investments and consequently improve their production and competitiveness.

Additionally, the timing of repayments influences the financial performance of SMEs. Repayments that are flexible, meaning that they can be adjusted based on the flow of cash within businesses, result in lower default rates and liquidity. For example, Kyomugasho (2019) revealed that the provision of mobile credit products with flexible repayments allowed SMEs to adjust their repayments to coincide with periods of cash flow. Therefore, it became easier for SMEs to make repayments without diverting funds from their working capital.

The same argument applies in the pecking order theory that emphasizes that companies prefer internal financing and flexible debts to rigid external financing that might cause disruptions in the flow of cash (Myers & Majluf, 1984). The ability of SMEs to allocate resources effectively will be greatly enhanced by the fact that repayment mechanisms have been tailored to match the flow of income within the enterprise.

In contrast, inflexibility in repayment schedules might adversely affect SMEs' financial performance. Short-term repayment periods coupled with high-frequency payments place pressure on limited cash flows, particularly for companies operating under unpredictable sales trends. In their research study, Ogunleye and Adepoju (2021) analyzed SMEs operating in Nigeria and Kenya and found that strict repayment requirements correlated with poor financial performance and low levels of reinvestments for growth. Their study indicated that companies that used strict repayment schedules tended to undergo asset liquidation and revenue loss.

Moreover, there is evidence presented by Kessy and Urio (2019) regarding Tanzania indicating that repetitive payments may lead to a situation when SMEs obtain loans to cover their previous financial obligations and hence create a trap of being indebted. Such a debt trap may negatively influence profitability and slow down capital accumulation and eventually financial sustainability.

As is demonstrated in the literature, advantages associated with mobile microcredits depend on several factors, such as timely access and the appropriateness of payment schedules. First, for creditors it is necessary to ensure that they receive repayments on

time because otherwise they cannot operate. Second, borrowers should be provided with payment opportunities that correspond to the time period during which they generate income. Otherwise, they might experience negative consequences such as defaults, problems with suppliers, and reduced profitability. The mentioned findings have been demonstrated by Gupta and Banerjee (2022) based on the analysis of Indian SMEs. Thus, the authors indicate that interest burden and inability to make payments led to lower adoption rates of microloans obtained through smartphones.

New technologies are being developed to solve the problem of timing and repayment. Digital credit assessment based on business transaction history will be able to accelerate the process of approval and repayment plans based on the financial performance of enterprises (Chen et al., 2021). Thus, the next wave of mobile microcredit is likely to improve the performance of SMEs through minimizing information asymmetry between lenders and debtors.

2.5 Mobile Microcredit Usage Patterns and Credit Management Practices on Financial Performance of SMEs

The utilization of mobile microcredits and management practices of credit usage by SMEs have been identified as crucial factors in determining their financial performance in developing countries. Due to the increasing popularity of mobile money applications like M Pesa in East Africa and other regions, many SMEs without any collateral or established banking relationships can now access affordable loans through mobile microcredit (Jack & Suri, 2014). Mobile microcredit usage patterns refer to the frequency of borrowing, reasons behind using the loans, and average amount of loans accessed. On the other hand, credit management practices refer to the behavior or system adopted by SMEs in planning, controlling, allocating, and repaying the borrowed funds.

Studies show that effective and strategic mobile microcredit utilization has a positive correlation with financial success. Research conducted by Giné and Mansuri (2018) proves that firms which borrow money for income-generating activities, such as the

acquisition of inventory and productive machinery and venture into other markets exhibit better performance and higher rates of return compared to others that use credit for purposes of financing expenditures or working capital deficits. Aker and Mbiti (2019) further proved that SMEs that utilized mobile credit for creating market linkages and investments along supply chains had better scalability and higher sales figures. It is clear from these results that strategic use of credit can enhance the sustainability and growth of SMEs through financial gains.

