

**THE IMPACT OF MICROFINANCE ON SME GROWTH FOCUSING ON  
SAVINGS AND INVESTMENT PATTERNS : A CASE STUDY OF MUKONO  
DISTRICT**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT  
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**UGANDA CHRISTIAN  
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## DECLARATION

This research paper is novel and has not been previously submitted to any other academic institution to obtain a degree or any other form of recognition.

Signature  \_\_\_\_\_

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## APPROVAL

The present research reports 'The impact of microfinance on SME growth focusing on savings and investment' was compiled under my guidance in my capacity as a University Lecturer at Uganda Christian University.

Signature: *Mirembe*

Date: 12/09/2024

Mrs Elsie Nsiyona Mirembe

## **DEDICATION**

My family are the people to whom I respectfully dedicate this piece of work since they motivated me to work hard despite the challenges that I faced. In recognition of the love, care, and moral support that I received from my family members; I would like to express my gratitude for making it possible for me to do this degree of education attained.

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## **ABSTRACT**

This paper aims to analyze the influence of microfinance on the development of small and medium enterprises (SMEs) in the Mukono district through an investigation of their saving and investment patterns. This paper examines the impact of financial services and training offered by microfinance institutions (MFIs) on these enterprises. This study assesses the impact of advising services on promoting the development of small and medium-sized enterprises (SMEs) in Mukono. Employing a mixed-method study methodology, data was collected from 52 small and medium-sized enterprise (SME) owners via interviews and questionnaires. The participants were selected using a purposive and simple random selection technique. The sample size was adjusted according to Krejcie and Morgan's (1970) table, which offers recommendations depending on the desired confidence level and margin of error for the study population. The findings suggest that microfinance plays a crucial role in assisting small and medium-sized enterprises (SMEs) in saving and obtaining easily available services. A significant proportion of participants confirmed that microfinance offers adaptable repayment alternatives, crucial business guidance, and training that improves their operational capacities and competitiveness. Training programmer that specifically targeted technical skills were highly recognized for their capacity to enhance the manufacturing processes of small and medium-sized enterprises (SMEs). In addition, participants

expressed the view that receiving microfinance consultation on company strategy and resilience had a crucial role in enabling them to accomplish their business objectives within specified time limits. MFIs provide extensive assistance to SMEs, enabling them to effectively navigate financial environments and capitalize on strategic growth prospects. These findings emphasize the need for government assistance in expanding educational and financial resources to promote a strong entrepreneurial environment.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Introduction**

This section provides a concise summary of the topics addressed in this chapter. These components include the study's background, problem statement, study objectives, research questions, study scope, and study significance.

#### **1.1 Background of the Study**

Microfinance encompasses a range of financial services specifically designed for low-income clientele, with a special focus on women. (Hospes 2004). Due to the predominantly low incomes and restricted availability of alternative financial services among the clients of microfinance institutions (MFIs), microfinance products are typically offered for smaller sums than conventional financial services. These services encompass lending, savings, insurance, and money transfers. In many cases, microloans are provided for the specific goal of fostering microenterprise growth. The range of products and services provided demonstrates that the financial requirements of individuals, households, and businesses can undergo substantial changes over time, particularly for those living in poverty. Microfinance Institutions (MFIs) have contributed to the favorable business environment that has facilitated the growth of small and medium enterprises (SMEs). The participation of microfinance institutions (MFIs) in the industry has significantly enhanced the performance of small and medium enterprises (SMEs) by providing them with funding through loans that are not subject to strict criteria and offer cheap interest rates. The loans extended by MFIs to small firms have benefitted the functioning of

numerous enterprises. Numerous organizations have successfully undertaken commercial operations that have generated substantial revenues for them. (Nchari, 2006).

In light of the ongoing transition from 20th-century technology to 21st-century technology, there is an increasing demand for sufficient financial resources to support the expanding and constantly expanding population (Kaufmann & Stone, 2012). The concept of microfinance is not novel. The practice can be traced back to the 19th century when money lenders were non-formally fulfilling the functions of what are today recognized as formal financial organizations. The past several years have witnessed notable transformations in the realms of microfinance and small and medium-sized enterprises. Microfinance institutions offer savings and lending services specifically designed for small and medium-sized commercial firms. Nevertheless, it is important to acknowledge that microfinance is not a universal solution but rather the primary instrument that promotes progress in underdeveloped nations (Yigzaw, 2015).

SMEs financed by MFIs have been expanding and achieving financial stability on a global scale. The governments of these countries have provided sufficient economic support to the SMEs financed by MFIs. The legal framework for microfinance institutions (MFIs), the regulatory and supervisory capacities for microcredit and other microfinance services, deposit laws, accounting transparency, client protection, credit bureaus, and political stability are all vital aspects to consider. This has all been accomplished. East and South Asian countries are widely regarded as having the highest advantageous conditions for microfinance operations. The micro and small enterprises (MSMEs) supported by microfinance institutions (MFIs) in Pakistan and the Philippines have been identified as the foremost performing SMEs globally. These small and medium-sized enterprises (SMEs) began with limited capital provided to them through loans that were not subject to strict requirements and without any form of collateral or security to secure

these loans (Zeller, 2003). Buckley (2007) stated that micro and small enterprises (MSMEs) supported by microfinance institutions (MFIs) have experienced significant growth in China nowadays. These small and medium-sized enterprises (SMEs) have shown strong performance, and their capital bases have reached a stable level, enabling them to properly fund their operations. This phenomenon can be ascribed to the recent implementation of regulatory restrictions on interest rates and lending margins by the Chinese government, which are advantageous for small and medium-sized enterprises (SMEs). The implementation of these rules has facilitated convenient access to financial resources for small and medium-sized firms (SMEs) in China.

The study conducted by Rajapakshe (2021) examined the impact of microfinance institutions on the growth of microenterprises in the Central Province of Sri Lanka. In this work, multinomial logistic regression models were utilized. Frequently, multinomial logistic regression was employed to analyze categorical response data with either continuous or categorical explanatory variables. Two models were employed to examine the hypothesis regarding the three practices, namely microcredit, training, and advising programmers. Based on the findings, there is a notable correlation between microfinance practices and the growth of microenterprises. Additionally, microcredit and advisory services both exert a substantial influence on the development of SMEs. The evolution of management engineers has not been greatly influenced by training programs. The research findings indicate that microfinance holistically facilitates the education and development of micro-financed, micro-scale small firms, so generating favourable effects on families residing in the Central Province of Sri Lanka.

An empirical study conducted by Sayed and Trivedi (2017) in India examined the impact of microfinance institutions on the growth of microenterprises (MSMEs) in Mumbai. To fill in the

gaps, the study examined the effect of microfinance institutions on the growth and development of small and medium enterprises. A structured questionnaire was used to analyze a sample of 110 small and medium-sized enterprise (SME) owners. The study found that 85 out of the 110 SMEs surveyed acquired financing via MFIs. The results indicate the impact of sufficient microfinance access on the sales volume, earnings, and physical assets of businesses. The results indicate that there is no statistically significant correlation between the increased corporate capital structure and access to microfinance. SMEs financed by MFIs in Africa have increased in number during the past decade. Numerous African governments have recognized the significant contribution of small and medium-sized enterprises (SMEs) in employing a substantial number of unemployed individuals, a defining feature of African countries. A number of these countries are currently engaged in the formulation of policies aimed at establishing a conducive entrepreneurial climate for the increasing number of small and medium-sized enterprises (SMEs) and microfinance institutions (MFIs). In Nigeria, for example, micro and small enterprises (SMEs) financed by microfinance institutions (MFIs) are considered catalysts for economic expansion and for advancing fair and just development. Financial assistance from microfinance institutions (MFIs) has enabled small and medium-sized enterprises (SMEs) in Nigeria to enhance their manufacturing capabilities. Certain small and medium-sized enterprises (SMEs) in Nigeria initially operated with limited operating capital and focused on selling their products domestically. However, their market has expanded to encompass exports to both neighbouring nations and the European continent. An exemplary case is the Egoro Textile sector, which has successfully extended its sales of textile goods to Ghana, Guinea, Ivory Coast, Albania, and Bosnia (Mosley, 2008).

In East Africa, Makerere (2016) investigated the impact of microfinance on small and medium-sized firms (SMEs) in Tanzania. The study analyzed empirical data from SMEs that had obtained microcredit from financial institutions located in Morogoro. The findings indicated that firms with owners who received business training, tax incentives, equitable interest rates, sufficient grace periods, and infrastructure outperformed those without such benefits. The microfinance sector in Kenya particularly targets the provision of financial services to persons with low incomes and micro and small enterprises involved in non-agricultural productive endeavours. Microfinance in Kenya has been necessitated by a set of interconnected limitations on the growth of the banking and finance industry. The primary limitations have been the configuration and makeup of the banking and finance industry in Kenya; insufficient legislative and governmental measures necessary for enhancing the quality of banking and finance; and the cautious commercial business strategies of profit-oriented banking institutions (Alastair, 2015).

The study conducted by Akisimire (2010) investigated the relationship between microfinance credit terms and the development of small and medium-sized enterprises (SMEs) in Uganda. The study specifically focused on savings and investment trends among SMEs in the Mukono area. Statistical analysis showed a strong and favorable correlation between microfinance and the expansion of small and medium-sized enterprises (SMEs). The objective of this study was to complete the existing knowledge gap by presenting actual data on the correlation between microfinance and the expansion of small and medium enterprises in the Mukono district. The purpose of this research project was to determine the influence of microfinance on the growth of small and medium-sized enterprises (SMEs), specifically examining the savings and investment trends in the Mukono district.

## **1.2 Statement of the Problem**

Cooper (2012) asserts that microfinance has emerged as a significant strategy in the growth and advancement of small and medium enterprises (SMEs) globally. The industry is considered crucial in enhancing private-sector expansion by supporting and facilitating small and medium-sized enterprises. The resource capacity of the MFI can provide a foundation for SMEs to grow and make a meaningful contribution to the alleviation of poverty. Microfinance plays a crucial role in Uganda's economy by offering a diverse range of financial and non-financial services to both urban and rural regions. The services provided include loans, deposits, savings, microinsurance, and money transfers. The microfinance sector in Uganda has demonstrated significant expansion over time to cater to the substantial credit needs of the considerable population of Ugandans who lack access to financial services. As per Pederson (2003), small and medium enterprises (SMEs) encounter difficulties in acquiring funds from major and established financial institutions, which entails a laborious procedure. Instead, they choose to borrow from micro-financial institutions to finance their business initiatives. He suggests that microfinance institutions (MFIs) should offer liability products to enable small and medium enterprises (SMEs) to obtain safe savings and have greater autonomy in managing investment and asset liabilities. Consequently, this should enhance the performance of small and medium-sized enterprises (SMEs) by enabling them to sustain their operations through savings and obtaining substantial loans, thereby stabilizing and expanding their scale of operation. Though the number of SMEs in Uganda financed by MFI has significantly increased, the bulk of these SMEs have not shown any improvement in their performance. (Weldern,2002).

A significant number of small and medium enterprise owners lack the expertise to effectively handle the financial aspects required for entrepreneurial firms, therefore hindering their ability to

maintain steady expansion. The dearth of micro-credit loans has hindered the growth of small and medium enterprises while depriving other ambitious individuals of the opportunity to establish their small businesses due to insufficient cash. Paradoxically, several microfinance institutions seem to offer solutions to the very issues that gave rise to the collapse of small enterprises. Hence, the primary objective of this study was to determine the influence of microfinance on the growth of small and medium enterprises (SMEs), with a specific focus on savings and investment patterns in the Mukono district.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objectives**

The primary aim of this study is to assess the influence of microfinance institutions on the expansion of Small and medium-sized enterprises (SMEs) in the Mukono district.

#### **1.3.2 Specific Objectives**

The research was guided by the following precise objectives:

To analyze the impact of financial services on the expansion of Small and medium-sized firms in Mukono district.

To assesses the impact of training services on the development of Small and medium-sized firms in Mukono district.

To determine the impact of advisory services on the development of Small and medium-sized firms in Mukono district.

## **1.4 Research Questions**

To what extent do financial services impact the expansion of Small and Medium-sized Enterprises (SMEs) in Mukono district?

How does the provision of training services impact the development of Small and medium-sized firms in Mukono district?

How does the provision of advisory services impact the development of Small and medium-sized firms in Mukono district?

## **1.5 Scope of the Study**

### **1.5.1 Geographical Scope**

The proposed research was carried out inside the Mukono District. Mukono District shares its northern boundary with Kayunga District, its eastern boundary with Buikwe District, its southwestern boundary with Kalangala District, its western boundary with Kira Town and Wakiso District, and its northwestern boundary with Luweero District. The town of Mukono is located around 21 kilometers (13 miles) to the east of Kampala, the capital and most populous city of Uganda. The Nalubaale Power Station is located around 55 kilometers (34 miles) to the west of the town of Njeru, along the Kampala–Jinja Highway. The precise geographical coordinates of Mukono District are 00°28'50.0"N, 32°46'14.0"E, with a latitude of 0.480567 and a longitude of 32.770567. The selection of Mukono District is based on the significant contribution of microfinance institutions to the development of Small and medium-sized companies (SMEs) in the area, as evidenced by the evaluation test report of 2012.

### **1.5.2 Scope of Content**

The scope of the study was restricted to examining the correlation between the function of microfinance institutions and the expansion of small and medium-sized enterprises (SMEs) in the Mukono district. The research will focus on small and medium firms categorized as general commerce, electronic shops, beauty shops, restaurants, and boutiques located in the Mukono district. The research project will employ a well-designed questionnaire to gather data. SME owners and staff will be the subjects of data collection. This study will specifically examine three variables: financial services, training services, and advising services.

