

**FINANCIAL INCLUSION AND GROWTH OF WOMEN LED SME IN MUKONO
MUNICIPALITY**

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DECLARATION

I Nakayoby Aidah hereby declare that this is my original work and has been submitted to any other academic body for examination purposes.

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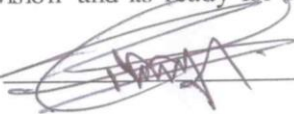
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Date: 12/08/2024.....

APPROVAL

This is to clarify that the dissertation presented by NAKAYOBYO AIDAH about the financial inclusion and growth of women led SMES in Mukono Municipality was done under my supervision and its ready for submission.

Sign:



Date:

12/09/24

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ABSTRACT

The concept of financial inclusion refers to a situation where all people have the opportunity to access and utilize appropriate formal financial services. Financial inclusion is a crucial factor in economic development and poverty eradication. In Uganda, as with most Sub-Saharan African countries, SMEs form a very important strand in the economy, especially in bringing about employment and income generation. Concretely, the objectives of this study are,

To determine the ease of access to financial services by women-led SMEs in Mukono Municipality by the end of the study.

To determine what the key issues are that facing the women-led SMEs in Mukono Municipality in accesses to financial services within six months.

To recommend at least three feasible ways through which financial access for women-led SMEs can be improved in Mukono Municipality and have them implemented within one year.

This study tries to establish the level at which financial services are accessible to women-led SMEs in Mukono Municipality.

What is the relationship between the interest rate and growth of women SMEs?

To show the relationship between credit policy and growth of women led SMEs in Mukono municipality. This study evidences that financial inclusion is an important factor in the growth of the Women-Led SMEs in Mukono Municipality. Although the majority of women entrepreneurs pursue active inclusion in finance, the actual access to resources by most of these women poses quite significant barriers. Removing such obstacles and improving financial literacy will definitely help to achieve the two-fold objective: empowering women entrepreneurs and making the entrepreneurship environment more inclusive.

CHAPTER ONE

1.1 Introduction

The paper examines the relationship between financial inclusion and growth of women led SMEs in Mukono Municipality, Kampala. It looks at the state of access to financial services and how this might have affected the growth and sustainability of SMEs operated by women entrepreneurs in this area.

1.2 Background of the Study

Financial inclusion, defined as access and the use of financial services by members of society, is important for economic development and poverty reduction. Waithanji, 2024. SMEs are a very critical component in the economy of Uganda, as is the case in most Sub-Saharan African countries, due to their vital role in employment and income generation. Turyahebwa et al., 2013.

Despite all these economic contributions, SMEs and especially those owned/women entrepreneurs still face key challenges regarding collateral, interests rate, and specialized financial solutions that can sufficiently meet their needs. UIA Report, 2008 Therefore, various women-owned SMEs in Mukono Municipality have grown at a snail's pace, hence performing below optimal levels economically.

Government and other stakeholders are sensitized to increasing financial inclusion as a lever for SME growth and economic empowerment. The microfinance institution, amongst a host of other government-sponsored initiatives, facilitates increased access to finance by underserved segments of the population, including women entrepreneurs Ledgerwood et al., 2012.

Understanding the dynamics of financial inclusions and its impacts on the growth of women-led SMEs in Mukono Municipality will be important in the setup of appropriate policies and interventions. The study seeks to fill this gap through an analysis of conditions in existing financial accessibility, identification of barriers faced by women entrepreneurs, and exploration of potential strategies for enhancing financial inclusion that may contribute toward sustainable SME development in the region.

This provides the background that, in essence, underlines the necessity of financial inclusions for SMEs, particularly women-owned in Mukono Municipality, Kampala. This has been contextualized in the broader economic and social challenges faced by these businesses

1.3 Problem Statement

In Uganda, small and medium enterprises, especially those led by women in Municipality, face serious challenges in accessing the financial resources they need to grow. Most of these businesses fail within the first year due to high interest rates commanded by financial institutions, collateral requirements that are equally high, and starting capital that is too small. Eton et al.,2017. Despite this, several initiatives have been drafted to try and eliminate these barriers, including the 2023 government policy on financial inclusion. Indeed, in Mukono, several SMEs have been observed to start but fail almost immediately due to financial constraints. Whereas only about 5-10% of the firms, according to the Ugandan Private Sector Foundation, survive and grow to maturity.

Under the 2023 Policy on Financial Inclusion, for instance, it has been provided that "The government shall promote access to financial services through interest rate reduction, collateral requirement easement, and strengthening microfinance institutions in providing suitable financial products for SMEs." This is a pointer to the fact that such regulations will ensure that the necessary credit becomes available to the SMEs for their growth.

Currently, there are government initiatives such as the Uganda Development Bank, which offers credit and finance to SMEs at competitive interest rates. Additionally, Youth Livelihood Programs have training on financial and business skills with capital to start businesses, especially those led by women. Much more needs to be done to foster financial inclusion and promote the growth of SMEs in Mukono Municipality. Increasing financial literacy, forming better partnerships to create improved financial products, continuous policy review, and adopting digital financial services might help make the financial accesses easier and more effective for SMEs in this region.

1.4 Purpose of the Study

The study sought to establish the effect of financial inclusion on the growth of women-led SMEs in Mukono Municipality and consequently provided ways of enhancing financial inclusion status of such businesses.

1.5 Specific Objectives of the Study

- i. To establish the ease with which financial services can be accessed by Women-led SMEs in Mukono Municipality by the end of the study.
- ii. To enumerate the main obstacles standing in the way of access to financial services of women-led SMEs operating in Mukono Municipality, within a period of six months.
- iii. Based on the undertook literature review, propose at least three implementable means to enhance financial access for women-led SMEs operating in Mukono Municipality, within one year.

1.6 Research Questions

- i. How are women-owned SMEs in Mukono Municipality accessing financial facilities?
- ii. What is the relation between interest rates and growth of women SMEs?
- iii. Establish the relationship between credit policy and growth of women-led SMEs in Mukono municipality.

1.7 Scope of the Study

This study will look at how financial accessibility affects the growth of women-led SMEs in Mukono Municipality. It will zero in on ascertaining how well the businesses are able to access financial services, establish the relationship between interest rates and growth of women-led SMEs, and establish the relationship between credit policy and growth of women-led SMEs in Mukono Municipality.

1.7.1 Time scope

Data is required for a period of three months

1.7.2 Geographical scope

Selected SMEs located in, Mukono will be the area in which this study is to be conducted. SMEs in Mukono municipality will be selected because it's one of the divisions in Kampala with a big number of SMEs that have currently been struggling with financial accessibility.