On the other hand, the use of financing without having a specific business goal has been associated with adverse financial performance. Borrowing in reaction to liquidity needs by obtaining several smaller amounts of loans may result in debt cycles that may reduce liquidity and profitability. According to Islam and Maitra (2020), empirical studies conducted in Ghana and Kenya have shown that SMEs that repeatedly borrow short-term funds incur higher borrowing costs, more financial distress, and lower investment capabilities. If credit is utilized for personal purposes or expenditures outside the scope of business operations, then the financial gain anticipated would be lessened.

The credit management strategies used by the SMEs, which include budgeting, record keeping, repayment scheduling, and coordination of credit with business cycles, form part of the usage behavior. Several scholars have pointed out that proper credit management plays a crucial role in acting as a mediator between the use of mobile microcredit services and performance. According to a study carried out in Tanzania by Kirui & Onyuma (2019), it was observed that the SMEs that have organized financial management processes with good record keeping skills and cash flow prediction coupled with repayment schedule had higher chances of using mobile microcredit services, hence yielding greater returns on investments.

Poor credit management can undo all advantages of microcredit. According to an empirical study by Nguyen and Luong (2020) in Vietnam, Vietnamese SMEs with no official budgets misallocate the loan amount and find themselves unable to properly estimate their cash needs. Such misalignment might lead to greater levels of non-payment, defaults, and delinquency, depriving them from getting more loans in the

future. As noted by the authors, a lack of financial management skills can turn mobile microcredit into a burden rather than an engine of development.

Financial literacy is associated with the use and management of credit. Financial literacy can be defined as the understanding of financial principles such as interest rates, repayment plans, budgeting, and risk evaluation. Studies have shown that small and medium enterprises (SMEs) with high levels of financial literacy tend to engage in sound borrowing decisions, link mobile microcredit borrowing to their business strategies, and develop effective credit management techniques (Paavo & Nkundabanyanga, 2021). In Uganda, SMEs managed by financially literate business owners showed high capacity in integrating mobile microcredit into their business strategy planning process. These SMEs exhibited efficient budgeting capabilities, cash flow monitoring, and repayment compliance, thereby improving their overall financial position.

On the other hand, low levels of financial literacy have been found to be associated with inadequate financial planning, cash flow management, and excessive borrowing practices. A cross-sectional study in Nigeria conducted by Oladipo and Ojo (2019) found that SME owners who had low financial literacy levels misunderstood loan agreements and underestimated the effect of interest payments. The researchers recommended that there should be more educational programs aimed at teaching entrepreneurs about different loans and forecasting profits and investment spending.

Moreover, institutional aspects can be affected by the impact of usage patterns and management practices on the performance of organizations. The characteristics of the mobile microcredit service, including flexibility of the repayment mechanism, user-friendly platform design, and integration with mobile money wallets, may promote or discourage the effective utilization of the microcredit product. For example, Chege et al. (2020) indicated that mobile microcredit facilities with adaptive repayment terms allowed small and medium enterprises to coordinate payments in accordance with cash flow, minimizing the probability of defaulting. However, inflexible repayment terms and high costs limited profitable lending strategies.

Conclusion

In conclusion, the review of existing literature reveals that not only the manner of adopting mobile microcredit but also the proper handling of credit facilities is essential in ensuring successful financial outcomes among SMEs. Although mobile microcredit may result in economic growth if appropriately adopted and accompanied by efficient credit management, its misuse and financial irresponsibility may create financial liabilities, negatively affecting SME financial performance. Financial literacy interventions geared towards instilling discipline in credit management and borrowing for productive purposes are thus necessary to ensure the maximum contribution of mobile microcredit to SME financial performance.