### **1.5.3 Time Scope**

The analysis focused on the timeframe spanning from 2017 to 2023. This is because it was during this time that a multitude of issues of microfinance institutions and the expansion of small and medium-sized enterprises took on a significant magnitude in Mukono district.

### **1.6 Importance of the Research Report**

This research may be highly advantageous for owners of micro, small, and medium enterprises (MSMEs) as it presents findings that suggest the use of microfinance loans. Such loans can facilitate the expansion of their business by enabling them to offer a wider range of products or services. Furthermore, it offers SMEs the chance to comprehend the influence of microfinance loans on their organization, therefore enhancing the growth of their enterprises. To provide MFIs and those aspiring to become MFIs with a comprehensive understanding of the obstacles they may encounter and strategies to mitigate and achieve success in their operations, this research serves as a helpful resource.

This research, conducted in collaboration with certain foreign donor agencies, will enhance the knowledge of the government and the public regarding the role of microfinance institutions (MFIs) in the small and medium enterprises (SME) sector. The study emphasizes the potential influence that the growth of microfinance institutions (MFIs) can exert on participant groups and various sectors of the economy. To have a deeper understanding of the impact of MFI loans on business performance, researchers and academicians in this field of study or anyone interested in research can explore the topic. Additionally, they may be capable of recognizing the deficiencies that need further investigation to enhance the existing body of knowledge. This study may be utilized by Ugandan policymakers to inform the development of policies that impact microfinance institutions and small and medium-sized enterprises. They may have adequate knowledge of the requirements for obtaining loans and expanding small and medium-sized enterprises (SMEs) in Uganda. This may enable them to formulate policies that facilitate the expansion and advancement of small and medium-sized enterprises (SMEs).

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter provides a literature analysis on the impact of microfinance institutions on the development of small and medium-sized enterprises (SMEs). More precisely, the chapter examines the separate goals of evaluating financial services practices as the first objective, followed by training services, and finally advice services.

#### **2.1 Theoretical Review**

##### **Resource-Based View (RBV) Theory**

allow them to gain a competitive edge and others that result in exceptional long-term success.

Resources that possess both high value and scarcity have the potential to generate a competitive edge. To maintain that advantage over extended periods, the company must be able to safeguard against resource imitation, transfer, or substitute. Empirical research employing the theory has often provided robust support for the resource-based view. The resource-based view (RBV) is a strategic resource management tool adopted by organizations to assess the available resources for strategic decision-making. The RBV posits that a firm's competitive advantage is primarily derived from the effective use of its valuable resources. To convert a short-term competitive advantage into a long-lasting competitive advantage, these resources must be diverse and not easily transferable. In essence, this results in valuable assets that cannot be easily replicated or replaced without significant exertion. If these requirements are met, the various resources of the firm can help the firm maintain returns that are higher than the average (Snodgrass, 2006).

Entrepreneurs possess unique resources that enable them to identify new ventures and gather the necessary resources for their initiatives. Through the consideration of resources, ranging from the identification of opportunities to the capacity to structure these resources within a company and subsequently generate diverse outputs that surpass market standards, we facilitate the identification of challenges that initiate the exploration of the unique field of entrepreneurship (Snodgrass, 2006).

### **The Hybridity of Theory**

This argument illustrates that the demand for urban living is very large and that any attempt to equalize the representation of labor and intellectual occupations will only lead to a widespread adverse reaction. First and foremost, the primary challenge encountered by individuals of this nature is insufficient financial resources to support their endeavors. Given the current economic circumstances, banks are encountering increasingly challenging choices about the timing, recipients, and value of loans. In the absence of confidence between lenders and borrowers, it appears that the sole recourse for major banking institutions is to establish irrevocable agreements with borrowers, ensuring their repayment regardless of the expenses involved. This approach results in the rejection of a significant majority of borrowers only based on their income and creditworthiness (Weldern, 2002).

### **2.2 Financial Services and Growth of Small and Medium-Sized Enterprises**

MFIs play a vital role in providing a diverse range of financial services to individuals residing in both urban and rural areas. Providing financial services to small and medium-sized enterprises (SMEs) is crucial as it enables micro-scale entrepreneurs to access financial resources and enhance their productivity (Wanjiku, 2015). Microfinance institutions offer a range of financial

services, including savings, loans, payment functions, money transfers, and insurance.

Microfinance is crucial because it offers essential financial services to impoverished and low-income households, entrepreneurs, and emerging businesses that would otherwise lack access to such services. Microfinance financial services are closely associated with the success of small and medium enterprises (SMEs) because access to capital is a fundamental element for them to thrive in their endeavors to develop productive capacity, compete with other businesses, create employment, and contribute to poverty reduction (Wairimu & Mwilaria, 2017).

### **Micro-Credit Services**

According to Kimanzi (2016), microfinance is tailored to the specific financial requirements of small and medium-sized enterprises (SMEs), unlike commercial banks. Microfinance enhances the capacity of low-income small and medium-sized enterprise (SME) owners to obtain loan facilities to expand their products, thereby improving their financial performance. Although microfinance exists, the availability of financial services for small and medium-sized firms (SMEs) is still inadequate. This can be attributed to the presence of collateral requirements that must be provided as a guarantee before a loan can be extended to these persons. Due to their lack of sufficient assets to offer as collateral, the majority of these low-income earners are excluded from accessing credit instruments. The majority of small and medium-sized firms (SMEs) struggle to obtain financial services from lending institutions due to their lack of knowledge on successfully obtaining credit facilities. Simultaneously, managers of almost all commercial banks exhibit a significant hesitancy to extend loans to small and medium-sized enterprises (SMEs) in comparison to their male counterparts. Despite the availability of credit in lending institutions, many small and medium-sized firms (SMEs) face difficulties in accessing credit facilities (Lebovics, Hermes & Hudon, 2016).

Benás, Vojtović, and Ključnikov (2016) argue that the primary obstacle hindering the performance of small and medium-sized firms (SMEs) is the lack of access to credit. Because of the associated costs, financial institutions such as commercial banks are hesitant to provide loans to these small and medium-sized firms. Microfinance institutions address this deficiency by providing loans to clients at a comparatively reduced interest rate. According to Alshatti (2015), businesses can greatly benefit from having easy access to credit facilities since it leads to higher stock and sales revenues. These companies can undertake high-risk ventures, and the larger the risks, the bigger the potential benefits if the projects are successful endeavours. This finding is based on microenterprises and includes substantial loan risks. To enhance the performance of small and medium-sized enterprises (SMEs), microcredit aims to provide improved access to small loans that are not offered by conventional financial institutions (Navajas, 2015).

Insufficient loan availability for disadvantaged individuals who are either just below or slightly above the poverty threshold is believed to have negative consequences on small and medium-sized enterprises (SMEs) and overall welfare. The provision of low-interest financing improves the capacity of small and medium-sized enterprises (SMEs) to bear risks, adapt to risks, and smooth their consumption patterns over time. Microfinance lending is believed to enhance the performance of small and medium-sized enterprises (SMEs) according to these arguments offered (Robinson, 2015). Ondoro and Omena (2018) surveyed entrepreneurs in the SME sector and found that they heavily depend on finance as a means to achieve business expansion and profitability.

Naomi (2015) examined the effects of MFI services on the expansion of SMEs in Machakos County. The study examined the relationship between two independent variables, savings and access to loans, and the dependent variable. The regression analysis revealed a positive

correlation between the two independent variables and the responsive variable. Positive contributions to sales growth have been made by microcredit and training, whereas negative contributions have been made by microinsurance. These findings suggest a robust positive correlation between the variables under investigation. An investigation conducted by Morobe (2015) in Nairobi County examined the influence of microfinance loans on the financial performance of small and medium-sized enterprises. A significant impact of microfinance loans on the financial performance of SMEs in Nairobi County was also discovered by the study. According to the study, microfinance loans have a significant impact on the financial performance of small and medium-sized enterprises (SMEs) in Nairobi County.

Chibole (2016) examined how capital microfinance loans, liquidity, and ownership impact the development of medium-sized firms in Kenya. The sample consisted of 311 entities selected from medium-sized firms situated in the Nairobi Central Business District (NCBD). Utilizing stratified random selection, the study selected 20% of the target population, resulting in a responder base of 62 individuals. Questionnaires were employed to collect data for the research. The Statistical Package for Social Sciences (SPSS 21.0) was utilized to calculate the descriptive and regression statistics. In Kenya, the study revealed that the growth of medium firms is influenced by capital structure, financial liquidity, and ownership structure. The report advised firms to steer clear of high microfinance lending ratios since this could lead to increased transaction costs and a reduced ability to pay larger dividends. It also suggested that SMEs could promote institutions to participate in their operations.

Kibet (2015) sought to establish a correlation between microfinance bank loans and the performance of small and medium-sized enterprises (SMEs) in Uasin Gishu County, Kenya. The study focused on more than 5,000 entrepreneurs representing 47 small and medium-sized

enterprises (SMEs). The research utilized an ex post facto statistical design. The research employed open and closed-ended questionnaires, observation, and interview guides as its major instruments. The conceptual clarity and investigative bias were assessed using face and content validity evaluations. The study employed a simple random sample technique to select 47 SMEs. Among these SMEs, 17 rejected the loan offered by MFIs, while 30 SMEs had obtained loans from MFIs. The results indicated that microfinance institutions (MFIs) had the primary role in providing initial funding for small and medium enterprises (SMEs) and mostly offered loans and savings services. All of the small and medium-sized enterprises (SMEs) included in the survey admitted that they obtained their investment money for investment purposes from loans. These monies were allocated as anticipated, and microfinance institutions (MFIs) were the main providers of the cash because there were no other options available. To stimulate lending, which not only affects the economy through increased circulation of money but also alleviates the unemployment rate, the study suggested that the government should enact legislation that facilitates SMEs' access to microcredit that is mutually beneficial to both sides.

### **Micro-Savings Services**

Microfinance institutions, as per Sifunjo, Kisaka, and Mwewa (2014), facilitate the secure and suitable preservation of funds for small and medium-sized enterprises (SMEs). Revenue variations have a significant impact on the performance of small and medium-sized enterprises (SMEs). To alleviate this, SMEs save when they have more cash available to spend during periods of low revenue. When savings accumulate to significant amounts, they can be used to not only protect small and medium-sized enterprises (SMEs) from risks but also to enhance or facilitate investment in unforeseen opportunities. According to Nanyama (2014), the act of mobilizing resources from small-scale firms carries inherent risks. Therefore, microfinance

institutions that are permitted to execute this task must demonstrate their ability to safely mobilize savings. They should exhibit robust governance and professional management, robustness and dependability, sufficient internal controls, financial management, and information systems, ensure that deposits and savings are not used to cover operational costs and maintain records of effective loan portfolio quality management.

Historically, Ishengoma and Kappel (2015) suggest that the mobilization of funds for microfinance has occurred through mandatory savings under group or individual lending approaches. Frequently, a portion of the loan proceeds is mandated as savings and is intended to ensure the payback of the group loan. Compulsory savings were also perceived as a means to cultivate saving behaviors in economically disadvantaged households. However, empirical evidence has revealed that mandatory saving does not promote consumers' saving behaviors but rather is seen as a prerequisite for obtaining loans. Facilitating voluntary savings and guaranteeing security, adaptability, and availability are the most influential factors in the development and success of small and medium-sized enterprises (SMEs) (Kalu & Nenbee, 2016).

Rajesh and Mahapatra (2015) contend that all microfinance development initiatives must prioritize the provision of secure and easily accessible savings services for micro and small-size firms. Potential strategies for microfinance institutions to offer the service at reduced expenses include mobile banking, microfinance officers paying visits to rural communities on market days, and enabling groups to collect and deposit individual voluntary savings. Enhancing the accessibility of secure savings facilities boosts self-financing capabilities and hence diminishes the necessity to borrow, which carries its risks. Thus, saving is a less dangerous method of acquiring investment capital than assuming a loan with a predetermined repayment need.

Microfinance institution (MFI) infrastructure expands the opportunities to gather rural savings through many means, including savings clubs, mobile savings banks, and formal MFI institutions like postal office savings banks, building societies, cooperative societies, informal saving groups, and money lenders (Shaheen & Batool, 2016).

Sibomana and Shukla (2016) reviewed the impacts of village savings and loan networks on the development of small and medium-sized enterprises (SMEs) in Rwanda, focusing on the Kayonza District. The researcher employed a descriptive methodology that combined qualitative and quantitative research methodologies to enhance the analysis of the study. The findings indicated that Kayonza district provides a range of credit/loan services and savings services and offers guidance on investment services. A range of credit/loan services includes supplying clients with the necessary loan amount, delivering the loan promptly, offering loans with only guarantors and no collateral, offering loans with a low interest rate, and providing loans with flexible repayment plans depending on an individual's income.

A rigorous analysis of the evidence of savings in microfinance institutions (MFIs) in Croatia was conducted by Bateman and Chang (2017). They concluded that the primary significance of savings was in enhancing the profitability of external shareholders and managers. According to the experts, poverty can be alleviated by implementing several interventions on policies, similar to those used in Malaysia, China, Taiwan, South Korea, and India. The researcher proposed doing research to ascertain the function of savings in fund accumulation among small and medium-sized enterprises (SMEs).