1.8 Significance of the study

This research will add to the already existing pool of literature on SMEs and financial inclusion in Uganda. The research will provide information and knowledge about the importance of creditworthiness to women-led SMEs, enabling them to enhance their chances of acquiring credit. The study will relay information to financial institutions regarding perceptions of their services by business enterprises, which shall help them improve service delivery.

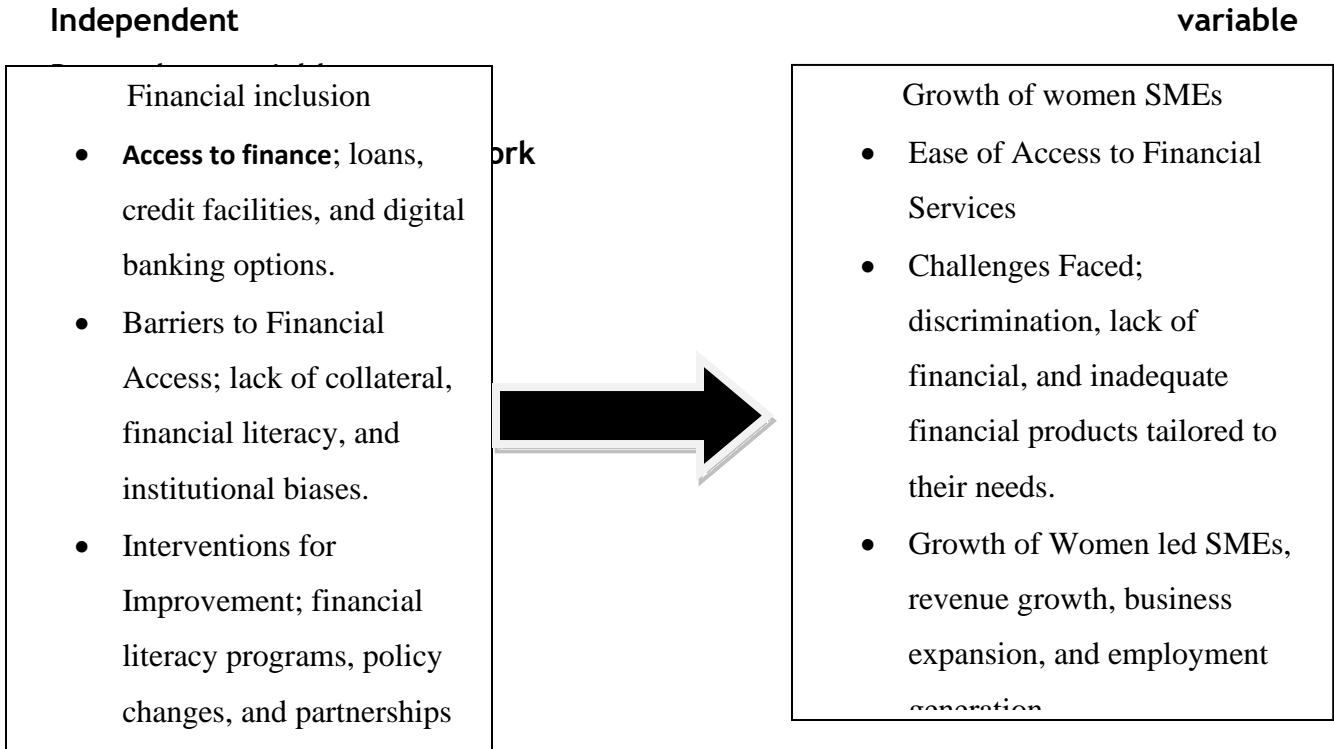
The data to be captured in this study will primarily focus on helping the owners of SMEs to identify some of the procedures and policies adopted by MFIs and other financial institutions from which they obtain financing. This would help small entrepreneurs in addressing the stringent terms and conditions required by the financing institution. The information obtained from this study will also be used by micro-finance institutions in establishing in detail the different challenges that women-led SMEs face in accessing finances right from inception through all stages of development.

1.9 Justification of the Study

This study on financial inclusion and the growth of women-led SMEs in Mukono Municipality is important because such businesses play a vital role in driving economic development. In addition to creating jobs and helping to lift communities out of poverty, women-led SMEs are a contribution to economic growth as a whole. However, many of these entrepreneurs' difficulties in getting adequate access to the financial services they need inhibit them from reaching their full potential. This study will identify practical solutions, through an analysis of the hindering factors in seeking financial support, to help empower them and increase their contribution to the local economy. Besides, one of the critical factors toward achieving gender quality and providing equal opportunities for women to succeed is financial inclusion. The insights garnered will, therefore, inform the development of policy, as well as financial institution programs that would be supportive and might benefit the woman entrepreneur's needs. Ultimately, the recommendations from this study can help build a supportive environment for women-led businesses, translating to greater success, creation of jobs, and economic growth within Mukono.

1.8 Conceptual framework

Figure 1: Conceptual frame work



Source: Adapted from Nwosa & Oseni (2013) and modified by the researcher

This will involve the various aspects of financial inclusion for women-led SMEs in Mukono Municipality. For instance, the study will investigate the availability of financial products targeting these business ventures in relation to loaning, credit facilities, and digital banking provisions. The researchers will be gauging the ease with which women entrepreneurs apply for and obtain such services and whether there are enough financial institutions around that could satisfy their needs.

Another important fact that restricts this is the obstacles to accessing financial services by women-owned SMEs. This can be related to a lack of collateral, inadequate levels of knowledge about finance, discrimination by the financial institution, or culture impeding women from dealing with the financial system. The concrete challenges faced by the woman entrepreneurs in pursuing such business

activities shall be identified along with how those challenges have influenced their business.

It will finally investigate practical solutions or interventions that could increase financial access for women-led SMEs. This might involve programs of financial literacy that educate women on how to manage finances, changes in policy to advance equality between genders in the financial sector, or partnerships between women entrepreneurs and financial services. The study is intended to give useful insights into how financial inclusion supports the success and expansion of women-led enterprises in Mukono Municipality.

CHAPTER TWO

LITERATURE REVIEW

1.1 Introduction

This chapter discusses and reviews related research and literatures published by journals, previous dissertations, textbooks, and authors articles related to the research topic and its variables so as to give an insight of the study hence a better understanding to the readers of the research work. It was reasonable to first review the more comprehensive literature on the effects of financial inclusion on the growth women led of SMEs.