2.6 Conclusion

From the above literature review, it is evident that the correlation between mobile microfinance utilization and SME performance is complex. The literature provides evidence that mobile microfinance adoption can improve profitability, provided that access to finance is done at an opportune time and in relation to one's ability to pay back. Nonetheless, the level of effectiveness will depend on how it is utilized and managed. Despite the fact that a number of studies support such correlations, some areas remain untouched.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The above chapter provided an overview of the methodology utilized in evaluating the impact of adoption of mobile microcredit services on the financial performance of SMEs in Mukono Central Division. The methodology section covered aspects such as the research design, study population, sampling procedures, data gathering methods, and analysis of data.

3.2 Research Design

The research used a descriptive methodology that aimed at studying the link between mobile microcredit adoption and financial performance among SMEs. This is a quantitative study that utilizes structured methods to investigate data concerning the influence of mobile microcredit adoption on financial performance.

3.3 Study Population

The research study aimed at a sample size of 100 registered small and medium enterprises (SMEs) in Mukono Central Division (Mukono Municipal Report, 2024). These businesses were divided into 50 retail shops, 15 hardware shops, 20 grocery shops, and 15 general merchandise traders, according to the URSB records for the 2022/2023 fiscal year.

3.4 Sample Size

Due to the large number of SMEs operating in Mukono, the sample size was limited to 80 respondents. The sample size was arrived at using the sample size determination table by Krejcie & Morgan (1970).

Table 3.1: Sample Size Distribution

Type of Business	Population	Sample Size
Retail shops	50	40
Hardware stores	15	13
Grocery shops	20	14
General merchandise	15	13
Total	100	80

3.5 Sampling Techniques and Procedures

The research used probability and non-probability sampling techniques in its sampling process. Simple random sampling technique was used to give each of the SMEs an equal opportunity of being selected for the study. Purposive sampling technique was also used to select the SMEs that were to provide information on the impact of using mobile microcredit.

3.6 Data Collection Methods

The study relied on quantitative data collection methods.

3.6.1 Questionnaire Method

Structured questionnaires were used to collect quantitative data. These questionnaires provided a cost-effective and time-efficient means of gathering standardized responses, allowing for easy comparison of data across respondents.

3.7 Data Collection Instruments

3.7.1 Structured Questionnaires

A structured questionnaire with both closed and open-ended questions was developed to collect data on mobile microcredit uptake, frequency of usage, accessibility, repayment behavior, and financial performance indicators of SMEs.

3.8 Procedure for Data Collection

A letter of introduction from the Uganda Christian University was issued to the SMEs to secure their permission to participate in the study. Questionnaires were issued to the respondents and collected within a week. Interviews were also conducted with key informants who were interviewed separately.

3.9 Data Analysis

The data collected through the use of the structured questionnaires were coded and entered in the SPSS for analysis. Descriptive statistics, such as frequencies and percentages, analyzed the categorical data. Descriptive statistics provided general information regarding the demographics of the respondents and the various variables being considered. Central tendencies, such as the mean, were used to determine the average scores, while standard deviations measured variability in scores. Inferential statistics, such as regression and correlation analysis, helped in determining the association or relationship between the adoption of mobile microcredit and the financial performance of SMEs. Specifically, regression analysis was carried out to determine the predictive power of the use of mobile microcredits on the financial performance variables such as profitability, liquidity, and return on assets.

3.10 Limitations of the Study

However, the study was carried out exclusively among SMEs in Mukono Central Division, hence limiting the generalization of the results to other regions in Uganda. The SMEs operating in other regions may have different access to mobile microcredits and different environments that could affect their financial performance in a different way.

Additionally, the study used self-reported data collected through structured questionnaires from the respondents. Self-reporting may lead to inaccuracies in the reported responses because the respondents may either over or under-report their activities and financial performance, especially on social and psychological grounds.

Moreover, the study was limited by time and financial constraints, thus limiting its capacity to conduct a longitudinal study. Hence, the study was limited to providing cross-sectional information on the use of mobile microcredits and the financial performance of SMEs.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

In this chapter, we shall examine, analyze, and interpret the results of the research entitled “The Effects of Mobile Microcredit Adoption and the Financial Performance of Small and Medium-sized Enterprises: Case of the Central Division of Mukono District.” The data will be collected from eighty owners of small and medium enterprises through the use of structured questionnaires. The interpretation will start with the response rate, demographic information about the respondents, and finally, descriptive statistics will be used to determine the frequency, percentage, mean, and standard deviation according to the research questions.