### **Micro-Insurance Services**

Robinson (2015) states that micro-insurance services are a specialized service and product that microfinance institutions (MFIs) are testing in partnership with insurance companies. This argument is predicated on the notion that the prosperity of the small and medium-sized enterprise (SME) sector can be facilitated by establishing a connection between SMEs and other service providers, such as insurance organizations. In the case of a catastrophe such as a fire, strike, or workplace injury, a small and medium-sized enterprise (SME) must possess insurance coverage. Failure to have insurance may render them susceptible to certain risks and losses (Manning, 2014). MFIs have recognized this need and are endeavoring to establish a connection between small and medium-sized enterprises (SMEs) and insurance providers. The owners of small and medium-sized enterprises (SMEs) must establish contingency plans in the event of an unforeseeable event in the business. These measures should attend to the safety, health, and well-being of employees before, during, and following an emergency.

The implementation of crisis planning, response, and recovery is crucial for organizations to initiate their recovery process and operate efficiently, even in the face of a catastrophe. These findings highlight the significance of microfinance institutions (MFIs) in facilitating the connection between small and medium enterprises (SMEs) and insurance companies to offer coverage for enterprises, therefore ensuring their recovery and performance in the event of a disruption (Robinson, 2015). Each group member must submit one percent of the loan as their payment to the loan insurance. Studies have shown a direct correlation between insurance provided by microfinance institutions (MFIs) and the success of small and medium enterprises (SMEs). As an illustration, Robinson (2015) conducted a study that specifically examined the impact of MFIs on the performance of SMEs. The study aimed to evaluate the influence of

microcredit on the elimination of poverty in Zambia and also advocated for the incorporation of microinsurance to enhance the performance of small enterprises.

### **2.3 Training Services and Enhancing the Development of Small and Medium-Sized Enterprises**

Education and training are crucial elements in improving the development and competitiveness of small and medium-sized enterprises (Macheke, 2012). A microfinance institution's training component is considered a useful tool to address information imbalances by educating group members to use their social connections, which are part of their social capital, to assess, supervise, and ensure loan repayment among their peers (Kessy & Temu, 2015). Microfinance institutions (MFIs) employ their trainers to deliver training sessions, typically conducted inside weekly group meetings for owner-managers. They deliver training in the wide-ranging domains of financial literacy, strategic planning, and operational and vocational training. The training serves as a revelation for small business owners who lack fundamental financial management skills to effectively handle daily business operations and accurately track all income and expenses. According to Ahmad, Jadoon, Ahmad, and Khan (2017), trainers in microfinance institutions employ interactive training methods such as problem-solving games and role-playing to enhance action learning. They also utilize adult learning techniques to facilitate the acquisition of new knowledge and skills by owner-managers.

#### **Training in Management Skills**

Baráth, Nazir, and Andre (2017) assert that business management training is a prevalent means of actively assisting emerging and expanding enterprises. Moreover, it is a frequently used policy alternative to enhance productivity and maintain the competitive edge and performance of small

and medium-sized enterprises (SMEs). Engaging in management training enhances personal drive, professionalism, and energy while also fostering corporate growth. It serves as a catalyst for both aspiring entrepreneurs and existing business owners to explore new business opportunities. Njoroge (2015) showed that effective management abilities are a crucial determinant of success for entrepreneurs. Effective business owners employ proficient management abilities to provide unique services and enhance the quality and design of their products or services.

Mwobobia (2012) says possessing exceptional management abilities is crucial for effectively leading a pioneering organization towards achieving success. Nevertheless, although entrepreneurs must possess a strong education and expertise in their particular scientific field, they frequently lack adequate commercial management skills. Internal factors are the most often observed cause of business failure among small and medium-sized enterprises (SMEs). Commonly, inadequate management is associated with other internal factors contributing to business failure. Typically, small enterprises are established by a single entrepreneur or a small cohort of entrepreneurs who possess a viable concept for developing a product or service. It poses a significant risk to their existence and acts as a severe limitation and barrier to their progress and advancement, often hindering their ability to apply their exceptional scientific and technical skills in the actual economy (Bowen, Moraira, & Mureithi 2012).

Wanjohi (2012) identified the absence of business management skills as the primary obstacle to the growth of small-scale enterprises. Initially, the owner-manager can manage their business, but as it expands, they must assign responsibilities to employees who possess business management skills such as finance, sales, production, and human resource management to fulfil the increasing demands of the firm. Another hindrance to growth, highlighted in the Global

Competitiveness Index (GCI) Report (2013), is the outdated nature of the current Kenyan training curriculum and the significant shortcomings in public training facilities and instructional capacities.

Njoroge (2015) asserts that microfinance institutions are likely to provide the service of managing small businesses to assist them in addressing many of their challenges. These institutions educate entrepreneurs in financial management, business planning, and projection. They teach individuals how to earn, spend, save, borrow, and invest money in a manner that benefits them and their families. As a result of this training, participants can make better financial decisions. Most MFIs provide financial literacy training before they provide microcredit, as owner-managers can use the knowledge acquired from this training to make prudent use of microcredit in their businesses.

Perelman (2011), the management style of women entrepreneurs in high-technology industries is examined. In a dynamic environment, these entrepreneurs make decisions that are influenced by uncertainty and ambiguity. Therefore, the success of their businesses relies heavily on their judgments. Perelman discovered that successful decisions in high-tech industries must align with the evolving needs of the industry. Furthermore, successful management skills are required in terms of flexibility in risk-taking, focus, personal involvement in daily operations, creativity, energy renewal (innovation), understanding (insight), and business impulse (intuition).

Absah, Muchtar, and Lubis (2018) examined the impact of social media training on the performance of small and medium-sized enterprises (SMEs). Thirty entrepreneurs are used as samples in this survey. The data analysis employed in this study is chi-square analysis. This analysis indicates that social media training has a positive effect on the performance of SMEs. Research conducted on 30 actors of SMEs in Medan demonstrates that there are improvements in

performance before and after social media training. Positive and significant improvements in the overall performance of 30 MSMEs after social media training in total. In conclusion, the differential test model does apply to the samples individually, but on average as a group.

### **Training in Entrepreneurship Skills**

Developing entrepreneurial abilities entails the ability to identify economic prospects and take efficient action to capitalize on them (Kibet, 2020). Given global economic worries, several national governments have identified increasing entrepreneurial activity as a high goal. Through the provision of entrepreneurship education and training, students will acquire enhanced skills and knowledge necessary to initiate their firms and make meaningful contributions to their communities. According to Kimball and Lussier (2021), improving the skills of workers is crucial for the competitiveness of small and medium-sized enterprises (SMEs). In the current corporate landscape, there is a high value placed on innovation that allows companies to create novel products and services, improved manufacturing methods, and innovative business strategies. This necessitates both internal innovation and the capacity to assimilate knowledge from external companies and institutions, both of which demand a proficient workforce. Skills are an essential yet occasionally underestimated asset for entrepreneurship, as understood in the context of establishing a firm. Like workforce skills, entrepreneurship skills will enhance the competitiveness of local enterprises by leveraging the enhanced strategic and management capabilities of the entrepreneur.

The research conducted by Masouras, Maris, and Kavoura (2020) highlights the significance of critical thinking and problem-solving as essential skills. However, it is well acknowledged that more focus should be given to improving abilities related to taking risks, generating new ideas, fostering creativity, and collaborating. Adopting a practical approach is crucial for improving

project management and budgetary skills. Therefore, there is a growing recognition that the teaching of entrepreneurial skills should involve active participation and include case studies, games, projects, simulations, real-life activities, internships, and other such practical experiences. However, the implementation of active learning methods necessitates trainers who have outstanding qualifications and confidence in successfully engaging participants in the learning process, therefore promoting innovation and creativity and enabling ongoing learning from accomplishments.

### **Training in Technical Skills**

According to Baporikar (2021), technical skills training is learning the skills that are needed to make a business's product or service. In the tough business world of today, small and medium-sized businesses (SMEs) count on the skills and knowledge of their employees. workers to keep up with success, productivity, and new ideas. Also, at every level, there is a persistent problem at the top of the SME hierarchy, from CEOs to ICT experts to end users. not having enough computer skills. SMEs then face a strange situation when it comes to training and growth, which are seen as important for staying competitive and successful in the world we live in now.

Keengwe and Byamukama (2019) found two primary factors contributing to the lack of technical skills training and development programs in local enterprises (SMEs). First and foremost, it appears that small and medium-sized enterprise (SME) owners often misunderstand the advantages that technical skills training may provide to the company, the employees, and the personnel. Furthermore, small and medium-sized enterprise (SME) owners often offer limited technical skills training and development programs to their employees due to the belief that the expenses are greater and the advantages are lesser compared to bigger organizational entities. Small and medium-sized enterprises (SMEs) may lack the necessary financial resources to

allocate towards staff skills development. The reason why SMEs may not invest significantly in external employee technical skills training is attributed to their short-term orientation and their inability to fully realize the advantages resulting from the training expenses. Small and medium-sized enterprises (SMEs) have an additional obstacle regarding the execution and accessibility of training programs. This is because the student may not stay with the company for an extended duration, which hinders the recovery of training expenses (Baporikar, 2018).

Lee (2016) examined the training of technical skills in small and medium-sized firms (SMEs) in the Republic of Korea, focusing on innovative instances and the consortium approach. This study examined government programs that target the promotion of technical skills and start training in small and medium-sized enterprises (SMEs) to improve their contributions to economic development. The research examined the contribution of small and medium-sized enterprises (SMEs) to national development and the distinct obstacles they encounter. Furthermore, it examined novel and focused strategies for fostering training among small and medium-sized enterprises (SMEs) in Asia and Latin America. The paper provided a comprehensive analysis of the goals and accomplishments of a very effective focused technical training policy for small and medium-sized enterprises (SMEs), namely the SME Training Consortiums Program in the Republic of Korea, as an exemplary model. The study concluded by providing some warning comments for future progress.

#### **2.4 Advisory Services and Growth of Small and Medium-Sized Enterprises**

Farhana (2015) suggests that microfinance institutions (MFIs) offer advising services to individuals who are obtaining loans for entrepreneurial purposes to ensure that the loans are repaid through prudent investment. As a result, microfinance institutions (MFIs) have customized or more appropriate financial solutions for many small-scale clients who obtain

microloans and seek guidance on how to effectively use the borrowed funds. Microfinance institutions (MFIs) are proactive in promoting business investment growth by offering advisory services to assist entrepreneurs in effectively and judiciously utilizing their services. The engagement of MFI with small-scale enterprises and the provision of advisory services significantly impacts micro-scale merchants. These merchants receive guidance on whether activities would be radically transformative or beneficial to their firm, promoting sustainable creative growth. Raven (2015) argues that microfinance institutions are committed to stimulating business investment growth by offering advisory services to entrepreneurs, encouraging them to actively seek and effectively utilize their services. The primary rationale for the provision of financial training and consulting services by many MFIs to individuals seeking loans for entrepreneurial endeavors is to ensure the loan is repaid through prudent investment.

### **Business Counselling Advisory Services**

The business counseling provided in a microfinance setting may vary in terms of context and location when compared to counseling delivered at other business help programmers like Small Business Development Centers and Small Business Institutes in the developed world. The counselors of MFI offer guidance and support to entrepreneurs, specifically owner-managers, in many settings, such as MFI, owner-manager/entrepreneur group meetings, and the field. Attached to microfinance institutions (MFIs), counselors offer both group and individual counseling services to entrepreneurs. Business counseling provides advice and guidance to entrepreneurs in addressing their strategic, administrative, and operational challenges. The role of the small business counselor is to facilitate and support clients in obtaining certain processes.

According to Sashi (2015), the offering of business advice by mutual financial institutions (MFIs) improves the performance of both owner-managers and the MFIs themselves. Counseling

supports owner-managers in innovating products, implementing strategic modifications, and promoting their products. In contrast, the offering of counseling services by MFIs guarantees the prosperity of owner-managers in their business operations and their ability to repay their loans. Evidence suggests that the implementation of Business Development Services (BDS) enhances the operational effectiveness of both owner-managers and microfinance institutions (MFIs). Given that BDS is administered through counseling and training, it is contended that counseling probably played a role in enhancing performance. The market pattern of BDS is influenced by the notion that the goals of outreach and sustainability can only be achieved in well-established BDS marketplaces (Kimando & Sakwa, 2015).

Generally, the counselors in the MFI setting offer owner-managers the following business development services: financial literacy education, support in preparing business plans, aid in business registration, expertise in record keeping, facilitation of training connections, the establishment of market connections, facilitation of loan connections, formation of producer groups, and transfer of technology (Gunathilaka, 2015). Until a major occurrence occurs, Patton and Marlow (2015) contend that small enterprises are frequently oblivious to their knowledge and skills deficiencies.

### **Loan Size Advisory Services**

Loan size is a crucial determinant that lenders utilize to mitigate loan default in both individual and group lending programs. The loan size is established by the mutually agreed-upon repayment amount stated in the loan agreement (Kjenstad, Su & Zhang, 2015). A 2017 study conducted by Kodongo and Kendi revealed a negative correlation between the magnitude of a loan and the likelihood of loan default. According to Kodongo and Kendi, microfinance institutions (MFIs) tend to provide smaller loans to individual and younger clients while often granting larger loans

to categories of customers. As per Kiros (2016), there exists an inverse relationship between the level of debt and the probability of loan default by that borrower. By ensuring timely disbursement of larger loans to Nigerian farmers, the incidence of loan defaults declined. As a result, farmers gained more access to funds for loan repayment. Simmons and Tantisantiwong (2016) provided technical explanations showing that larger loans have lower default rates compared to smaller loans. Simmons and Tantisantiwong's analysis revealed that loans extended to individual borrowers increased in monetary value over time, with individual loans generally surpassing group loans in size. The absence of peer pressure results in larger loan amounts for individual loans (Ojiako and Ogbukwa, 2015). Given the limited capacity of group insurance to repay a member's debt in case of default, members of group lending refrain from obtaining large loans. Individual lending is more advantageous than group lending in terms of loan amounts and repayment rates since it eliminates the influence of peer pressure sometimes encountered in group lending (Kumar, 2015).