2.2 Theoretical framework

Financial inclusion is vital for empowering women entrepreneurs and fostering economic growth, as it allows them access to essential services like credit and savings. Research indicates that women owned micro, small, and medium enterprises (MSMEs) often face significant barriers in accessing financial resources, which can hinder their potential and perpetuate economic inequalities (Khairy,2019). Studies reveal a persistent gender gap in financial access, with women encountering stricter requirements from financial institutions than their male counterparts (Dermirguc-Kunt et al.,2008; Saviano et al.,2017). Furthermore, access to financial resources has been shown to improve the performance of women owned businesses, highlighting the need for inclusive financial environments (Ajide,2020). Initiative aimed at enhancing financial literacy, reducing discriminatory lending practices, and providing tailored financial products are essential to bridging this gap (Zogning,2022). Ultimately, by addressing the barriers women entrepreneur’s face in accessing financial services, we can unlock their potential to drive economic growth and improve community welfare, contributing to a more equitable society (Kairiza et al.,2016).

A wide range of empirical studies have been conducted on growth of women led SMEs and financial inclusion measurement separately. The studies generally have focused

on the determinants of saving and financial inclusion measurement of a sample (Aren and Dinç-Aydemir, 2014; Özdemir et al., 2015; Baysa and Karaca, 2016; Şamiloğlu et al., 2016). However, a limited number of studies analyzed the effect of financial inclusion on household income and mostly revealed that financial awareness positively affected the savings which further improves household income (Beckmann, 2013; Murendo and Mutsonziwa, 2017).

Financially many women led enterprises make optimal financial and economic decision including, savings, borrowing, investment as well as properly managing of daily money (Capuano & Ramsey, 2011). Increasing number of empirical studies have also evidenced the role financial literacy plays in managing personal finance, both asset and liability. This is why financial literacy has become a policy concern in developed countries since the 1990s. Albeit the developing and low-income countries are late in realizing financial literacy, the beginning in some countries evidenced the issue has become relevant policy concern in these countries too. According to Miller et al. (2009), the relevance of financial inclusion creation in developing countries where the financial sector has been involving new service providers, complex financial products and service offered to new consumers to financial market is paramount.

Financial inclusion is important for the development of women led SMEs, because the individuals who are at both fund supplier and demander of the financial system. Hence, Jappelli and Padula (2011) revealed that countries with higher financial inclusion creation level had relatively higher savings and a 1-unit standard deviation increase in financial inclusion creation led 3.6 points increase in the national savings. Therefore, many countries, especially the United States and European Union countries, are trying to improve financial inclusion by lowering financial education to the level of primary education and by organizing various programs for adults.

Shankari et al. (2014) also indicated that, financially aware consumers encourage genuine competition by compelling service providers to innovate and improve efficiency, which is not only in the best interest of consumers, but also contributes to

the development of financial system and sustainability of an economy. The outcomes of improved financial inclusion would also help financial sector regulators. In this regard, Shankar et al. (2014) indicated that, financial literacy improves financial system regulatory mechanism, because of the fact that seeking and processing financial information by the women led SMEs reduces information asymmetry between financial service providers and client, which in turn, reduces market failure.

2.3 Credit policy and growth women led of SMEs

Traditionally, finance for agricultural development has been a part of women led small business sector policy falling under the umbrella of the Ministry of Trade. It has often been used as a tool for achieving other government development objectives, such as social, political and equity objectives (Ibrahim & Bauer, 2013). Even when a specific policy on business credit did exist, the main focus in most cases was on increasing the access of small farmers to institutional credit, often at subsidized rates of interest and without requiring collateral. Generation of an effective agricultural development depends on the definition of a clear overall financial loan policy framework and strategy. Tensions and contradictions do occur between each of these policy areas, which need to be debated and addressed through effective and continuous policy dialogue (Maurer, 2014).

Conventional wisdom is that the overall objective of credit policy is to secure the availability of appropriate and affordable financial services to growth of women led SMEs. This involves a shift in emphasis from the supply of predetermined financial products to the provision of demand-led financial services. For this, it is essential that bank management and staff understand and respond to the needs of their clientele and focus on a demand-driven approach that cultivates durable bank/client relations and provides effective women led SMEs financial intermediation services (Christopher et al., 2010).

While measures to create a favorable credit policy environment for women led SMEs growth are necessary, they may not be sufficient in themselves. Development of business markets requires a supportive credit policy framework, and direct

interventions may be needed to accelerate the building of robust agribusiness sector. Formulating appropriate prudential banking policies, financial contract laws and procedures for the effective enforcement of these contracts are important areas for policy interventions in developing countries and countries in transition, in view of the recent changes in the macroeconomic environment as a result of liberalization and globalization. Women led institutions cannot depend solely on agricultural lending, which faces high risks; indeed, the trend is to restructure agricultural banks into universal rural banks. The banking legislation should specify the contractual form for agricultural loans and strengthen their enforcement mechanisms (Katchova & Barry, 2005).

Through improved credit policies, liberalization of trade and product prices will be improved, thus making on-farm investments more profitable and attractive, as well as benefitting the national economy. While inclusion credit and deposit facilities may help poor rural people to smooth their production and consumption needs, there may be limited opportunities for farmers and women led entrepreneurs to use these facilities productively, unless accompanied by a broader set of non-financial support services and investments in rural infrastructure (Lynam, Beintema & Annor-Frempong, 2012).

Sustaining and implementing policy reforms under structural adjustment programmed is a question of building a consensus and setting the right priorities and strategies to foster improved agricultural business. Governments not only need to institute right loan policy reforms in the right order, but they also have to make them stick. This sometimes means compensating losers and providing the right type of incentives to promote certain behavior. For this reason, it is important to strengthen the participation of all stakeholders (financial institutions, farmers, other private sector factors such as traders and agribusiness as well as donor agencies and NGOs) in the process of agricultural finance policy formulation (Langat, 2013).

Through improved credit policy monitoring and evaluation both at women led institution and farmer levels is essential for improving SME growth. In particular,

policy delivery should be evaluated in terms of effectiveness, efficiency, equity and enforceability against stated policy objectives, and provide feedback to policy decision makers. Some specific areas where the effects of agricultural finance policies need to be monitored at institutional and farm level are: improved commitment towards sustainability, increased availability of loanable resources from savings/deposit mobilization, improved access to refinance facilities, if available, improved access to training facilities and improved management and staff capabilities of rural financial intermediaries and improved access to appropriate and durable financial services at an affordable cost among others.