4.2 Response Rate

A total of 80 questionnaires were distributed to SME owners and operators in Mukono Central Division. All the questionnaires were returned and considered usable for analysis, representing a 100% response rate.

Table 4.1: Response Rate

Description	Number	Percentage (%)
Questionnaires distributed	80	100
Questionnaires returned	80	100
Questionnaires not returned	0	0
Total	80	100

Source: Field Data (2026)

The response rate of 100% is considered excellent for research studies. This indicates that the collected data are sufficient and reliable for statistical analysis and interpretation of the findings.

4.3 Demographic Characteristics of Respondents (N = 80)

4.3.1 Gender of Respondents

Gender	Frequency (f)	Percentage (%)
Male	44	55
Female	36	45
Total	80	100

Results show that 55% were male, while 45% were female respondents. From the above findings, one can conclude that both men and women entrepreneurs are active participants in SMEs in Mukono Central Division, but the majority of entrepreneurs are male.

4.3.2 Age group

Age Group	Frequency	Percentage (%)
18-25 years	12	15
26-35 years	32	40
36-45 years	24	30
Above 45 years	12	15
Total	80	100

Most of the people surveyed (40%) were in the age bracket of 26-35 years, and 30% of those surveyed were in the age bracket of 36-45 years. This implies that most SME owners fall under the age bracket that is active in terms of economic and entrepreneurial activities.

4.3.3 Level of education

Education Level	Frequency	Percentage (%)
Certificate	18	22.5
Diploma	32	40

Bachelor's Degree	22	27.5
Master's	5	6.3
Other	3	3.7
Total	80	100

It can be observed from the data collected that 40% of the respondents have a diploma, while 27.5% have a bachelor's degree. This implies that most of the small business owners are educated up to some extent, and they know how to use financial services such as mobile microcredit.

4.3.4 Type of business (SME)

Type of Business	Frequency	Percentage (%)
Retail	34	42.5
Wholesale	16	20
Service	18	22.5
Manufacturing	8	10
Other	4	5
Total	80	100

According to the results, most of the SMEs in the Mukono Central Division are involved in retailing (42.5%), while others engage in servicing (22.5%). This is because most of the retailing businesses require short-term capital financing to stock the products, hence the relevancy of mobile micro-financing.

4.3.5 Years in business operation

Years in Business	Frequency	Percentage (%)
Below 1 year	6	7.5
1-5 years	34	42.5
6-10 years	28	35
Above 10 years	12	15

Total	80	100
-------	----	-----

The largest number of participants (42.5%) have been running their business for 1-5 years, while 6-10 years is the second highest percentage at 35%. It means that the majority of small and medium-sized enterprises are still growing, which implies that they require external finance, including mobile microfinance services.

4.4 Mobile Microcredit Uptake and Profitability of SMEs

Table 4.2: Mobile Microcredit Uptake and Profitability (N = 80)

Statement	Mean	Std. Dev
Access to mobile microcredit has positively affected my business profitability	4.28	0.82
Mobile microcredit has increased my business operating capital	4.35	0.79
Mobile microcredit enables expansion of business activities	4.21	0.85
Mobile microcredit improves cash flow management	4.18	0.88
Uptake of mobile microcredit encourages investment	4.16	0.91
Mobile microcredit contributes to higher profit margins	4.12	0.94
My business would perform worse without mobile microcredit	4.30	0.83

Source: Field Data (2026)

From the results, it is evident that the adoption of mobile microcredit can significantly contribute to SME profitability. Respondents were in total agreement that mobile microcredit enhances working capital, with a mean score of 4.35, meaning that having access to mobile microcredit facilitates enough capital for conducting business.