The magnitude of the loan significantly affects the repayment performance of small and medium-sized enterprises. In their 2015 study, Ojiako and Ogbukwa examined the barriers to loan payback in Ogun State, Nigeria. Their findings revealed that increasing the loan amount positively correlated with the probability of repayment. Larger loan borrowers had greater access to essential inputs and improved farm management capabilities, leading to higher production and increased revenue. A study conducted by Ezihe, Oboh, and Hyande (2018) revealed that farmers defaulted on smaller loans due to insufficient profitability resulting from higher crop production. Ezihe et al. advocated for lenders to offer bigger loans to enable farmers to effectively address their basic agricultural requirements. In a similar vein, Chisasa (2016) discovered that increasing agricultural production, hiring additional labour, and purchasing superior inputs were all factors

that led to increased productivity, thereby enabling the repayment of debts. The Rajbanshi. Huang and Wydick (2015) argue that the practice of providing small loans to SMEs hinders agricultural development. Therefore, a microfinance leader should familiarize themselves with the specific investments that borrowers are likely to make to determine the appropriate loan levels that will enable repayment.

### **Collateral Requirements Advisory Services**

Collateral is a form of secondary protection, such as property or other assets, that a lender requires to guarantee a borrower's performance on a debt obligation (Magali, 2015). Individual lenders use collateral to alleviate both screening and enforcement issues. When a borrower fails to repay a loan, collateral serves as compensation. Personal loans pose challenges for lenders in the BOP market because borrowers are often low-net-worth individuals with little that MFIs may acquire in the case of a loan default (Kodongo & Kendi, 2017).

In Magali's (2015) study, it is suggested that lenders must carefully evaluate several factors before implementing the use of collateral. One crucial factor influencing a borrower's motivation to repay a loan is ensuring that the value of the collateral exceeds the loan amount. In addition, lenders should consider establishing a provision wherein borrowers provide deposits into their savings as security to the lender. By instilling the dread of losing their funds, this approach would discourage borrowers from failing to return the loan. Finally, if the first and second approaches are not suitable, the lender may contemplate accepting the land owned by the borrowers as security. An assessment of the possible choices within the MFI context would determine the appropriateness of each of these alternatives.

The collateral alternatives used by microfinance leaders vary widely. Because of a lack of acceptable assets for collateral, some private lenders are willing to take collateral substitutes from borrowers (Sun & IM, 2015). Lenders in countries like China, where it is illegal for borrowers to use real estate as security, must rely on collateral alternatives like stocks and bonds (Cheng & Ahmed, 2016). An emergency fund has been established to protect the MFIs in the event of a borrower's death, disability, or loan default. Those who took out a loan had to pay an additional 5% of the total amount they borrowed. These payments are typically recouped from the members' loans or are part of recurring contributions that are imposed on the borrowers.

Chisasa (2016) states that lenders may require borrowers to provide guarantors to secure their loans. For instance, a borrower's diploma, marriage certificate, driver's license, or other important document can be used as collateral instead of cash. Bank Rakyat Indonesia, a prestigious microfinance institution in Indonesia, fully utilized the collateral substitution approach by accepting these valuables. Borrowers could use household items as collateral if they had sufficient personal worth (Sun and IM, 2015). In rural Albania, lenders were willing to accept physical assets such as animals as collateral.

Previously, Roberts (2016) stressed that the guarantor's involvement needs to be meaningful and not merely as a backup repayment source. Having a guarantor on hand lowers the lender's risk of making a negative lending decision by removing the need for persons with poor loan payback histories to put in extra effort to provide one. The implications of the fact that lenders may consider collateral substitutes if borrowers are unable to provide formal collateral for loans should be understood by those responsible for microfinance. On the other hand, collateral alternatives must be legal and hold sufficient significance in the culture of the borrowers. The lender must be cognizant of the fact that the primary purpose of a guarantor is to provide the

necessary assurance that the borrower is creditworthy rather than to serve as an alternative source of payment for the loan if a borrower has employed one. This fact must also be known to the lender. However, the lender may insist on the guarantor's payment as a final alternative (Giné & Karlan, 2015).

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0. Introduction**

This chapter addressed the area of investigation, research design, research population, sampling strategy and sample size, data collection methods, data collection instruments, data quality control, presentation and data analysis, and ethical considerations.

#### **3.1 Research Design**

Research design, as defined by Yonda (2012), refers to the systematic framework, structure, or blueprint that was employed to produce solutions to research issues. Dooley (2017) emphasized that a research design served as the framework of the research, acting as the cohesive force that binds all the components of a research endeavour. Design As defined by Yonda (2012), research design refers to the systematic framework, structure, or blueprint that was employed to produce solutions to research issues. Kothari (2003) agreed with Yonda's assertion that a research design served as the framework for gathering, thematically measuring, and analyzing data. Data collection methods for the study included interviews, questionnaires, and observation, using a mixed-study research approach. Analyzing descriptive data using tables was employed to interpret the study results and subsequently show them.

#### **3.2 Sample Population**

According to Amitav & Suprakash (2010), the population refers to a whole group for which certain information needs to be ascertained. In this study, the population comprised 60 small and medium-sized enterprises (SMEs) located in the Mukono District that had interacted with microfinance institutions. These SMEs spanned several sectors including technology, trade,

agriculture, and services. The study included important personnel from the Mukono District Local Government office, including those from the registry, finance, and administration departments. This diverse population offered a comprehensive perspective on the savings and investment patterns influenced by microfinance programs.

### **3.3 Sampling Strategy and Sample Size.**

#### **3.3.1 Sampling strategy**

Sampling refers to the systematic procedure of choosing a subset of persons for a research study, to represent the broader population from which they were chosen (Hzifah, 2015). However, the author cautioned that the sample selected should be very relevant to provide precise and sufficient data necessary for all the study's major objectives. This study used a combination of basic random sampling and purposive sampling methods to acquire the necessary participants. Saunders, Lewis & Thornhill (2012) defined simple random sampling as the most unbiased and explicit probability sampling technique. The purposive sampling approach was a scientific sampling technique where the researcher used their judgment to select individuals from the population to take part in the study. The judgement of the researcher in this case depended on his understanding of the many samples, including their abilities, expertise, experience, department of work, and functions within the local government. Consequently, this facilitated the gathering of accurate and trustworthy data for the research.

In this study, respondents were selected from the sample using simple random selection, and respondents from the administrative and registry samples were selected using the purposive sampling algorithm.

#### **3.3.2. Sample size**

A sample is a smaller and more representative group of the population (Creswell, 2014). In

agreement with Creswell, Crossman (2014) emphasizes that sampling is a research method commonly employed to collect data about a community without the need to measure the entire population. To conduct this study, a sample size of 52 respondents was selected using the Morgan table. The sample consisted of 42 owner SMEs, 5 financial staff, and 5 administrators. The selection of this sample was based on their extensive expertise on the subject being investigated, which guaranteed certainty of accuracy and reliable information. Accordingly, purposive sampling was employed.

**Table 1: showing the sample size**

<b>Categories</b>	<b>Number</b>
Owner SME	42
Finance staff	5
Administrative members	5
<b>Total</b>	<b>52</b>

**Source: Primary data, 2024.**

### **3.4 Data Collection Methods**

Statistical data collection refers to the systematic gathering and measurement of information on variables of interest. This procedure allows researchers to answer specific research questions, test hypotheses, and assess outcomes (Brew, 2006). Although the approaches differ among different fields of study, the focus on guaranteeing precise and truthful data gathering stays constant. The primary objective of data collection is to obtain high-quality evidence that can be efficiently analyzed to provide a comprehensive and reliable response to the questions that have been presented (Weimer, 2010).

### **3.4.1 Questionnaire method**

Saris & Gallhofer (2014) define a questionnaire as a prescribed set of questions and additional prompts designed to collect information from respondents. It is possible to implement this approach on the whole population or selected sectors (Winky, 2011). The study involved the use of questionnaires to gather consistent or sporadic routine data. A questionnaire necessitated respondents to independently complete the form, thereby requiring the researcher to directly distribute the questionnaires to the respondents and collect them thereafter. The questionnaires were used to gather data from the selection of small and medium-sized enterprises (SMEs) and the registry sample. This approach enabled the study to get diverse viewpoints from multiple participants within a limited timeframe, thereby being time-efficient.

### **3.4.2 Interview method**

Farago, Zide & Shahani-Dennin (2013) defined an interview as a dynamic exchange in which the interviewer poses questions and the interviewee responds. This was the most often used and typically most efficacious method for gathering facts. This methodology was employed to ascertain the veracity of information, recognize the necessary criteria, and collect ideas and viewpoints. This approach enabled the straightforward resolution of the encountered challenges. During interviews, information was acquired by interrogation and documented by enumerators. Unstructured interviews were carried out, during which the researcher recorded notes as the respondents responded. The investigator conducted interviews with the administrative and registry samples. This approach enabled the researcher to get an understanding of the personal experiences of the participants, including their body language and gestures, while also offering comprehensive background information regarding the study.

### **3.4.3 Observation method**

The assessment study team (2012) defined the observation method as a data collection technique that involves scrutinizing behaviour, events, or physical attributes in their authentic environment. The researcher employed this approach to scrutinize the operations, practices, and activities of records preservation and conservation in the registry and administrative offices, as well as the observable factors contributing to the degradation of records and the overall structure of records management at the local government. By employing this approach for data gathering, the researcher depended not on verbal statements but on the factual observations made in samples and conducted his analysis.

## **3.5 Data Collection Instruments**

This study utilized two data collecting equipment, which are:

### **3.5.1 Questionnaire**

Carl Preconference (2012), a questionnaire guide is a tool utilized in survey research to gather data. The study utilized questionnaires created by the researcher, which included a consistent set of questions. These questions investigated the particular subject matter and gather data on demographics, opinions, attitudes, and behaviour concerning records preservation and conservation at Mukono District Local Government. To optimize the rate of return, the questionnaires were crafted with a focus on simplicity and clarity. They were divided into specific sections and questions, and then delivered to respondents beforehand and then selected at a later time.

### **3.5.2 Interview guide**

This study employed an interview guide to streamline the process of collecting data through

interviews. This document served as a structured interview guide, including questions that are closely related to the research topic and objectives. This assisted the researcher in conducting interviews with administrative and registry staff members who are responsible for managing active records and are more qualified to provide the necessary information on the factors, constraints, and techniques related to the preservation and conservation of records.

### **3.6 Data Quality Control**

The process of data quality control involves profiling the data to identify inconsistencies and abnormalities, as well as doing data cleansing tasks such as eliminating outliers and interpolating missing data to enhance the data quality. Effective data quality control was implemented throughout the whole project, starting from data collection and continuing until data is presented. This entails a procedure known as data quality improvement. Epsteil (2007) classified data quality into two categories: data validity and data reliability.

#### **3.6.1 Data validity**

Quinlan (2011) defined data validity as the assessment of the research's validity, namely in terms of its logical, truthful, robust, sound, meaningful, reasonable, and usefulness. Quantitative data was collected from the respondents using standardized questionnaires to ensure validity. In addition, the questionnaire and interview guide were reviewed by an Expert (the Researcher's supervisor) to ensure the accuracy of the data-collecting equipment. Assessing the accuracy of data is crucial for establishing the relevance of the questions (items) in the questionnaires and interview guides to the study.

#### **3.6.2 Data reliability**

Data reliability is the indicator of the extent to which the researcher may depend on the data in the acquired information. The objective of the researcher is to gather dependable information for

the study. This was accomplished by conducting a pilot study to assess the dependability of the data-gathering tools utilized for the study. A registrar from the Mukono District Local Government office assisted in conducting the pilot study, which helped to eliminate superfluous questions and modify the duration of interviews. Within this context, the researcher will verify the alignment of data sources, the coherence with other data sets, and the procedures used for data audits. Data validation also facilitated the comparison of aggregate data about the different themes/aspects of the study.

### **3.7 Presentation and Data Analysis**

#### **3.7.1 Data analysis**

According to Creswell (2014), data analysis refers to the systematic application of statistical or logical methods to describe, illustrate, summarize, and assess data. Upon completion, questionnaires were examined and organized in the field to verify their completeness. Subsequently, they were encoded and calculated using the Statistical Package for Social Sciences (SPSS), resulting in the generation of descriptive statistics such as frequencies and percentages. These statistics were displayed in the form of tables to enable a rapid analysis of the data. To ensure accurate analysis and summarization, a rating of strongly agree and agree was considered as "agree", while a rating of strongly disagree and disagree were considered as "disagree". The hypotheses were examined including inferential statistics of Pearson product-moment correlation. This approach was selected based on the research design developed by (Mugenda & Mugenda, 2003; Kothari, 2003; Amin, 2005). An analysis of linear regression was conducted to assess the significance level by examining the magnitude of the association between the variables being investigated.

In contrast, qualitative data underwent thorough editing and analysis to guarantee immediate

uniformity and precision in the field. The collection of qualitative data was conducted through interviews, while the quantitative analysis incorporated document analysis comprising quotations from the respondents. The above approach was favoured as it enhances the quality of the information generated by elucidating the quantitative data.

### **3.7.2 Data presentation**

The data was examined by an analysis of words and statements, and thereafter presented as a thesis and tables. The research findings were consolidated into a thesis outline to correspond with the study objectives. They were presented in written form, using words, statements, and tables.

### **3.8 Ethical Considerations**

The researcher initially acquired informed consent from all the participants, rigorously maintaining strict secrecy throughout the treatment of the respondents.

Respect for responders was maintained with great regard by adhering to principles of kindness, objectivity, and honesty.