2.4. Interest rates and growth of women SMEs

Interest Rate also known as the Cost of Finances (COF) is the cost and interest and other charges involved in the borrowing of money to build or purchase assets. Whited (2010) in his contemporary study on rural finance argues that the cost of money is intended to compensate a contractor for the capital cost of employing certain facilities in the performance of contract. The cost of money charged by lending women led institutions includes operating costs, administrative costs, and an acceptable rate of return. Correspondingly, Odongo (2014) established that cost of money may be fixed for the term of the loan, or adjusted to reflect changing market conditions. Odongo also proposed that the cost of money is looked at on the women led SMEs' borrowing side as the charges paid for borrowing from financial institutions and mention four main components of cost of money which are reflected as: cost of funds, loan loss expenses, operating expenses, and profits. Women led institutions set their interest rates on the basis of the Central Bank Rate (CBR), which is the rate at which they transact with the central bank. The CBR is in principle determined on the basis of the prevailing macroeconomic conditions and in Uganda; this is done by Bank of Uganda which is the Central Bank of Uganda (Namatovu, 2010).

Zecchini and Ventura (2009) argue that currently, there's widespread agreement that for various of women led institutions to operate profitably and sustainably, there's need for them to keep their costs as low as possible by levying proportionate interest rates and fees high enough to cover those costs. However, inability to access finance

may be one of the reasons why we do not see a robust correlation between women led SMEs prevalence and economic growth, and financial constraints are particularly preventing small firms led by women from reaching their growth potential in terms of financial performance (Wanjohi, 2009). These researchers further avow that although SMEs ought to pursue financial sustainability by whatever means available, financial institutions constrain their efforts by levying high interest rates to cover the costs of their lending and other services.

Rosenberg (2009) together with Zecchini and Ventura (2009), maintain that the interest rates charged to women led SMEs represent money taken out of clients' pockets, and it is unreasonable if it not only covers the costs of lending. Even the lending/ interest rate that only covers costs and includes no profit can still be unreasonable if the costs are excessively high because of avoidable inefficiencies which in turn results to poor financial performance of women led SMEs. There is therefore an inverse relationship between lending rates and inclusion to debt finance for business renaissance. In effect, the low lending rate can lead to improved inclusion to debt finance by SMEs, hence improved profitability and growth; while high lending rates constrain women led SMEs' inclusion to debt finance which makes stagnated performance of women led SMEs inevitable (Wanjohi, 2009). In Uganda, financial institutions' average lending rates have remained high, averaging between 18% - 26% this has mainly been due to lack of competition in the banking sector. Mashenene (2014) suggests that this is due to a few banks controlling a large market share, high operational inefficiency, high operational costs and the high risk of borrowers (Mashenene, 2014).

Interest rate constitutes a very important factor affecting the growth of women led SMEs. As observed by Anyawu et al. (2010), one of the purposes of the policies of agricultural credit years over was the provision adequate credit to the agricultural players at an affordable cost and at the right time. According to Afolabi (2010), the intervention of government in form of sectoral credit allocation, oligopolistic tendencies, interest rate ceilings and highly concentrated market structure that resulted in monopoly as well as promoting other inefficiencies that are responsible for

economic distortions. On the empirical ground, there are several studies investigating the effect of interest rate on business growth.

Chambers and Just (2019) noted that while some research found that interest rates play a role in the growth of women led SMEs, still others found that the interest rate has relatively small impact on the small business sector of the economy. They critiqued the treatment of interest rates in agricultural trade models. Their findings were clear: the approach to dealing with the interest rate in agricultural models at that time was overly restrictive in the specification of the interest rate variable in empirical business trade models.

Omojimitte (2012) carried out a study on the relationship between the growth of women led SMEs, macroeconomic policy and institutions finds significant signal in sustenance of the hypothesis that institutions are more critical in economic growth particularly the Nigerian business sector growth. The study recommended that, interest rate should be liberalized to the business sector and institutional supports should be strengthen basically on the areas such as extension services to farmers and subsidized inputs.

Amassoma, Nwosa and Ofere (2011) examined the nexus of lending rate, deregulation of interest rate and women led SMEs' productivity in Ghana using annual data spanning 1986 to 2009. The authors used ordinary least squares (OLS) econometric estimation technique and co-integration and ECM as well as long run relationship was revealed among the variables from the co-integration test while the error correction modeling revealed a significant and positive relationship between interest rate deregulation and agricultural productivity. The study further recommended that, interest rate should be market determined so as to serve as a catalyst for improved agricultural productivity. It is also expected that government must make it possible for the financial sector to carry out the policies that will guarantee available credit to the preferred sector, especially every sort of farmers and not bigger borrowers only like the government alone for the sole aim of boosting the productivity of the Ghanaian agricultural sector.

Kolawole (2013) empirically investigated the effect of interest rate and some macroeconomic variables on the performance of the Nigerian small business sector using time series annual data from 1980-2011. The study employed the ECM model within the framework of OLS regression estimation. A long run relationship was revealed among the variables and the ECM model found out that there was an inverse relation between interest rate spread and small business productivity. There was also a negative relationship between exchange rate and business productivity. This means that assuming the interest rate spread levels and exchange rate is increased, there will be a decline in the degree of agricultural value added in the country.

Interest expenses on holding inventory could have a significant impact on women led SMEs profitability. The cost of holding inventory is the interest paid if the business has debt or the interest that would have been collected, usually called opportunity costs, if the inventory had been sold. In practice, interest rates can vary in a large range from four to six per cent for operating loans to 18 to 24 per cent for short-term loans from agri-businesses. High interest rates usually result in additional financial burden for agribusinesses. Interest costs must be included in the calculation of any cost of production analysis

2.5 Conclusion

The literature highlights the significant challenges that women led SMEs face in accessing financial services, which ultimately impacts their growth and success. Despite the critical role these businesses play in driving economic development and creating jobs, many women entrepreneur's encounter barriers such as limited financial literacy, discriminatory lending practices, and a lack of tailored financial products. However, the researcher also points to promising strategies that can help overcome these obstacles. By focusing on enhancing financial literacy, promoting gender sensitive policies, and fostering supportive networks, we can create a more inclusive financial environment that empowers women entrepreneur's. Ultimately, addressing these issues is not just about improving individual business outcomes; it's about fostering a more equitable and prosperous society where everyone has the opportunity to thrive. The insights gained from this literature review will serve as a

foundation for further exploration and action, aiming to unlock the full potential of women led SMEs in Mukono Municipality and beyond.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter covers the methodology that the researcher used in the process of carrying out research. It covers the tools that was used by the researcher such as the research design, the area of study, study population, sample selection, data sources, data collection methods that were used in the field, data analysis target population, procedures and data analysis, ethical issues and limitations of the study.