Moreover, the findings suggest that mobile microcredit is used by SMEs to expand their businesses and effectively manage their cash flows, with mean scores of 4.21 and 4.18 respectively. This means that SMEs are able to conduct their business operations using microcredit.

Moreover, the belief that business performance would be poorer if there were no mobile microcredit had a mean score of 4.30, suggesting a high level of agreement among the respondents. This shows the significance of mobile microcredit in improving SME profits.

4.5 Timely Access and Repayment of Mobile Microcredit

Table 4.3: Timely Access and Repayment (N = 80)

Statement	Mean	Std. Dev
I can access mobile microcredit whenever my business needs it	4.22	0.84
Timely repayment affects financial performance	4.25	0.81
Late repayment negatively affects business operations	4.31	0.79
Mobile microcredit platforms provide clear repayment schedules	4.17	0.86
Timely access helps meet business expenses	4.28	0.82
Managing repayment improves creditworthiness	4.20	0.87
Proper repayment habits increase profitability	4.23	0.85

It is evident from the outcomes that the availability of mobile microfinance helps small businesses operate. It was stated by the respondents that they can use mobile finance whenever they require. The average score is 4.22, which indicates that the digital finance system provides an effective financial solution to entrepreneurs.

Additionally, it was found that delays in loan repayment negatively impact business operations since its average score is 4.31, which is the highest among all scores.

4.6 Mobile microcredit usage patterns and credit management

Table 4.4: Mobile Microcredit Usage Patterns (N = 80)

Statement	Mean	Std. Dev
I use mobile microcredit regularly for business activities	4.20	0.83
I carefully plan how microcredit funds are used	4.24	0.81

Microcredit helps manage cash flow during low sales periods	4.27	0.84
I keep records of loans and repayments	4.15	0.90
Proper management of microcredit improves profitability	4.30	0.79
Frequent use enhances business growth	4.18	0.88
Usage patterns influence financial performance positively	4.25	0.82

These results confirm that SME entrepreneurs make use of mobile microcredit in the course of business operations. The majority of participants confirmed that they make frequent use of mobile loans as a means of financing business activities, especially when there are low sales or insufficient cash flow.

The findings further reveal that good planning and management of microcredit increase profits for the business, with an average score of 4.30. Therefore, proper financial planning is necessary for the effective use of credit by businesses.

Also, having documentation of loans made and amounts repaid enhances financial management and accountability in business. Generally, the results show that credit management and utilization have considerable impact on SME financial performance.

4.7 Financial performance of SMEs

Table 4.5: Financial Performance of SMEs (N = 80)

Statement	Mean	Std. Dev
My business profitability has improved in recent years	4.22	0.85
Sales growth has contributed positively to profitability	4.26	0.82
Return on investment has increased	4.18	0.88
Improved cash flow has enhanced profitability	4.24	0.84
Effective cost management has increased profitability	4.20	0.87

My business is more profitable now than before	4.23	0.86
Mobile microcredit usage has affected financial performance	4.29	0.80

It can be seen that SMEs are experiencing enhanced financial performance, especially with regard to profitability, growth in sales, and returns on investment. It was strongly affirmed by the participants that the use of mobile microcredit has been instrumental in enhancing financial performance, with a mean value of 4.29.

Cash flow management and cost control also played an important role in improving profitability. It is clear from the above discussion that mobile microcredit allows the enterprises to control operating costs and expand their operations.

The findings clearly show that mobile microfinance contributes significantly to the financial performance of SMEs in the Mukono Central Division due to improved liquidity, growth opportunities, and financial management skills.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter highlights the main results, conclusions, and recommendations from the research entitled "Mobile Microcredit Adoption and Financial Performance of Small and Medium Enterprises: A Case Study of Mukono Central Division." The study sought to determine the link between mobile microcredit adoption and the financial performance of small and medium enterprises (SMEs). This chapter is structured based on the objectives of the study, which involved assessing the impact of mobile microcredit adoption on profitability, impact of timely adoption and repayment of mobile microcredit, and impact of mobile microcredit adoption behavior on SME financial performance.