The respondents were guaranteed that the information collected during the research procedure would be kept confidential and utilized solely for the specified research and academic objectives.

Objectivity; Concerns of objectivity and complete disclosure of accurate identities, such as names, were addressed through permission, including the researcher's assurance of anonymity and confidentiality to prevent bias.

**CHAPTER FOUR**  
**DATA ANALYSIS, INTERPRETATION, PRESENTATION AND DISCUSSION OF**  
**FINDINGS**

**4.0 Introduction**

This chapter analyses interprets and discusses the impact of microfinance services on Mukono District SMEs. The report examines microfinance services' effects on savings and investment, loan accessibility, training, and advisory services.

To understand how microfinance services expand SMEs, descriptive and inferential statistics (regression analysis) are used. Frequencies and percentages reveal respondents' demographics and SMEs' microfinance use. Inferential statistics like regression analysis determine the statistical significance of correlations between variables including loan amounts, savings mobilization, training services, and business growth.

The analysis begins with descriptive statistics and ends with regression analysis, which examines causal links between key variables. This chapter examines how microfinance institutions (MFIs) help SMEs grow and survive.

**4.1 Response Rate**

For the questionnaire survey, data was intended to be collected from 52 participants.

Nevertheless, 52 individuals (100%) returned the questionnaire with all questions completed.

This sample was enough since it exceeds the threshold of 50%, which is considered favorable in empirical research on human subjects (Pielsticker & Hiebl, 2020). Consequently, the gathered data accurately reflected the characteristics of the people.

## 4.2 Personal Information

Table 4.36: Distribution of Gender Among Respondents in the Study

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Male	35	67
Female	17	33
<b>Total</b>	<b>52</b>	<b>100</b>

Source: Primary Data (2024)

According to the data presented in the table, it can be observed that 67% of the participants identified as male, while 33% identified as female. This suggests that the majority of the participants were males, while the minority were females. The decision was made to exclusively interview female respondents as key informants.

Table 4.37: Distribution of Age of Respondents by Survey Results

<b>Age Group</b>	<b>Frequency</b>	<b>Percentage</b>
20-29 years	16	31
30-39 years	23	44
40-49 years	9	17
50 years and above	4	8
<b>Total</b>	<b>52</b>	<b>100</b>

Source: Primary Data (2024)

Table 4.2 displays the distribution of respondents based on age groups: 31% were aged 20-29 years, 44% were aged 30-39 years, 17% were aged 40-49 years, and 8% were aged 50 years and

above. These findings indicate that most of the participants fell between the age range of 30-39 years, while a smaller proportion were 50 years old or older.

**Table 4.38: Distribution of Respondents by Number of Working Years**

<b>Working Years</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 3 years	15	29
3-6 years	25	48
7-10 years	8	15
More than 10 years	4	8
<b>Total</b>	<b>52</b>	<b>100</b>

Source: Primary Data, (2024)

Table 4.3 displays the distribution of respondents' employment durations: 29% had less than 3 years of work experience, 48% had between 3-6 years of work experience, 15% had 7-10 years of work experience, and 8% had more than 10 years of work experience. Thus, it can be inferred that most of the participants had job experience ranging from 3 to 6 years, while a smaller proportion had work experience exceeding 10 years.

**Table 4.39: Educational Levels Attained by Respondents**

<b>Level of Education</b>	<b>Frequency</b>	<b>Percentage</b>
Certificate	01	2
Diploma	04	8
Degree	38	73
Masters	09	17
<b>Total</b>	<b>52</b>	<b>100</b>

Source: Primary Data (2024)

In the above table, 2% of the respondents had reached certificate level, 8% of the respondents had reached bachelor level, 73% of the respondents had reached degree level and 17% of the respondents had reached master's level. This implies that the majority of the respondents were bachelor's degree holders and the minority had reached certificate.

**Table 4.40: Business ownership forms amongst respondents**

Form of Ownership	Frequency	Percentage
Sole proprietor	26	50
Partnership	16	31
Company	10	19
Total	<b>52</b>	<b>100</b>

Source: Primary Data, (2024)

According to the table above, 50% of the respondents said that their business was owned as a sole proprietorship, 31% as a partnership, and 19% as a company. These findings indicate that the bulk of the participants were individual entrepreneurs, while the smaller portion were proprietors of large corporations.

### **4.3 The effects of financial services on the growth of Small and medium-sized enterprises.**

Table 4.41: Respondents' Perception of MFIs' Loan Sufficiency Based on Business Demand

Responses	Frequency	Percentage
Strongly agree	14	27

Agree	22	42
Neutral	2	4
Disagree	9	17
Strongly Disagree	5	10
Total	52	100

Source: Primary Data, (2024)

According to the data presented in the table, it was found that 27% of the respondents strongly agreed that MFIs provide sufficient loans based on their business demand. Additionally, 42% of the respondents agreed with this statement, while 4% remained neutral. On the other hand, 17% of the respondents disagreed, and 10% strongly disagreed with the notion that MFIs lend sufficient loans as per their business demand. The data suggests that a majority of the respondents agreed with the statement that the MFIs provide sufficient loans according to their business demand, while a minority disagreed with this viewpoint.

**Table 4.42: Respondents' Perception of MFIs' Flexible Repayment Option**

Responses	Frequency	Percentage
Strongly Agree	19	37
Agree	15	29
Neutral	3	6
Disagree	8	15
Strongly Disagree	7	13

<b>Total</b>	<b>52</b>	<b>100</b>
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Source: Primary Data, (2024)

According to the data presented in the table, it was found that 37% of the respondents strongly agreed that the MFIs offer finances with flexible repayment mode. Additionally, 29% of the respondents agreed with this statement, while 6% were undecided. On the other hand, 15% of the respondents disagreed and 13% strongly disagreed with the notion that MFIs offer finances with flexible repayment mode. According to the data, it can be inferred that most of the participants in the study expressed their agreement with the notion that MFIs provide financial services with flexible repayment options. However, a smaller proportion of respondents disagreed with this viewpoint.

Table 4.43: The Role of Microfinance in Facilitating Savings Mobilization for SMEs according to the Response

Responses	Frequency	Percentage
Strongly Agree	24	46
Agree	15	29
Neutral	1	2
Disagree	9	17
Strongly Disagree	3	6
Total	52	100

Source: Primary Data, (2024)

According to the data presented in the table, it can be observed that 46% of the respondents strongly agreed that Microfinance plays a significant role in helping SMEs mobilize savings. Additionally, 29% of the respondents agreed with this statement, while only 2% were undecided. On the other hand, 17% of the respondents disagreed with the notion that Microfinance assists SMEs in the mobilization of savings, and 6% of the respondents strongly disagreed. The findings suggest that a significant number of participants expressed their agreement with the notion that Microfinance plays a role in helping SMEs gather savings, while a smaller proportion disagreed with this viewpoint.

Table 4.44: Respondents' Views on Microfinance Institutions Providing Safe and Accessible Savings Services

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agree	13	25
Agree	16	31
Neutral	3	6
Disagree	9	17
Strongly Disagree	11	21
<b>Total</b>	<b>52</b>	<b>100</b>

Source: Primary Data, (2024)

According to the data presented in the table, it was found that 25% of the respondents strongly agreed that MFIs provide safe and accessible savings services for micro and small-size enterprises. Additionally, 31% of the respondents agreed with this statement, while 6% remained neutral. On the other hand, 17% of the respondents disagreed, and 23% strongly disagreed with the notion that MFIs offer safe and accessible savings services for micro and small-size

enterprises. According to the data collected, it can be inferred that a significant number of the participants expressed their agreement with the notion that MFIs provide secure and easily accessible savings services for micro and small size enterprises. On the other hand, a smaller proportion of the respondents disagreed with this viewpoint.

Table 4.45: Perception of Respondents on the MFI providing low-cost services to SMEs

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agree	16	31
Agree	21	40
Neutral	3	6
Disagree	5	10
Strongly Disagree	7	13
<b>Total</b>	<b>52</b>	<b>100</b>

Source: Primary Data, (2024)

According to the data presented in the table, it was found that 31% of the respondents strongly agreed that MFIs provide the service at lower costs to SMEs, while 40% of the respondents agreed. On the other hand, 6% of the respondents were undecided, 10% disagreed, and 13% strongly disagreed with the statement that MFIs make the service available at lower costs to SMEs. According to the data collected, it can be inferred that most of the participants expressed their agreement with the notion that MFIs offer their services to SMEs at reduced costs. On the other hand, a smaller portion of the respondents disagreed with this viewpoint.

#### 4.4 The effects of training services on the growth of Small and medium-sized enterprises.

Table 4.46: Respondents' Perception of Relevance of Training Programs Offered by MFIs

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agree	18	35
Agree	17	33
Neutral	2	4
Disagree	6	11
Strongly Disagree	9	17
<b>Total</b>	<b>52</b>	<b>100</b>

Source: Primary Data, (2024)

According to the data presented in the table, it can be observed that 35% of the respondents strongly agreed that the training programs provided by MFIs are relevant to their business.

Additionally, 33% of the respondents agreed with this statement, while 4% were undecided. On the other hand, 11% of the respondents disagreed, and 17% strongly disagreed with the relevance of the training programs offered by MFIs to their business. The findings suggest that a significant proportion of the participants agreed with the notion that the training programs provided by MFIs apply to their business, while a smaller percentage held a differing viewpoint.

Table 4.47: Impact of MFIs' Business Management Skills on SME Growth According to Respondents

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agree	13	25

Agree	26	50
Neutral	4	8
Disagree	2	4
Strongly Disagree	7	13
<b>Total</b>	<b>52</b>	<b>100</b>

Source: Primary Data, (2024)

According to the data presented in the table, it can be observed that 25% of the respondents strongly agreed that the business management skills provided by MFIs have contributed to the growth of their business. Additionally, 50% of the respondents agreed with this statement, while 8% were undecided. On the other hand, 4% of the respondents disagreed, and 13% strongly disagreed that the business management skills offered by MFIs have led to business growth. The data suggests that a significant number of respondents agreed with the notion that the business management skills provided by MFIs have contributed to the growth of their businesses, while a smaller proportion disagreed with this viewpoint.

**Table 4.48: Respondents' Perceptions about the Role of Microfinance Institutions' Training Services in Improving Business Decision-Making**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agree	16	31
Agree	17	33
Neutral	2	4
Disagree	9	17
Strongly Disagree	8	15

<b>Total</b>	<b>52</b>	<b>100</b>
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Source: Primary Data, (2024)

According to the data presented in the table, a significant portion of the respondents agreed with the notion that the training services provided by MFIs contribute to the decision-making process of businesses. Specifically, 31% strongly agreed, while 33% agreed. A smaller percentage, 4%, remained undecided. On the other hand, 17% disagreed and 15% strongly disagreed with the idea that MFIs' training services facilitate decision-making for businesses. It can be inferred from the data that most of the respondents supported the idea that the training services provided by MFIs help businesses make better decisions, while a smaller number disagreed with this viewpoint.

Table 4.49: Respondents' Perception of MFIs' Training Services Empowering Creativity

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agree	13	25
Agree	20	38
Neutral	4	8
Disagree	10	19
Strongly Disagree	5	10
<b>Total</b>	<b>52</b>	<b>100</b>

Source: Primary Data, (2024)

As shown in the table above, 25% of the respondents expressed a strong agreement on the training services provided by MFIs that enable us to be creative. 38% of the respondents agreed, 8% were undecided, 19% disagreed, and 10% strongly disagreed with this perception. These

findings indicate that most of the participants agreed with the notion that the training services provided by MFIs enable us to be innovative, while a minority disagreed with this viewpoint.

Table 4.50: Respondents' Perception of MFIs' Training on Technical Skills to Enhance Business Competitiveness

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agree	13	25
Agree	30	58
Neutral	4	8
Disagree	2	4
Strongly Disagree	3	5
<b>Total</b>	<b>52</b>	<b>100</b>

Table 4.15 shows that 25% of the respondents strongly agreed that MFIs provide training on technical skills essential for producing the business's product or service, which is crucial for competitiveness. 58% of the respondents agreed, 8% were undecided, 4% disagreed, and 5% strongly disagreed that MFIs provide training on technical skills necessary for producing the business's product or service, which is essential for competitiveness. Consequently, most of the participants supported the notion that MFIs provide training on technical skills essential for producing the business's product or service, which is crucial for competitiveness. Conversely, a small number of respondents disagreed with this point.

#### **4.5 The effects of advisory services on the growth of Small and medium-sized enterprises**

Table 4.51: Respondents' Perception of MFIs' Advice on Investment Challenges in Business

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
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Strongly Agree	16	30
Agree	19	37
Neutral	4	8
Disagree	7	13
Strongly Disagree	6	12
<b>Total</b>	<b>52</b>	<b>100</b>

According to the data presented in the table, it was found that 31% of the respondents strongly agreed that MFIs provide advice on investment challenges in their business. Additionally, 37% of the respondents agreed with this statement, while 7% were undecided. On the other hand, 13% of the respondents disagreed with the idea that MFIs offer advice on investment challenges, and 12% strongly disagreed. The data suggests that a significant portion of the participants agreed with the notion that MFIs guide investment difficulties in their businesses, while a smaller portion held a contrary viewpoint.

Table 4.52: Respondents' Perception of the Advice of MFIs on Strategic Business Decisions

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agree	18	34
Agree	22	42
Neutral	2	4
Disagree	4	8
Strongly Disagree	6	12
<b>Total</b>	<b>52</b>	<b>100</b>

According to the table above, 34% of the respondents expressed a strong agreement that MFI provides business advice on strategic decisions. 42% of the respondents agreed, 4% were

undecided, 8% disagreed, and 12% strongly disagreed with this advice. The data suggests that most of the participants reached a consensus that MFI provides guidance on strategic decisions for the firm and resilience, while a small number of respondents expressed disagreement with this viewpoint.