3.2 Research design

The study approach to be adopted for the research shall be cross-section survey research design. Cross-section survey study involves the gathering of data to draw inferences about the population of concern at one point in time. It shall be adopted because it can study the effect of various demographic factors, such as age, which cause individual differences. The correlation analysis will also be used in determining the relationship that exists between financial inclusion and growth of women-led SMEs in Mukono Municipality. This was also used because it reduces time wastage and costs, and it also gives useful conclusions in the form of statistics and in-depth details about the study.

3.3 Study population

The target population for the research includes women-led small and medium-scale enterprises operating in Mukono Municipality. For the purpose of this study, women-led SMEs are defined as those that are at least 51% owned and managed by women and fall within the category of micro, small, or medium enterprises as classified by local business regulations. The focus will be on diversified ranges of industries, such as retail, services, agriculture, and manufacturing, to capture a comprehensive understanding of the financial challenges and opportunities that women entrepreneurs face within the area. That is, employment in retail, services, agriculture, and manufacturing. Summary

3.3.1. Eligibility Criteria

To be included in the study, the following are the eligibility criteria for the potential respondents:

Ownership: The respondents must be women owning at least 51 percent of the business. This would ensure that the study focuses only on women-led enterprises.

Business Size: The enterprise must fall under the category of micro, small, or medium according to the local definition. This generally includes businesses with threshold numbers regarding the number of employees and annual revenue.

iii. **Operational Duration:** The business has to have been in operation for at least one year. This is of importance for a better understanding of the financial challenges and growth trajectories faced by the entrepreneurs.

iv. **Location:** Participants in the business have to be found within Mukono Municipality. This brings into play the need to address the particular financial landscape and local economic conditions under which women-led SMEs operate within the area.

v. **Willingness to participate:** Respondents should express the willingness to participate in the study by providing honest responses to questions and also share their stories is crucial in the collection of useful data. With this criteria in place, therefore, the study is assured that the results will be a true reflection of the experiences of women entrepreneurs operating in Mukono Municipality and consequently go a long way in addressing their financial inclusion and growth challenges.

3.4. Sample size determination

The sample size for the study on financial inclusion and growth of women-led SMEs is targeted at 100 women SMEs in Mukono Municipality, targeting a number perceived to be sufficient in bringing out a representative view of the experiences and challenges faced by female entrepreneurs in the area. A sample of 100 enables significant statistical analysis besides being manageable within the time frame and resources available for the study. Determining the sample size using a commonly applied formula in research studies may be calculated as follows:

$$n = \frac{Z^2 \cdot p \cdot (1-p)}{E^2}$$

Where:

- n = represents the sample size required.
- Z is the Z-value for which one seeks the confidence level; conventionally, for a 95% confidence level, Z = 1.96 .
- Pp is an estimate of the proportion of the population.
- EE is the margin of error expressed as a decimal (0.1 for a 10% margin of error).

Given a confidence level of 95% that is, Z = 1.96, an estimated proportion of 0.5, and a margin of error of 10% that is, 0.1:

$$n = \frac{(1.96)^2 \cdot 0.5 \cdot (1-0.5)}{(0.1)^2} = \frac{3.8416 \cdot 0.5 \cdot 0.5}{0.01} = \frac{0.9604}{0.01} = 96.04$$

This gives an approximate sample size of 97. However, to make the sample more representative and in expectation of possible dropouts, a sample target of 100 women-led SMEs has been set. It would, hopefully, catch a wide variation in perspectives across industries and business sizes, which in turn would strengthen the validity and reliability of our research findings.

3.5 Sampling Technique

The study should, therefore, adopt a stratified random sampling method to ensure that the research work on financial inclusion and the growth of the women-led SMEs in Mukono Municipality captures a diversified range of information. This can be done by grouping the population of the women-led SMEs into distinct groups based on variables such as the type of industry which they are operating, the size of the business, as well as the number of years which they have been running their company. By categorizing the population in this way, ensure that each group is fairly represented in the final sample. This is important because it allows comprehension of unique challenges faced by women entrepreneurs across different sectors, from retail to agriculture, including manufacturing.

Group participants and then randomly sample from each group. This random selection ensures equality in giving every woman-led SME a chance to be selected for the study, hence removing bias from the sample. This stratified random sampling will, therefore, be an effective strategy in the collection of a representative set of data to ensure reliability and validity in the study's results and hence give rich insights that may help in supporting women-led businesses in the region. After all, what will emerge is a complete picture of the landscape of financial inclusion for women-led SMEs; this sampling technique forms the bedrock of the realization of that objective.

3.6 Sources of data

The researcher intends to incorporate data from primary and secondary sources. In this case, the researcher will obtain the primary sources by capturing first-hand information from the women-led SMEs, while in the case of secondary data; the researcher will obtain information published by other researchers in textbooks, the internet, and journals amongst others.

3.6.1. Primary data

According to Panneerselvan, 2005, primary data refers to data collected for the first time through direct observation. Therefore, the researcher will use primary data to get information from the respondents through the use of questionnaires to collect data from the respondents. The primary source of data will also be used because it enables the researcher to observe and obtain information directly from activities taking place in the area of study.

3.4.2 Secondary data

The secondary data include the data which are obtained from the existing records publications and among others. (Pannerslvan, 2004) the secondary data for this study will be gotten from sources such reading publications and text books as well as journals written by different authors concerning financial inclusion and growth of women led SMEs.

3.5 Data collection tools

The study of financial inclusion for the growth of women-led SMEs in Mukono Municipality uses a combination of tools in the collection of data that would provide useful information. The major tool will be a structured questionnaire which will be used in distributing to the selected women entrepreneurs. This questionnaire will contain both closed-ended questions, which are easy to answer, and open-ended questions allowing participants to share thoughts and experiences in their own words. In this regard, the combination helps in collecting both numerical data that can be analyzed and personal insights that deepen the findings.