5.1 Summary of the findings

5.1.1 Mobile microcredit uptake and profitability of SMEs

The study results show that mobile microcredit plays an important role in making small businesses profitable in Mukono Central Division. Most respondents noted that mobile microcredit provides opportunities for enhancing business operating capital, managing cash flows, and expanding business operations. Further, the study results show that businesses will operate poorly without mobile microcredit services.

The results of this study are in agreement with previous literature that stresses on how mobile financial services offer rapid and efficient access to working capital for SMEs, thereby allowing them to make productive investments and conduct their business operations smoothly. According to research conducted by Donovan (2012) and Suri & Jack (2016), mobile-based financial services act as a critical factor in improving financial inclusion for small enterprises through minimizing any hindrances that come with conventional banking practices. Likewise, according to Beck and Demirgüç-Kunt (2006), access to credit serves as one of the main determinants of the growth and performance of SMEs.

5.1.2 Timely access and repayment of mobile microcredit

It was established that timely access to mobile microcredit enhances SME financial performance. The respondents agreed that access to microcredit when needed enables them to cater for urgent business expenditure, keep stocks, and avoid any operational disturbances.

Nevertheless, the study results showed that delayed payments of mobile microcredit affect the business negatively since this might result in additional costs, financial stress, and limited access to loans in the future. The respondents believed that the right behavior regarding loan repayments increases their business creditworthiness and facilitates access to bigger loans in the future.

These results are consistent with the theories put forward by Armendáriz & Morduch (2010), who point out that microfinance institutions enhance the sustainability of their businesses when the clients follow the right procedure of repayment. According to Ledgerwood (2013), effective management of credits and good repayment practices are very crucial for accessing financial services.

In other words, it can be seen that timely acquisition as well as repayment of mobile microcredits are important factors influencing SMEs' financial performances.

5.1.3 Mobile microcredit usage patterns and credit management

The study also assessed the impact of mobile microcredit utilization trends and credit management strategies on the performance of SMEs. It emerged from the findings that most SMEs utilize mobile microcredit in business activities like buying stock, covering operational costs, and cash flow management when sales are down.

It was also found that SMEs that plan well on the utilization of the borrowed money and document their loans and repayments perform financially well compared to those that do not adopt such credit management practices.

The above results are consistent with the views advanced by Karlan and Zinman (2010), who assert that the effectiveness of microcredit in promoting business success will depend on how the loan recipients manage the money. In addition, Ayyagari et al. (2011) posit that sound financial practices enhance the capability of SMEs to use external funds effectively.

Consequently, the study provides evidence that effective utilization of the loans enhances the positive effects of mobile microcredit on SMEs' financial performance.

5.1.4 Financial performance of SMEs

Based on the results obtained from the study, it can be noted that the majority of the Small and Medium Enterprises operating within the Mukono Central Division have witnessed an improvement in their financial performance in terms of profitability, increased sales, and improved returns on investments. This is due to their access to mobile microcredit services which enable them to ensure sufficient cash flow and invest.

This is in agreement with literature reviewed by Beck et al. (2005), who found that access to financial services leads to increased enterprise growth and development. Cull et al. (2009) also found that microfinance increases the capacity for expanding operations and financial performance among small enterprises. It is evident from the findings that mobile microcredit plays a significant role in improving SME financial performance.

5.2 Conclusions

Based on the study findings, several conclusions can be drawn.

In the first place, the research has established that the adoption of mobile microcredit has a positive effect on SME profitability in Mukono Central Division. This is because

access to mobile microcredit ensures quick access to funds, which will then be invested in productive business ventures.