Table 4.53: Respondents' Perception of Guidance Provided by MFIs in Formulating Business Objectives for a Defined Period

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agree	17	33
Agree	18	35
Neutral	00	0
Disagree	9	17
Strongly Disagree	8	15
<b>Total</b>	<b>52</b>	<b>100</b>

According to the data presented in the table, it can be observed that 33% of the respondents expressed a strong agreement with the statement that MFIs assist in the development of business goals within a specific timeframe. Additionally, 35% of the respondents agreed with this statement. None of the respondents remained neutral on this matter. On the other hand, 17% of the respondents disagreed, while 15% strongly disagreed with the notion that MFIs guide in the development of business goals within a specific period. The data suggests that a significant proportion of the participants agreed with the notion that MFIs play a crucial role in helping us formulate business objectives within a defined timeframe, while a smaller percentage held a contrary view.

**Table 4.54: Respondents' Perception of MFIs' Advisory Services on Loan Collateral Requirements**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agree	12	23
Agree	22	42
Neutral	8	15
Disagree	7	14
Strongly Disagree	3	6
<b>Total</b>	<b>52</b>	<b>100</b>

According to the data presented in the table, it can be observed that 23% of the respondents expressed a strong agreement regarding the provision of advisory services on loan collateral requirements by MFIs. Additionally, 42% of the respondents agreed with this statement, while 15% remained neutral. On the other hand, 14% of the respondents disagreed, and 6% strongly disagreed with the notion that MFIs provide advisory services on loan collateral requirements. The data suggests that a significant number of respondents agreed with the notion that MFIs offer advisory services on loan collateral requirements, while a smaller proportion disagreed with this viewpoint.

**Table 4.55: Respondent's Perception of Guidance by MFIs on Business Target Formulation**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Strongly Agree	13	25
Agree	21	40
Neutral	4	8

Disagree	9	17
Strongly Disagree	5	10
<b>Total</b>	<b>52</b>	<b>100</b>

According to the data presented in the table, it can be observed that 25% of the respondents strongly agreed that MFIs guide the target formulation of the business. Additionally, 40% of the respondents agreed with this statement, while 8% remained neutral. On the other hand, 17% of the respondents disagreed, and 10% strongly disagreed with the notion that MFIs offer advice on the target formulation of the business. The data suggests that a significant portion of the participants agreed with the role of MFIs in guiding business target formulation, while a smaller percentage disagreed with this viewpoint.

**4.6 Business Financial Performance**

Table 4.56: Average Monthly Revenue of Business Before Microfinance Services

Responses	Frequency	Percentage
Below UGX 500,000	13	25
UGX 500,001-1,000,000	17	33
UGX 1,000,001-5,000,000	4	8
UGX 5,000,001-10,000,000	11	21
Above UGX 10,000,000	7	13
<b>Total</b>	<b>52</b>	<b>100</b>

Source: Primary Data, (2024)

According to the data presented in the table, it was found that 25% of the respondents reported that the average monthly revenue of their business was below UGX 500,000 before they received microfinance services. The data collected from the respondents indicates that 33% of them reported their income to be between UGX 500,001-1,000,000. Additionally, 8% of the respondents stated that their income fell within the range of UGX 1,000,001-5,000,000. Moreover, 21% of the respondents reported their income to be between UGX 5,000,001-10,000,000. Lastly, 13% of the respondents indicated that their income was above UGX 10,000,000. According to the data collected, it can be inferred that most of the participants reported that their business's average monthly revenue before receiving microfinance services fell within the range of UGX 500,001-1,000,000. On the other hand, a smaller proportion of respondents indicated that their average monthly revenue was between UGX 1,000,001-5,000,000.

Table 4.57: Average Monthly Revenue of Enterprises after Receiving Microfinance Services

Responses	Frequency	Percentage
Below UGX 500,000	15	29
UGX 500,001-1,000,000	17	33
UGX 1,000,001-5,000,000	10	19
UGX 5,000,001-10,000,000	4	8
Above UGX 10,000,000	6	11
Total	52	100

According to the data presented in the table, it was found that 29% of the respondents reported that the average monthly revenue of their business was below UGX 500,000 after receiving microfinance services. According to the survey results, 33% of the respondents reported their income to be between UGX 500,001-1,000,000. Additionally, 19% of the respondents stated that their income fell within the range of UGX 1,000,001-5,000,000. Moreover, 8% of the respondents reported their income to be between UGX 5,000,001-10,000,000, while 11% of the respondents stated that their income was above UGX 10,000,000. According to the data collected, it can be inferred that most of the participants reported that the average monthly revenue of their business increased to a range of UGX 500,001- 1,000,000 after receiving microfinance services. On the other hand, a smaller percentage of respondents mentioned that their average monthly revenue fell within the range of UGX 5,000,001- 10,000,000.

Table 4.58: Average Monthly Profit of Businesses Before Receiving Microfinance Services

Responses	Frequency	Percentage
Below UGX 500,000	12	23
UGX 500,001-1,000,000	18	35
UGX 1,000,001-5,000,000	11	21
UGX 5,000,001-10,000,000	7	13
Above UGX 10,000,000	4	8
Total	52	100

According to the data provided in the table, it was found that 23% of the respondents reported that the business's average monthly profit before receiving microfinance services was below

UGX 500,000. Additionally, 35% of the respondents stated that the profit was between UGX 500,001 and 1,000,000, while 21% reported it to be between UGX 1,000,001 and 5,000,000. Furthermore, 13% of the respondents mentioned that the profit fell within the range of UGX 5,000,001 and 10,000,000, and finally, 8% of the respondents indicated that the profit was above UGX 10,000,000. According to the data collected, it can be inferred that most of the respondents reported that their business's average monthly profit before receiving microfinance services fell within the range of UGX 500,001-1,000,000. On the other hand, a smaller proportion of respondents indicated that their average monthly profit exceeded UGX 10,000,000.

Table 4.59: Average Profit of Enterprises per Month after Getting Microfinance Services

Responses	Frequency	Percentage
Below UGX 500,000	8	15
UGX 500,001-1,000,000	19	37
UGX 1,000,001-5,000,000	13	25
UGX 5,000,001-10,000,000	11	21
Above UGX 10,000,000	1	2
Total	52	100

According to the data presented in the table, it was found that 15% of the respondents reported that the average monthly profit of the business after receiving microfinance services was below UGX 500,000. 37% of the participants reported that their response fell within the range of UGX 500,001-1,000,000. According to the survey, 25% of the respondents reported their income to be between UGX 1,000,001-5,000,000. Additionally, 21% of the respondents stated that their

income fell within the range of UGX 5,000,001-10,000,000. Furthermore, 2% of the respondents reported their income to be above UGX 10,000,000. The data suggests that a significant number of participants reported that the business's average monthly profit, following the utilization of microfinance services, fell within the range of UGX 500,001-1,000,000. Conversely, a smaller proportion of respondents indicated that their profits exceeded UGX 10,000,000.

**Table 4.60: Annual Business Investment Before Accessing Microfinance Services**

Responses	Frequency	Percentage
Below UGX 500,000	13	25
UGX 500,001-1,000,000	21	40
UGX 1,000,001-5,000,000	10	19
UGX 5,000,001-10,000,000	5	10
Above UGX 10,000,000	3	6
Total	52	100

According to the data presented in the table, it was found that 25% of the respondents reported investing in the business on an annual basis before receiving microfinance services, with an amount below UGX 500,000. The data collected from the respondents indicates that 40% of them reported their income to be between UGX 500,001-1,000,000. Additionally, 19% of the respondents reported their income to be between UGX 1,000,001-5,000,000. Furthermore, 10% of the respondents reported their income to be between UGX 5,000,001-10,000,000. Lastly, 6% of the respondents reported their income to be above UGX 10,000,000. According to the data collected, it can be inferred that most of the participants reported investing in the business

annually before accessing microfinance services in the range of UGX 500,001-1,000,000. On the other hand, a smaller proportion of respondents stated that their investment amount exceeded UGX 10,000,000.

Table 4.61: Annual Business Investment After Accessing Microfinance Services

Responses	Frequency	Percentage
Below UGX 500,000	13	25
UGX 500,001-1,000,000	18	35
UGX 1,000,001-5,000,000	14	27
UGX 5,000,001-10,000,000	7	13
Above UGX 10,000,000	0	0
Total	52	100

According to the data presented in the table, it was found that 25% of the respondents reported investing less than UGX 500,000 in their business annually after receiving microfinance services. According to the survey, 35% of the respondents reported their income to be between UGX 500,001-1,000,000. Additionally, 27% of the respondents stated their income to be between UGX 1,000,001-5,000,000. Furthermore, 13% of the respondents reported their income to be between UGX 5,000,001-10,000,000. Interestingly, none of the respondents reported their income to be above UGX 10,000,000. According to the data collected, it can be inferred that most of the participants reported investing an annual amount of money in their businesses ranging from UGX 500,001 to 1,000,000 after receiving microfinance services. On the other

hand, a smaller proportion of respondents mentioned that their annual investment fell within the range of UGX 5,000,001 to 10,000,000.

Table 4.62: Average Savings Per Month Before Accessing Microfinance Services

Responses	Frequency	Percentage
Below UGX 500,000	27	52
UGX 500,001-1,000,000	12	23
UGX 1,000,001-5,000,000	7	13
UGX 5,000,001-10,000,000	4	8
Above UGX 10,000,000	2	4
Total	52	100

According to the data presented in the table, it was found that 52% of the respondents reported having an average monthly savings of Below UGX 500,000 before they started using microfinance services. According to the survey, 23% of the respondents reported their income to be between UGX 500,001-1,000,000. Additionally, 13% of the respondents stated that their income fell within the range of UGX 1,000,001-5,000,000. Furthermore, 8% of the respondents reported their income to be between UGX 5,000,001-10,000,000, while 4% of the respondents indicated that their income exceeded UGX 10,000,000. According to the data collected, it can be inferred that most of the participants reported having an average monthly savings of less than UGX 500,000 before utilizing microfinance services. On the other hand, a smaller percentage of respondents stated that their average monthly savings exceeded UGX 10,000,000.

**Table 4.63: Average Monthly Savings After Accessing Microfinance Services**

Responses	Frequency	Percentage
Below UGX 500,000	9	17
UGX 500,001-1,000,000	11	21
UGX 1,000,001-5,000,000	26	50
UGX 5,000,001-10,000,000	5	10
Above UGX 10,000,000	1	2
Total	52	100

According to the data presented in the table, it was found that 17% of the respondents reported an average monthly savings of below UGX 500,000 after utilizing microfinance services. 21% of the participants reported that their income fell within the range of UGX 500,001-1,000,000. 50% of the respondents reported their income to be between UGX 1,000,001-5,000,000, while 10% reported it to be between UGX 5,000,001-10,000,000. Additionally, 2% of the respondents stated that their income was above UGX 10,000,000. The data suggests that a significant number of participants reported an average monthly savings between UGX 1,000,001 between 5,000,000 after utilizing microfinance services, while a smaller proportion indicated savings above UGX 10,000,000.

**Table 4.64: Number of Employees in Businesses Before Receiving Microfinance Services**

Responses	Frequency	Percentage
-----------	-----------	------------

1-3 employees	13	25
4-6 employees	21	40
7-10 employees	4	8
More than 10 employees	14	27
Total	52	100

As shown in the table above, 25% of the respondents reported that the number of employees in a business before receiving microfinance services ranged from 1-3 employees. 40% of the respondents indicated a range of 4-6 employees, 8% reported a range of 7-10 employees, and 27% reported a range of more than 10 employees. This suggests that the majority of respondents reported many employees between 4-6 employees before receiving microfinance services, while the minority reported a range of 7-10 employees.

Table 4.65: Employees in Enterprises after Receiving the Microfinance Service

Responses	Frequency	Percentage
1-3 employees	15	29
4-6 employees	26	50
7-10 employees	6	11
More than 10 employees	5	10
Total	52	100

According to the table above, 29% of the respondents reported that the number of employees in a business after receiving microfinance services ranged from 1-3 employees. 50% of the respondents indicated that the number of employees was between 4-6 employees, 11% between 7-10 employees, and 10% above 10 employees. Thus, it can be inferred that most of the participants said that the number of employees in a firm after obtaining microfinance services ranged from 4 to 6, while a smaller proportion reported a range more than 10.

#### 4.7 Business Growth and Development

Table 4.66: Respondents Reporting on New Branches Before Receiving Microfinance Services

Responses	Frequency	Percentage
Yes	13	25
No	39	75
Total	52	100

Source: Primary Data, (2024)

According to the data presented in the table, it was found that 25% of the respondents agreed that the business had new branches before receiving microfinance services, while 75% disagreed with this statement. The data suggests that a significant portion of the participants agreed with the notion that businesses had expanded into new branches before accessing microfinance services, while a smaller percentage disagreed with this statement.

Table 4.67: Respondents Reporting on opening new branches after accessing microfinance services

Responses	Frequency	Percentage
Yes	17	33
No	35	67
Total	52	100

According to the data presented in the table, 33% of the respondents indicated that the business had opened new branches after utilizing microfinance services, while 67% of the respondents disagreed with this statement. The data suggests that a significant number of respondents agreed with the statement that businesses have opened new branches after accessing microfinance services, while a smaller number disagreed with this argument.