Semi-structured in-depth interviews will also be conducted with a smaller number of participants to complement these questionnaires. These in-depth interviews will provide an opportunity for detailed discussions that will help women entrepreneurs explain in detail their experiences with the usage of financial services, problems faced, and what kind of support is essentially required for their enterprise growth. This qualitative information will enrich the data obtained through questionnaires and will help bring into focus the nuances of financial inclusion from the perspective of women-owned SMEs. This will give a complete picture of the financial environment in which women entrepreneurs operate in Mukono Municipality for the articulation of effective recommendations that would improve their access to financial facilities.

3.6. Procedure for Data Collection.

Data collection will be initiated with the university, acquiring the appropriate authorization to ensure that all ethical guidelines for conducting research on people are followed. At this point, the structured questionnaires will contain both closed-ended questions, which require direct responses, and open-ended questions, which can be answered in words, allowing participants to express their thoughts and experiences in their own words.

Apart from the questionnaires, we will carry out semi-structured interviews with a smaller group of women entrepreneurs. This shall allow us to have more in-depth discussions with them regarding their experiences in obtaining financial services and the specific difficulties they have. At the beginning of the interviews, we will make sure that all respondents are informed of the purpose of the study and then get their informed consent. In all data collection activities, confidentiality and privacy from the participants are warranted in the identification of their identity and personal responses. This method of data collection would provide rich and meaningful data through which one may comprehend the financial landscape for women-led SMEs in the region. 3.7 Data analysis and interpretations

Data analysis in this study shall be performed using both quantitative and qualitative methods in order to comprehensively establish the financial inclusion landscape for women-led SMEs in Mukono Municipality.

Quantitatively, the researcher will use data collected from the structured questionnaires and statistical software to determine patterns, trends, and relationships between different factors. For instance, access to finance services associates with business growth. Calculating things like averages and percentages to summarize the data, and run some more advanced statistical tests to see if there are any significant differences or connections. 3.8 Validity and Reliability of Data In regard to integrity, research on financial inclusions and growth of women-led SMEs in Mukono Municipality has to ensure validity and reliability of data.

Validity is the assurance of actually measuring what is to be measured. The researcher will employ strategies like expert reviews and correlation analysis to ascertain that the data reflects the concepts under study. For example, questionnaires will capture the financial challenges faced by women entrepreneurs. If the data is valid, it will mean something about financial landscape for women-led SMEs. On the other hand, reliability describes how dependable the data are across time and context. To achieve such reliability, established methods must be employed; for example, the test retest approach, where a subset of participants is administered the same questionnaire at different times to check on response consistency.

This will ensure that data collection is standardized so that each participant has the same experience when responding to the research question. Validity and reliability, on the other hand, which will be the focus, shall enable the generation of findings that are not only valid but also reliable. The results of such shall enable solid conclusions to be drawn on the same matter that shall inform future policies in support of women-led businesses to assist them to grow and thrive. 3.9 Ethical Considerations Ethics in human participant research is a very critical issue.

First of all, it involves taking informed consent from the participants about the purpose and the scope of the research work for which the participation is required. It would mean explaining clearly to them how the data from their participation will be utilised and the stated privacy protection measure, with full liberty to withdraw from the study at any time without adverse consequences. Such consent principles are put forward to show respect for the autonomy and rights of women entrepreneurs participating in the research study. Ensure strict confidentiality through techniques that protect participant identity and their responses. All data will be made anonymous, and any identifying information removed so that individuals cannot be tracked to their responses.

This commitment to confidentiality encourages the confidence of participants and observes ethical research standards. With this adherence to ethical principles, we aim to conduct our study in such a way that respects and values the contributions of women entrepreneurs in Mukono Municipality. By this, we will ensure that the research findings turn out more effectively and responsibly for the benefit of the community of women-led SMEs.

CHAPTER FOUR
DATA ANALYSIS AND RESULTS

4.1 Introduction

This chapter presents the data analysis and results of the study on financial inclusion and the growth of women led SMEs in mukono Municipality. The analysis was conducted using SPSS statistics software, and the findings are organized into various tables.

4.2 Descriptive Statistics

4.2.1 Demographic Characteristics of Respondents

Table 4.1 shows the demographic characteristics of the 100 women entrepreneurs who participated in the study. The majority of the respondents (45%) were between 31-40 years old while 30% were in the 41-50 age group. Most of the businesses (40%) had been operational for 4-6 years, and 35% had 1-5 employees.

Table 4.1: Demographic Characteristics of Respondents

Characteristic	Frequency	Percentage
Age		
20-30 years	15	15%
31-40 years	45	45%
41-50 years	30	30%
51 years and above	10	10%

Characteristic	Frequency	Percentage
Years in Operation		
Less than 1 year	5	5%
1-3 years	15	15%
4-6 years	40	40%
7 years and above	40	40%
Number of Employees		
1-5	35	35%
6-10	30	30%
11-20	25	25%
21 and above	10	10%

4.2.2 Access to Financial Services

Table 4.2 presents the respondents access to financial services. The majority of the women entrepreneurs (65%) had applied for a loan or credit, with 40% applying for a loan and 25% applying for credit. However, 35% of the respondents had never applied for any financial services.

Table 4.2: Access to Financial Services

4.2.3 Financial Literacy

Variable	Frequency	Percentage	Mean (M)	Std. Deviation (SD)
Applied for Financial Services			0.65	0.48
Yes	65	65%		
No	35	35%		
Type of Financial Service Applied For				
Loan	40	40%		
Credit	25	25%		
Grant	0	0%		
Other	0	0%		

Table 4.3 shows the respondents self-reported understanding of financial products and services. The majority of the women entrepreneurs (45%) rated their understanding to be excellent,” and 20% rated it as “poor.

4.3 Inferential Statistics

Table 4.3: Financial Literacy

Impact Level	Frequency	Percentage	Mean (M)	Std. Deviation (SD)
Very Negative	0	0%		
Negative	0	0%		
Neutral	30	30%		
Positive	50	50%	3.9	0.76
Very Positive	20	20%		

4.3.1 Impact of Financial Services on Business Growth

Table 4.4 presents the respondents perception of how access to financial services has impacted their business growth. The majority of the women entrepreneurs (50%) believed that access to financial services had positively impacted their business growth, with 20% reporting a “Very positive” impact. However, 30% of the respondents felt that access to financial services had no impact on their business growth.

Table 4.4: Impact of Financial Services on Business Growth

Impact Level	Frequency	Percentage
Very Negative	0	0%
Negative	0	0%
Neutral	30	30%

Impact Level	Frequency	Percentage
Positive	50	50%
Very Positive	20	20%

4.4.1 Barriers to Financial Access

Table 4.5 summarizes the main barriers to financial access faced by women entrepreneurs. The most significant barriers were “Lack of collateral” (55%), “High interest rates” (45%), and “complicated application process” (40%). Other barriers included “Discrimination based on gender” (25%) and “Lack of financial literacy” (20%).