In the second place, the study has shown that timely access to mobile microcredit enhances business operations, whereas delay in repaying loans affects SMEs adversely. Responsible repayment boosts one's credit rating, thus ensuring sustained financial service access.

Lastly, the study notes that proper management and utilization of mobile microcredit money greatly affect SMEs' financial performance. Firms which properly plan the utilization of the loan, keep good financial books, and make good use of credit will experience improved financial performance.

The final conclusion from the study is that mobile microcredits have played a great role in improving the financial performance of small and medium-sized enterprises through liquidity provision, creating room for investments, and business expansion. Digital platforms that provide access to microloans have become a key financial instrument for SMEs operating in developing nations such as Uganda.

5.3 Recommendations

Based on the study findings and conclusions, the following recommendations are proposed.

The owners of SMEs must make sure that mobile micro credit funds are utilized for purposes that generate value for the businesses, such as stock acquisition, expansion, and service provision. Appropriate planning and documentation should be carried out to make sure that the funds used from credit facilities positively influence the business.

Business owners must develop appropriate repayment discipline in order to avoid being penalized and to remain eligible to access credit facilities in the future. This practice will improve their credibility and increase the sustainability of their businesses.

Mobile micro credit institutions should continue improving the convenience of accessing credit via digital channels so that SMEs can access funds easily. Financial institutions should also offer clear terms for repayments.

Moreover, there is a need for mobile credit providers to develop financial literacy programs that can help small business owners understand how to manage their finances, plan budgets, and make sound investments. This will ensure that small business owners use credit wisely.

5.4 Areas for further research

While this research has mainly centered on SMEs in the Mukono Central Division, future research can be undertaken in other divisions or regions within Uganda to establish if similar results are realized under different circumstances.

Future studies may also look into the long-term effects of mobile microfinance on the sustainability and growth of businesses. Moreover, additional studies can undertake to identify the association between mobile microfinance and other areas of SME performance such as job creation and innovation.

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QUESTIONNAIRE
UGANDA CHRISTIAN UNIVERSITY
SCHOOL OF BUSINESS

I am Kiyingi Joseph, a Bachelor of Business Administration student at Uganda Christian University, conducting a research study titled: **“Mobile Microcredit Uptake and Financial Performance of SMEs: A Case Study of Mukono Central Division.”** This questionnaire is designed purely for academic purposes in partial fulfillment of the requirements for the award of the Bachelor’s Degree in Business Administration. The information you provide will be treated with the highest level of confidentiality and used strictly for academic research.

Your honest responses are highly appreciated.

SECTION A: Demographic Data

Please tick (✓) in the appropriate box.

1. Gender:

Male Female

2. Age group:

18-25 years 26-35 years 36-45 years Above 45 years

3. Level of Education:

Certificate Diploma Bachelor’s Degree Master’s Other

(specify) _____

4. Type of Business (SME):

- Retail Wholesale Service Manufacturing Other (specify)

5. Years in Business Operation:

- Below 1 year 1-5 years 6-10 years Above 10 years

SECTION B: MOBILE MICROCREDIT UPTAKE AND PROFITABILITY OF SMEs

Scale: 5 - Strongly Agree 4 - Agree 3 - Neutral 2 - Disagree 1 - Strongly Disagree

Statements	5	4	3	2	1
1. Access to mobile microcredit has positively affected my business profitability.					
2. Using mobile microcredit has increased my business's operating capital.					
3. Mobile microcredit enables expansion of business activities.					
4. Mobile microcredit improves cash flow management.					
5. Uptake of mobile microcredit encourages investment in my business.					
6. Mobile microcredit contributes to higher net profit margins.					
7. My business would perform worse without access to mobile microcredit.					

SECTION C: TIMELY ACCESS AND REPAYMENT OF MOBILE MICROCREDIT

Scale: 5 - Strongly Agree 4 - Agree 3 - Neutral 2 - Disagree 1 - Strongly Disagree

Statements	5	4	3	2	1
1. I can access mobile microcredit whenever my business needs it.					
2. Timely repayment of mobile microcredit affects my business's financial performance.					
3. Late repayment of mobile microcredit negatively affects my business operations.					