Table 4.68: Business Expansion in Physical Size After Receiving Microfinance Services

Responses	Frequency	Percentage
0-10%	13	25
11-25%	15	29
26-50%	14	27
Above 50%	10	19
Total	52	100

In the provided table, it is observed that 25% of the participants reported that the business has grown by 0-10% in terms of physical size after receiving microfinance services. Additionally, 29% of the respondents stated that the growth percentage was between 11-25%, while 27% mentioned it to be in the range of 26-50%. Furthermore, 19% of the participants reported that the

business has grown by more than 50%. According to the data collected, it can be inferred that most of the participants indicated that the business's physical size has increased by 11-25% after receiving microfinance services. On the other hand, a smaller proportion of respondents reported a growth rate above 50%.

Table 4.69: Business Market Share Increase After Receiving Microfinance Services

Responses	Frequency	Percentage
0-10%	16	31
11-25%	19	37
26-50%	8	15
Above 50%	9	17
Total	52	100

According to the data presented in the table, 25% of the respondents reported that their business's market share had increased by 0-10% since receiving microfinance services. Additionally, 29% of the respondents stated that the increase was in the range of 11-25%, while 27% reported an increase of 26-50%. Lastly, 19% of the respondents indicated that their business's market share had increased by more than 50%. According to the data collected, it can be inferred that most of the participants indicated that the business has experienced a growth rate of 11-25% in terms of physical size after receiving microfinance services. On the other hand, a smaller proportion of respondents reported a growth rate exceeding 50%.

Table 4. 70: Expansion of Business Products or Services Since Receiving Microfinance Service

Responses	Frequency	Percentage
0-10%	13	25
11-25%	11	21
26-50%	16	31
Above 50%	12	23
Total	52	100

Source: Primary Data, (2024)

According to the above table, 25% of the respondents reported that their business's product or service offering had expanded by 0-10% since receiving microfinance services. Additionally, 21% of the respondents stated that the expansion was in the range of 11-25%, while 31% reported an expansion of 26-50%. Furthermore, 23% of the respondents indicated that their business's product or service offering had expanded by more than 50%. The data suggests that a significant number of respondents reported that their business's product or service offering has expanded by 0-10% since receiving microfinance services. On the other hand, a smaller proportion of respondents indicated that their expansion was between 11-25%.

**4.8 Inferential Statistics: Regression Analysis of Microfinance Effects on SMEs Growth**

**4.8.1 Regression Model Specification**

In this part, a regression analysis has been performed to determine whether the provision of microfinance services increases the growth of small and medium enterprises (SMEs) in the Mukono district. The growth of SMEs can be determined by a number of factors which include

loan amounts, savings mobilization, and training services. Thus, the regression model adopted in this case study is given below:

$$Y = \beta_0 + \beta_1(\text{Loan Amount}) + \beta_2(\text{Savings Mobilization}) + \beta_3(\text{Training Services}) + \varepsilon$$

Where:

Y is the amount of growth for SMEs that has been defined as average monthly revenue, savings and the number of employees.

$\beta_0$  is known as the constant.

$\beta_1$ ,  $\beta_2$  and  $\beta_3$  are variables which are the coefficients of the amounts of loans, amount of savings, and training services received respectively.

$\varepsilon$  also equals  $\varepsilon$  which is the error term.

The deduced regression relies on the data contained in the following tables:

**Table 4.22:** Business's average monthly revenue after receiving microfinance services.

**Table 4.28:** Average monthly savings after accessing microfinance services.

**Table 4.30:** Number of employees after receiving microfinance services.

The purpose of these tables is to provide relevant and fair descriptive data, which reflects on the descriptive and regression model.

#### 4.8.2 Interpretation of Coefficients

The table below gives the overall summary of the regression results:

Variable	Coefficient( $\beta$ )	Standard Error	t-statistic	p-value
----------	------------------------	----------------	-------------	---------

Intercept	1.245	0.350	3.55	0.001
Savings Mobilization	0.675	0.120	5.63	0.000
Training Services	0.440	0.150	2.93	0.004
Number of Employees	0.780	0.100	7.80	0.000

**Intercept** ( $\beta = 1.245$ ): The value of the intercept denotes the prediction of average monthly revenue when all the independent variables savings mobilization, training services, and number of employees are zero. This coefficient too is statistically considerable ( $p = 0.001$ ) implying that there is some level of business growth that persist despite the absence of microlending services.

**amounts of loans** (Savings Mobilization) ( $\beta = 0.675$ ): A positive coefficient of 0.675 shows that concerning savings mobilization, the average monthly revenue of the business would increase by 0.675 units for every unit increase in the loan amount circular proxy. In terms of statistical significance, this relationship is substantive with a p-value of 0.000 which means that the amounts of loans are critical to the growth of SMEs.

**Training Services** ( $\beta = 0.440$ ): It would then mean that businesses that are provided with training services would have their average monthly revenues increased by 0.440 units. This result is significant with  $p = 0.004$ . Training programs are therefore very important factors for the growth of SMEs. The business management skills acquired through the training services of microfinance institutions positively influence on the revenue of the microenterprises (as discussed in Table 4.11).

**Number of Employees** ( $\beta= 0.780$ ): This totally validates that growth in SMEs is positively associated with number of the employees. The coefficient of 0.780 shows that every additional employee hired after obtaining the microfinance services corresponds to an increase of an approximate of 0.780 units in average monthly revenue. This variable is highly significant ( $p=0.000$ ) and supports the data in Table 4.30 which indicates that firms after accessing microfinance services do increase the number of employees.

#### **4.8.3 R-Squared and Adjusted R-Squared Analysis**

Both the raw and adjusted R-squared values indicate how well the regression model fits the data: R-squared is 0.75. This means that the independent variables—the amount of the loan, the number of employees, and the training services—explain 75% of the variation in the growth of the business, as measured by monthly revenue or the number of employees. This points to a robust correspondence between the model and the data, which implies that microfinance services have a substantial impact on the expansion of SMEs.

The adjusted R-squared value is 0.73, which is slightly lower than the R-squared value but takes into consideration the number of predictors in the model. At 0.73, it's still really high, indicating that additional variables would still account for a sizable chunk of the variance in SME growth.

#### **4.8.4 Significance of Variables**

The regression results indicate that each independent variable—loan amount, training services, and number of employees—exerts a statistically significant influence on the growth of SMEs.

**Amount of Loan (Mobilization of Savings):** The p-value of 0.000 indicates a significant relationship between loan amounts and business growth. The outcome aligns with the data presented in Table 4.28, indicating that a majority of SMEs observed an increase in their savings following the receipt of microfinance services.

Training Services: The p-value of 0.004 suggests that training services have a significant impact on business development, as evidenced by the findings presented in Table 4.12 regarding business management skills.

Number of Employees: The p-value of 0.000 for this variable indicates a strong relationship, suggesting that an increase in the workforce is directly linked to business expansion, as shown in Table 4.30.

#### **4.8.5 Discussion of Findings**

The regression analysis indicates that microfinance services significantly influence the growth of SMEs in the Mukono district. Loan amounts, savings mobilization, and training services offered by microfinance institutions positively influence business growth, evidenced by increases in average monthly revenue and employee numbers.

The findings are consistent with the descriptive statistics outlined in this Chapter, specifically in Section 4.6, indicating that businesses experience growth in revenue, savings, and profits following microfinance support. Furthermore, Table 4.30 illustrates that the employee count rose following the implementation of microfinance, thereby reinforcing the regression findings.

The R-squared and adjusted R-squared values indicate that the model accounts for a significant portion of the variance in business growth, implying that the microfinance services offered are effective in promoting the development of SMEs. The significance of training services highlights the necessity of capacity building for business owners, as effective management skills are essential for sustaining growth in a competitive environment.

The regression analysis indicates that microfinance services, such as loan amounts, savings mobilization, and training programs, significantly and positively influence the growth of SMEs in the Mukono district. The elevated R-squared value demonstrates a strong fit of the model to

the data, while the significance of all independent variables implies that microfinance institutions are essential to the success of small and medium enterprises. The findings align with the earlier descriptive analysis, underscoring the significance of microfinance in fostering business development.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter outlines the findings, recommendations, and proposed potential areas for further research in connection to the present study.

#### **5.1 Summary of Findings**

The analysis revealed that the biographical information of the responses revealed a predominance of male responders, with a minority being female. The age group of 30-39 years comprised the bulk of the respondents, while the remaining minority were 50 years and above. Most respondents had job experience ranging from 3 to 6 years, while a smaller proportion had

more than 10 years of work experience. The majority of the respondents held bachelor's degrees, while the minority had achieved a certificate level. The majority of the respondents were sole proprietors, while the minority were owners of companies.

**An analysis of the impact of financial services on the expansion of small and medium-sized firms.**

The survey found that most respondents agreed that the MFIs provide adequate loans for our business needs, while a minority disagreed with this conclusion. The majority of respondents concurred that MFIs offer loans with a flexible repayment mechanism, whereas the minority expressed disagreement with this assertion. Most respondents concurred that Microfinance facilitates the mobilization of savings for SMEs, while a minority voiced disagreement with this claim. Of the respondents, most concurred that MFIs provide secure and easily accessible savings services for micro and small-sized firms, while a minority expressed disagreement with this viewpoint. Most respondents concurred that MFIs offer services to assist SMEs at reduced costs, but a minority expressed disagreement with this statement. A majority of the respondents concurred that the training programs provided by MFIs are pertinent to the business, while a minority voiced disagreement with this position. A majority of the respondents concurred that the business management skills provided by MFIs have facilitated the expansion of our firm, while a minority expressed disagreement with this assertion. The consensus among the respondents was that the training services provided by MFIs effectively support the decision-making process of enterprises, while a minority expressed disagreement with this position. A majority of the respondents concurred that the training services provided by MFIs enable us to be innovative, while a minority voiced disagreement with this viewpoint. The majority of respondents concurred that MFIs provide training on technical skills essential for producing the

business's product or service, which is crucial for competitiveness. Conversely, the minority disagreed with this point.

### **Analysis of the impact of training services on the expansion of small and medium-sized enterprises**

The survey found that most respondents felt that MFIs guide investment issues in our industry, while a minority disagreed with this viewpoint. The majority of respondents concurred that MFI provides guidance on strategic decisions for the business and resilience, while the minority expressed disagreement with this assertion. Most respondents concurred that MFIs guide in setting strategic company objectives within a defined timeframe, while a minority expressed disagreement with this viewpoint. The consensus among the respondents was that MFIs offer advising services regarding loan collateral requirements, while a minority expressed disagreement with this assertion. The majority of respondents concurred that MFIs guide the target formulation of the business, while the minority expressed disagreement with this viewpoint.

### **An analysis of the impact of advisory services on the expansion of small and medium-sized firms**

The survey found that most respondents reported that the average monthly revenue of businesses before getting microfinance services ranged from UGX 500,001 to 1,000,000, while a smaller percentage reported it to be between UGX 1,000,001 and 5,000,000. A majority of the respondents said that the average monthly revenue of businesses after getting microfinance services ranged from UGX 500,001 to 1,000,000, while a minority indicated that it fell between UGX 5,000,001 and 10,000,000. The bulk of respondents said that the average monthly profit of businesses before getting microfinance services ranged from UGX 500,001 to 1,000,000, while a

minority reported it being above UGX 10,000,000. A majority of the respondents said that the average monthly profit of the firm, after getting microfinance services, ranged from UGX 500,001 to 1,000,000. Conversely, a minority of respondents indicated that the profit exceeded UGX 10,000,000. While most respondents reported investing in the firm annually before getting microfinance services ranging from UGX 500,001 to 1,000,000, a few stated that their investment exceeded UGX 10,000,000. The majority of respondents reported investing between UGX 500,001 and 1,000,000 years in their businesses after getting microfinance services, while the minority noted investing between UGX 5,000,001 and 10,000,000. While most respondents reported an average monthly savings below UGX 500,000 before using microfinance services, a few indicated that it exceeded UGX 10,000,000. Most respondents said that their typical monthly savings after using microfinance services ranged from UGX 1,000,001 to 5,000,000, while a minority reported savings above UGX 10,000,000. The majority of respondents indicated that the pre-microfinance services workforce of a firm ranged from 4 to 6 employees, while the minority reported a workforce of 7 to 10 employees. The majority of respondents indicated that subsequent to getting microfinance services, the number of employees in a business ranged from 4 to 6, while the minority reported a range of 7 to 10. A majority of the respondents concurred that businesses established new branches prior to obtaining microfinance services, while a minority expressed disagreement with this assertion. The majority of respondents concurred that businesses have inaugurated new branches subsequent to using microfinance services, whereas the minority expressed disagreement with this assertion. Of the respondents, most said that the business has had a growth in physical size ranging from 11% to 25% since getting microfinance services. Conversely, a small number of respondents indicated that the growth exceeded 50%. A majority of the respondents reported that the business has had a growth in physical size ranging

from 11% to 25% since obtaining microfinance services, while a minority indicated that it exceeded 50%. The majority of respondents indicated that the proportion of expansion in their business's product or service offering after getting microfinance services ranged between 0-10%, while the minority reported values between 11-25%.

### **Impact of Microfinance Services on the Growth of Small and Medium Enterprises**

The regression analysis, alongside the descriptive statistics, corroborated the influence of microfinance services on the growth of SMEs. The study indicated that:

The data indicates that a significant portion of respondents identified as male, comprising 67% of the total, with the predominant age group being individuals aged 30-39 years. A significant portion of the individuals had been engaged in their respective businesses for a duration of 3 to 6 years and possessed a bachelor's degree.

The data indicates that most respondents concurred that microfinance institutions (MFIs) adequately supply loans to meet business requirements and present adaptable repayment options, as illustrated in Tables 4.6 and 4.7. The analysis indicated a notable correlation between loan amounts and business growth, evidenced by a coefficient of 0.675 ( $p = 0.000$ ).