Table 4.5: Barriers to Financial Access

Barrier	Frequency	Percentage	Mean (M)	Std. Deviation (SD)
Lack of collateral	55	55%	0.55	0.50
High-interest rates	45	45%	0.45	0.50
Complicated application process	40	40%	0.40	0.49
Discrimination based on gender	25	25%	0.25	0.44
Lack of financial literacy	20	20%	0.20	0.40

4.6 Summary of Key Findings

The data analysis revealed several key findings:

- Most women led SMEs in Mukono Municipality have been operational for 4-6 years and have 1-5 employees.
- 65% of the respondents have applied for financial services, with loans being the most common type of service sought.
- The majority of women entrepreneurs (45%) rated their financial literacy as “Fair,” indicating a need for more financial literacy training and support.
- Access to financial services has had a positive impact on the business growth of 70% of the respondents, with 20% reporting a “Very positive” impact.
- The main barriers to financial access include lack of collateral, high interest rates, and complicated application processes, as well as discrimination based gender and lack of financial literacy.

These findings highlight the importance of addressing the challenges faced by women entrepreneurs in Mukono Municipality and providing targeted support to improve their access to financial services and enhance their business growth.

CHAPTER FIVE

DISCUSSION AND CONCLUSION

5.1 Introduction

This chapter derives into the findings from the data analysis in Chapter 4, connecting them to the research objectives and existing literature on women-led SMEs and financial inclusion. Basically, the chapter intends to give an in-depth understanding of the challenges and opportunities faced by women entrepreneurs in Mukono Municipality. Also, this chapter intends to discuss the implications of these findings, give practical recommendations, as well as suggest other areas where future research may be conducted.

5.2.1 Demographic Characteristics

Demographic data showed that a majority of the women entrepreneurs in Mukono Municipality fall between 31 and 40 years of age, while a substantial number have also been in business for a period of 4 to 6 years. This finding is interesting, since it shows that many women venture into business when they are of a suitable age, characterized by sufficient life and work experience to handle the affairs of a business. Perhaps the top prevalence of younger entrepreneurs reflects a greater cultural shift toward women increasingly embracing entrepreneurship as a practical option open to them with the increasing ease of access to education and resources.

This demographic trend highlights the need to appraise the peculiar challenges facing this age bracket. For instance, most of the ladies within this age bracket fall between work and family responsibilities, adding pressure and probably reducing their ability to access financial services (Carter et al.,2015). Similarly, targeted support initiatives that take cognizance of such dual responsibilities may be appropriate.

5.2.2 Access to Financial Services

The analysis showed that 65% of the respondents had availed of services, and the major share consisted of loans. It is heartening to note this innate willingness of women entrepreneurs to come forward for financial support, recognizing the fact that enterprises indeed require financial resources for growth. Kumar & Sethi,2020. At the same time, the fact that as many as 35% have never applied for any financial services

raises some very pertinent questions. It suggests that there may be hidden barriers in the delivery of each of these women's situations to seek financial assistance, either because of lack of information about options available, fear of rejection, or previous negative experiences with financial institutions.

Furthermore, the data underlines a critical awareness gap and education problem in financial products. Most of the women may not comprehend or know the type of financial services available or how to properly pursue an application process. This points to the need for greater outreach and education by financial institutions in response to the needs of women entrepreneurs so that they are better informed to make financial decisions for the benefit of their businesses.

5.3 Financial Literacy

The findings on financial literacy are of particular concern, where a whopping 45% of the respondents rated their understanding as "Fair.". This means there is still much room for development. The ability of entrepreneurs to manage finance actively and make sound decisions importantly rests on a sound level of financial literacy. Lusardi & Mitchell, 2014.

The fact that women entrepreneurs have low levels of financial literacy indicates that most of them cannot perform key activities such as budgeting, financial planning, or even understanding credit. Knowledge gaps set the stage for poor choices and bad decisions impeding growth in businesses. Therefore, comprehensive programs on financial literacy should be initiated, with specific focus on the needs of the women entrepreneurs. The focus of such a program would be on practical skills and knowledge to enable the woman to take control of her financial future.

5.4 Impact of Financial Services on Business Growth

A majority of the respondents said that financial services have a positive effect on business growth. In other words, it means that access to finance facilities is one of the most important elements of success for women-led businesses. This fact finds further reinforcement in that 50% of the respondents feel their growth are positively impacted because of their access to financial services, while 20% reported a "Very

Positive" impact. Actually, financial inclusion is not just a matter of access but also of effective utilization of those resources .

However, 30% of the respondents also believed that financial services did not affect the growth of their businesses. This mismatch could mean that although access to finance is important, it does not work in a unilinear manner to influence the success of enterprises; attitude, human capital, and social environment are other important factors influencing success of enterprises (ACs and Szerb, 2007). It therefore follows that interventions aimed at supporting women entrepreneurs should be holistic, embracing both financial and non-financial factors contributing to their success.

5.5 Barriers to Financial Access

The barriers to financial access, as identified in this study, include lack of collateral, high interest rates, and complicated application processes, all reflecting systemic issues within the financial sector that disproportionately affect women entrepreneurs. It is very important that 55% of the respondents named lack of collateral as a significant barrier. Most women-led businesses are small and lack sufficient assets to use as collateral needed for obtaining loans that could spur their growth.

High interest rates make matters worse, as they avoid borrowing due to their fear of not being in a position to pay back. This results in a vicious cycle of exclusion where women entrepreneurs are denied the capital that would help them grow their businesses. Successful removal of these barriers requires concerted efforts by the policy makers and financial institutions as a way forward in making more equitable lending practices for women business consideration.

5.6 Implications of the Findings

The findings of this study have important implications for policy makers, financial institutions, and support organisations. There is a clear need for targeted interventions aimed at enhancing women entrepreneurs' financial literacy. This might include partnerships among financial institutions and local organisations to deliver workshops and training sessions so that women are equipped with the necessary skills needed in managing finances effectively (European Commissions, 2017).

Secondly, financial institutions should be interested in designing loan products with more accessible and better terms for women-led businesses, including lower interest rates, flexible payback schedules, and collateral requirements. Thus, appropriate design of financial products for the specific needs that women entrepreneurs have means that financial institutions can contribute to overcoming capital access gaps.