4. Mobile microcredit platforms provide clear repayment schedules.					
5. Timely access to microcredit allows me to meet business expenses efficiently.					
6. Managing repayment of mobile microcredit improves my business creditworthiness.					
7. Proper repayment habits increase profitability and growth opportunities.					

SECTION D: MOBILE MICROCREDIT USAGE PATTERNS AND CREDIT MANAGEMENT

Scale: 5 - Strongly Agree 4 - Agree 3 - Neutral 2 - Disagree 1 - Strongly Disagree

Statements	5	4	3	2	1
1. I use mobile microcredit for business activities regularly.					
2. I carefully plan how mobile microcredit funds are used.					
3. Mobile microcredit helps me manage cash flow during low sales periods.					
4. I keep records of microcredit loans and repayments.					
5. Proper management of mobile microcredit improves profitability.					
6. Frequent usage of mobile microcredit enhances business growth.					
7. My microcredit usage patterns influence financial performance positively.					

SECTION E: FINANCIAL PERFORMANCE OF SMEs

Scale: 5 - Strongly Agree 4 - Agree 3 - Neutral 2 - Disagree 1 - Strongly Disagree

Statements	5	4	3	2	1
1. My business's profitability has improved in recent years.					
2. Sales growth has contributed positively to profitability.					

3. Return on investment in my business has increased.					
4. Improved cash flow has enhanced overall profitability.					
5. Effective cost management has increased business profitability.					
6. My business is more profitable now than in previous years.					
7. Mobile microcredit usage has affected my business's financial performance.					

THANK YOU FOR YOUR PARTICIPATION!

*% detected as AI

AI detection includes the possibility of false positives. Although some text in this submission is likely AI-generated, scores below the 20% threshold are not surfaced because they have a higher likelihood of false positives.

Caution: Review required.

It is essential to understand the limitations of AI detection before making decisions about a student's work. We encourage you to learn more about Turnitin's AI detection capabilities before using the tool.

Disclaimer

Our AI writing assessment is designed to help educators identify text that might be prepared by a generative AI tool. Our AI writing assessment may not always be accurate (i.e., our AI models may produce either false positive results or false negative results), so it should not be used as the sole basis for adverse actions against a student. It takes further scrutiny and human judgment in conjunction with an organization's application of its specific academic policies to determine whether any academic misconduct has occurred.

Frequently Asked Questions

How should I interpret Turnitin's AI writing percentage and false positives?

The percentage shown in the AI writing report is the amount of qualifying text within the submission that Turnitin's AI writing detection model determines was either likely AI-generated text from a large-language model or likely AI-generated text that was likely revised using an AI paraphrase tool or word spinner.

False positives (incorrectly flagging human-written text as AI-generated) are a possibility in AI models.

AI detection scores under 20%, which we do not surface in new reports, have a higher likelihood of false positives. To reduce the likelihood of misinterpretation, no score or highlights are attributed and are indicated with an asterisk in the report (*%).

The AI writing percentage should not be the sole basis to determine whether misconduct has occurred. The reviewer/instructor should use the percentage as a means to start a formative conversation with their student and/or use it to examine the submitted assignment in accordance with their school's policies.

What does 'qualifying text' mean?

Our model only processes qualifying text in the form of long-form writing. Long-form writing means individual sentences contained in paragraphs that make up a longer piece of written work, such as an essay, a dissertation, or an article, etc. Qualifying text that has been determined to be likely AI-generated will be highlighted in cyan in the submission, and likely AI-generated and then likely AI-paraphrased will be highlighted purple.

Non-qualifying text, such as bullet points, annotated bibliographies, etc., will not be processed and can create disparity between the submission highlights and the percentage shown.



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