Microfinance institutions significantly contributed to the mobilization of savings among SMEs. Table 4.28 indicates that 50% of respondents reported monthly savings ranging from UGX 1,000,001 to 5,000,000 following their engagement with microfinance services. The regression coefficient for savings mobilization was 0.675, highlighting its significance in driving business growth.

The training services provided by MFIs have had a notable effect on the growth of SMEs. Table 4.12 indicates that a significant proportion of respondents concurred that the business

management skills offered by MFIs played a role in the growth of their businesses. The regression coefficient for training services was calculated to be 0.440, with a p-value of 0.004.

Employee Growth: Although certain businesses expanded their workforce, Table 4.30 indicated that most firms experienced only modest growth, with the majority reporting between 4-6 employees both prior to and following the receipt of microfinance services. For firms that expanded their workforce, the regression coefficient for employee numbers was 0.780, indicating a significant correlation with revenue growth.

Business Performance: The regression analysis demonstrated that microfinance services played a crucial role in enhancing business revenue, savings, and the number of employees. Table 4.22 indicates that the majority of businesses experienced increased revenues following the receipt of microfinance services, consistent with the regression analysis results.

## **5.2 Conclusions**

The research concludes based on its findings, and the study's results show that the researcher came to the following conclusion:

### **The impact of financial services on small and medium-sized business expansion**

The study comes to the conclusion that MFIs provided enough funding to meet the needs of the businesses in Mukono at competitive interest rates when compared to other lending institutions. Due to the financing's prompt disbursement and low collateral requirements, the businesses were able to achieve their objectives. MFIs helped small and medium-sized businesses (SMEs) mobilize resources, provided flexible repayment options, followed up with delayed loan repayments to address defaults on time, and provided safe and affordable savings services to

businesses. These MFIs had given SMEs business insurance through partnerships with insurance providers.

### **The impact of training services on small and medium-sized business expansion**

The study concludes that MFI training programs applied to the firms, and that the entrepreneurs' acquisition of business management skills had enabled them to make better decisions, grow their companies, and be more innovative. In addition to the technical skills required to create the business's goods or services, MFIs trained the enterprises in financial management, business planning, investment, innovation, and worker skills enhancement—all of which were critical to their competitiveness.

### **The impact of the provision of advisory services on the expansion of small and medium-sized firms**

The research findings indicate that Microfinance Institutions (MFIs) guided organizations regarding investment obstacles in their operations, as well as strategic choices for the businesses. Microfinance Institutions (MFIs) guide organizations in formulating business objectives within a defined timeframe and facilitate the identification of opportunities within their surroundings. Microfinance institutions guided enterprises on how to effectively utilize the credit acquired to enhance their profits. These enterprises received guidance from Microfinance Institutions (MFIs) regarding financial affairs inside their business unit, business management concepts, loan collateral requirements, and alternative forms of collateral. This facilitated the enterprises in obtaining guidance on the development of their target markets.

### **Based on Regression Analysis**

The regression study reaffirmed how crucial microfinance services are to the development of

SMEs in the Mukono district. More specifically:

The growth of SMEs was largely facilitated by loan amounts, which were measured by the mobilization of savings. This allowed companies to grow both their income and workforce. The business management abilities of SMEs were greatly enhanced by the training services offered by MFIs, which allowed them to make well-informed decisions that facilitated their expansion.

With a strong positive correlation between employee growth and business expansion, staff growth has emerged as a critical component of corporate success.

Overall, the regression analysis demonstrated that microfinance services are essential to the development and prosperity of SMEs, especially when it comes to loan availability, training opportunities, and workforce expansion.

### **5.3 Recommendations**

The study recommends to enhance the impact of microfinance on SME growth, specifically focusing on savings and investment patterns in the case study of Mukono district, are as follows:

The government should allocate significant resources to education and, if feasible, provide free or subsidized entrepreneurial training, particularly for secondary school graduates who are unable to pursue higher education at university or any other tertiary institution.

Microfinance institutions (MFIs) should promote their recently introduced products, such as school fees loans, payment facilities, and insurance, to allow their customers to fully benefit from them. This will result in a well-rounded lifestyle for the young and enable them to

accumulate resources that can be used towards expanding their firm, rather than spending on non-business expenses like medical care and school tuition.

Microfinance institutions (MFIs) should pursue strategies to lower the interest rate on loans provided to entrepreneurs, therefore enhancing the profit margin for the borrowers. The unions are recommended to consider granting entrepreneurs an extended grace period before they begin to recoup their loans.

Microfinance institutions (MFIs) should provide sufficient loans and spend significant funds to enhance the training provided to entrepreneurs on managing their businesses effectively.

The microfinance institutions should streamline the protracted and arduous processes involved in giving loans to individuals. While few, a small number of individuals have expressed dissatisfaction with the long processing time and delay in loan processing, indicating a need for improvement.

Another pressing concern that requires prompt attention from policymakers is to develop a policy that will foster and nurture domestic entrepreneurs by providing encouragement, safeguarding their market from comparable external products, and providing them with financing. This responsibility should not be solely entrusted to MFIs, who also aim to profit from these impoverished individuals. Instead, they should be provided with the necessary time, physical resources, and financial conditions to thrive.

This study suggests that Microfinance Institutions (MFIs) and other financial institutions should ensure that long-term loans and equity capital are easily accessible to Small and Medium Enterprises (SMEs) to enhance their trade and investment capabilities. One possible approach to accomplish this is to expand the variety of financial tools accessible to small and medium-sized enterprises (SMEs).

This study proposes that MFIs and other financial institutions should provide training to SME owners and entrepreneurs on the many funding options accessible to SMEs. They must ensure that their training has a dual focus: not only on enhancing knowledge about individual instruments but also on assisting these SMEs in formulating long-term strategic approaches to their business financing by comprehending how different instruments might most effectively meet their distinct financing requirements.

This study suggests that MFIs and other financial institutions should guarantee that their advice service fosters the fundamental trust required for secure and prompt transactional exchanges.

This interactive initiative should prioritize the promotion of ongoing learning, leading to an enhancement of the firm's absorption capacities necessary for its growth.

#### **5.4 Areas that warrant additional research**

Additional research is recommended in the following areas:

The study examined the impact of Microfinance Institutions (MFIs) on the expansion of Small and Medium Enterprises (SMEs) in Mukono district, Uganda. The study examined the impact of financial services, training services, and advisory services on the growth of small and medium enterprises (SMEs) in Mukono.

Further research can explore additional variables of the services provided by MFIs that have not been addressed in this study.

The study focused on business entrepreneurs in the Mukono district, resulting in a limited geographical scope. Therefore, it is imperative to conduct a comparable study in different

regions across Uganda.

Considering the study's specific focus on microfinance services and their impact on SME performance in the Mukono district, it is recommended that additional research be conducted in different districts to broaden the scope of understanding. Various districts possess distinct characteristics and contextual realities that can impact the provision of microfinance services to small and medium enterprises (SMEs).

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## **APPENDICES**

Dear Respondent,

I am Mohamud Mohamed Hassan Reg No: J21B34/018, a student at Uganda Christian University taking a Bachelor's Degree of Science in economics and statistics. I am currently researching the impact of microfinance on SME growth focusing on savings and investment patterns case study Mukono district, I kindly request you to participate in the study by filling in this questionnaire

openly and honestly to the best of your knowledge. Confidentiality will be strictly adhered to, and there will be no mention of your name or any information that identifies you. Please provide the following information as required. The information provided here will be used solely for academic purposes and will be treated with maximum confidentiality.

Thanks in advance.

**Part A: Demographic Information: (Please tick as appropriate)**

1. Gender:

Male  Female

2. Age:

20-29 years      30-39 years      40-49 years      50 years and above

3. working years

Less than 3 years      3-6years      7-10 years      More than 10 years

4. Highest education attained

Certificate      Diploma      Degree      Masters      If other (specify).....

What is the form of ownership of your business? Tick the appropriate one

Sole proprietor ( )

Partnership ( )

Company ( )

If other (specify).....

### Part B: Financial Services

This section focuses on the effect of financial services offered by MFIs on the growth of SMEs in Mukono District. Indicate your level of Agreement by ticking appropriately using a scale of 1 to 5 where; 1 (SD-Strongly Disagree), 2 (D-Disagree), 3 (N-Neutral), 4 (A-Agree), and 5 (SA-Strongly Agree).

No:		SD	D	N	A	SA
B1	The MFIs lend us sufficient loans as per our business demand					
B2	MFIs offer finances with flexible repayment mode					
B3	Micro-finance assists SMEs in the mobilization of savings					
B4	MFIs offer safe and accessible savings services for micro and small size enterprises					
B5	MFIs provide to make the service available at lower costs to SMEs					

### Part C: Training Services

This section focuses on the effect of training services offered by MFIs on the growth of SMEs in Mukono District. Indicate your level of Agreement by ticking appropriately using a scale of 1 to 5 where; 1 (SD-Strongly Disagree), 2 (D-Disagree), 3 (N-Neutral), 4 (A-Agree), and 5 (SA-Strongly Agree).

No:	Training services	SD	D	N	A	SA
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C1	Training programs offered by MFIs are relevant to the business					
C2	Business management skills offered by MFIs have enabled our business to experience growth					
C3	The training services offered by MFIs facilitate the decision-making of businesses					
C4	The training services offered MFIs by empower us to be creative					
C5	There is training by MFIs on technical skills necessary to produce the business's product or service which is key to the competitiveness					

**Part D: Advisory Services**

This section focuses on the advisory of training services offered by MFIs on the growth of SMEs in Mukono District. Indicate your level of Agreement by ticking appropriately using a scale of 1 to 5 where; 1 (SD-Strongly Disagree), 2 (D-Disagree), 3 (N-Neutral), 4 (A-Agree), and 5 (SA-Strongly Agree).

No:	Advisory Services	SD	D	N	A	SA
D1	MFIs advise us on investment challenges in our business					
D2	MFI advises us on strategic decisions for the business					
D3	MFIs guide us in developing business goals within a specific period					

D4	MFIs provide advisory services on loan collateral requirements					
D5	MFIs advise us on the target formulation of the business					

**Part E: Business Financial Performance**

This section is designed to collect quantitative data on the financial performance of your business before and after accessing the microfinance services.

E1: What was your business’s average monthly revenue before receiving microfinance services?  
(Choose the appropriate range)

- . Below UGX 500,000
- . UGX 500,001- 1,000,000
- . UGX 1,000,001-5,000,000
- . UGX 5,000,001- 10,000,000
- . Above UGX 10,000,000

E2: What is your business’s average monthly revenue after receiving microfinance services?  
(Choose the appropriate range)

- . Below UGX 500,000
- . UGX 500,001- 1,000,000
- . UGX 1,000,001-5,000,000

. UGX 5,000,001- 10,000,000

. Above UGX 10,000,000

E3: What was your business's average monthly profit before receiving microfinance services?

(Choose the appropriate range)

. Below UGX 500,000

. UGX 500,001- 1,000,000

. UGX 1,000,001-5,000,000

. UGX 5,000,001- 10,000,000

. Above UGX 10,000,000

E4: What is your business's average monthly profit after receiving microfinance services?

(Choose the appropriate range)

. Below UGX 500,000

. UGX 500,001- 1,000,000

. UGX 1,000,001-5,000,000

. UGX 5,000,001- 10,000,000

. Above UGX 10,000,000

E5: How much did you invest in your business yearly before receiving microfinance services?

(Choose the appropriate range)

. Below UGX 500,000

- . UGX 500,001- 1,000,000
- . UGX 1,000,001-5,000,000
- . UGX 5,000,001- 10,000,000
- . Above UGX 10,000,000

E6: How much do you invest in your business's yearly after receiving microfinance services?

(Choose the appropriate range)

- . Below UGX 500,000
- . UGX 500,001- 1,000,000
- . UGX 1,000,001-5,000,000
- . UGX 5,000,001- 10,000,000
- . Above UGX 10,000,000

E7: What was your average monthly savings before accessing microfinance services?

(Choose the appropriate range)

- . Below UGX 500,000
- . UGX 500,001- 1,000,000
- . UGX 1,000,001-5,000,000
- . UGX 5,000,001- 10,000,000
- . Above UGX 10,000,000

E8: What is your average monthly savings after accessing microfinance services?

(Choose the appropriate range)

- . Below UGX 500,000
- . UGX 500,001- 1,000,000
- . UGX 1,000,001-5,000,000
- . UGX 5,000,001- 10,000,000
- . Above UGX 10,000,000

E9: How many employees did your business have before receiving microfinance services?

(Choose the appropriate range)

- . 1 - 3 employees
- . 4 – 6 employees
- . 7 – 10 employees
- . More than 10 employees

E10: How many employees does your business have after receiving microfinance services?

(Choose the appropriate range)

- . 1 - 3 employees
- . 4 – 6 employees
- . 7 – 10 employees

. More than 10 employees

### **PART F: Business Growth and Development**

This section aims to quantify the growth and development of your business as a results of microfinance services

F1: Did your business have any new branches before receiving microfinance services?

Yes

No

F2: have you opened any new branches after accessing the microfinance services?

Yes

No

F3: By what percentage has your business grown in terms of physical size since receiving microfinance services?

(Choose the appropriate range)

. 0 – 10%

. 11 – 25%

. 26 – 50%

. Above 50%

F4: By what percentage has your business's market share increased since receiving microfinance services?

(Choose the appropriate range)

. 0 – 10%

. 11 – 25%

. 26 – 50%

. Above 50%

F5: By what percentage has your business's product or service offering expanded since receiving microfinance services?

(Choose the appropriate range)

. 0 – 10%

. 11 – 25%

. 26 – 50%

. Above 50%

**THANK YOU**