Policymakers are also established to be in a position to create an enabling environment for women entrepreneurs. This involves advocating for policies that advocate for gender equality in access to financial services and addressing the systemic barriers that women face in the entrepreneurial landscape of UN Women, 2019.

5.7 Recommendations

From the findings, the following recommendations are proposed to

Improve financial literacy programs: Targeted programs of financial literacy for women entrepreneurs will provide them with basic concepts like budgeting, management of finances, and how to understand financial products. The programs should be practical, accessible, using real-life examples which the participants can relate to.

Financial products that are tailor-made: The financial institutions should come up with loan products for entrepreneurs, especially targeting women with lower interest rates, and the repayments may have more flexible options. This may also include microfinance options with minimal collateral requirements.

Empower support networks through mentorship programs that match women entrepreneurs with seasoned business leaders and financial experts. Such networks can help equip them better with valuable advice and resources to face various challenges that come associated with entrepreneurship.

Policy Advocacy: Advocate for policies that ensure gender equity in access to financial services and eliminate systemic barriers that women entrepreneurs face. This may include lobbying for legislation that supports women-led businesses or offers incentives for financial institutions to give loans to these businesses.

Further research may be done on how financial literacy programs translate into the longer-term success of a business, as well as what other financial product types are more effective for women-led SMEs. Moreover, the social networks providing support for women entrepreneurs may also be studied.

5.8 Conclusion:

From this, the study highlights that financial inclusions significantly play a major role in the development of women-led SMEs in Mukono Municipality. Despite the eagerness on the part of many women entrepreneurs to seek out financial support, there are substantial barriers to their access to these resources. Addressing these barriers and improving financial literacy will lead to the betterment of empowering women entrepreneurs and foster a more inclusive entrepreneurial ecosystem.

These findings add to the growing literature on women entrepreneurship and provide valuable insights for various stakeholders interested in promoting the development of women-led businesses in the region. This, therefore, creates investment in financial education and support for women entrepreneurs, hence overcoming obstacles toward the business aspirations of greater economic empowerment and community development.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

RESEARCH QUESTIONNAIRE

SECTION A

Question Number	Variable	Question	Response Options	Participant Response
1	Business Information	What's the name of your business?	Open-ended	
2	Business Type	What type of business do you run?		
			Retail	
			Services	
			Agriculture	
			Manufacturing	
			Other (please specify)	
3	Business Size	How many people do you employ?		
			1-5	

Question Number	Variable	Question	Response Options	Participant Response
			6-10	
			11-20	
			[21+	
4	Years in Operation	How long has your business been up and running?		
			Less than 1 year	
			1-3 years	
			4-6 years	
			7+ years	
5	Financial Services Access	Have you ever applied for a loan or credit?		
			Yes	
			No	

Question Number	Variable	Question	Response Options	Participant Response	
6	Financial Services Access	If you answered yes, what type of financial service did you apply for?			
				Loan	
				Credit	
				Grant	
				Other (please specify)	
7	Financial Literacy	How would you rate your understanding of financial products and services?			
				Very Poor	
				Poor	
				Fair	

Question Number	Variable	Question	Response Options	Participant Response
			Good	
			Excellent	
8	Barriers to Access	What challenges have you faced when trying to access financial services?	Open-ended	
9	Support Systems	Have you received any support or training related to financial literacy?		
			Yes	
			No	
10	Support Systems	If yes, what kind of support or training did you receive?	Open-ended	
11	Business Growth	How has getting access to financial services affected your business growth?		

Question Number	Variable	Question	Response Options	Participant Response
			Very Negatively	
			Negatively	
			Neutral	
			Positively	
			Very Positively	
12	Future Needs	What additional resources or support do you think would help you grow your business?	Open-ended	

SECTION B

Question Number	Variable	Question	Response Options	Participant Response
1	Personal Experience	Can you share your experience with accessing financial services?	Open-ended	
2	Challenges	What specific challenges have you faced as a woman entrepreneur in Mukono Municipality?	Open-ended	
3	Recommendations	What suggestions do you have for improving financial inclusion for	Open-ended	

Question Number	Variable	Question	Response Options	Participant Response
		women-led SMEs?		
4	Success Stories	Can you share any success stories about your business growth that were influenced by financial access?	Open-ended	

Objective Number	Objective	Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Participant Response
1	Assess financial literacy	I feel confident in managing my business finances.						
		I regularly seek out information to improve my financial knowledge.						
		I understand the different financial products available to me.						
		I believe financial literacy training is essential for women entrepreneurs.						
		I feel that I have access to the resources I need to improve my financial						

		skills.						
2	Identify barriers to financial access	I believe that there are significant barriers preventing women from accessing financial services.						
		Discrimination based on gender affects my ability to obtain financial support.						
		The application process for loans and credit is too complicated for women entrepreneurs.						
		I feel that financial institutions do not understand the needs of women-led businesses.						
		There are enough support systems in place to help women overcome						

		financial barriers.						
3	Evaluate the impact of financial services	Access to financial services has positively impacted my business growth.						
		Financial services have helped me make better business decisions.						
		I believe that having access to credit has improved my business operations.						
		Financial services have increased my confidence as a business owner.						
		I have seen a noticeable improvement in my business since accessing financial support.						

4	Gather recommendations for support systems	I believe that more training programs for financial literacy are needed for women entrepreneurs.						
		Networking opportunities are crucial for the success of women-led businesses.						
		Government support is essential for improving financial access for women entrepreneurs.						
		Financial institutions should offer more tailored products for women-led SMEs.						
		Community-based support systems are effective in helping women entrepreneurs succeed.						

5	Explore future needs and aspirations	I have clear goals for the future of my business.						
		I believe that with the right support, I can achieve my business goals.						
		Access to financial resources is critical for my business growth.						
		I feel prepared to tackle future challenges in my business.						
		I am optimistic about the future of my business.						

Appendix 2: data collection letter



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19th Aug, 2024

TO WHOM IT MAY CONCERN

Name: **NAKAYOBYO AIDAH**

Reg. J22B05/131

A bachelor's student who is seeking permission from your office to collect data for her dissertation titled

FINANCIAL INCLUSION AND GROWTH OF WOMEN LED SMEs IN MUKONO MUNICIPALITY

We shall be grateful if you could render assistance to her in collecting the necessary data for her dissertation

The Uganda Christian University School of Business thanks you in advance

A handwritten signature in blue ink, appearing to read 'Mukisa Simon Peter'.

Mukisa Simon Peter
Research coordinator

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