THE IMPACT OF FINANCIAL SERVICES ON THE PERFORMANCE OF SMALL AND MEDIUM SIZE ENTERPRISES: ACASE STUDY OF WOBULENZI TRADING CENTRE KAMPALA

BY

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BEAS/39772/131/DU

A DISSERTATION SUBMITTED TO THE ECONOMICS AND MANAGEMENT SCIENCE AS A PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF A BACHELORS DEGREE OF ECONOMICS AND APPLIED STATISTICS OF KAMPALA INTERNATIONAL UNIVERSITY UGANDA

SEMPTEMBER 2016

DECLARATION

I MASTAJAB SHAMILAH declare that this research report is my own work and has not been previously done and has never been submitted to any other university for the award of the same or any other degree. Where work of others has been referred to an acknowledgement has been made.

Sign……………………………………………………..

MASTAJAB SHAMILAH

(STUDENT)

Date……6th | 10 | 2016……………………………………

APPROVAL

This to certify that this research work has been done under my close supervision and is now ready to be submitted to Kampala International University Uganda with my approval as a university supervisor.

Signature:.. Date:..07/10/2016...................

Mr. Luggya Herbert

(SUPERVISOR)

DEDICATION

This work is humbly and wholly dedicated to the ever Supreme God, Commander in Chief of the whole universe for his love, guidance, care and infinite mercies throughout my stay in the school. I warmly dedicate this research to the family of Mr. Ekajo Adam and Mrs. Chandiru Leila for the support and encouragement they gave me throughout my entire life.

ACKNOWLEDGEMENTS

I also wish to acknowledge my intimate and sincere gratitude to my family Baitombaya Zabibu, Ewaga Ismail, Angoligh Uthuman,Anjikuru Faiza, Ajoya Faima, Achidi Zulufikari and Aikoru Subrah for their continued support both financially and morally without which I would not have been able to study.I extend my sincere gratitude to my supervisor Mr. Luggya Herbert who has ensured the accomplishment of this report appropriately and on time.I also thank my dear friends Namakula Ruth, Good Alex, Mungan Gabriel, Maingi Gideon, Ayak Everlyne, and Marie-Dieu for being there for me when I most needed them.

Lastly, I extend my gratitude to my sponsors Uganda Moslem Agency for the financial support they gave me throughout my studies.

TABLE OF CONTENTS

LIST OF TABLES

ABSTRACT

The purpose of this research was to determine the impact of financial services on the performances of small and medium enterprises in Wobulenzi trading centre Uganda. A cross sectional, descriptive and analytical research design was used. A correlation analysis between the business performances against loans usage and financial advices was carried out to test the direction and strength of relationships between the study variables A regression analysis focusing on financial services was used to establish the extent to which the business performs. The study objectives were; to establish the impact of loan usage on performance in Wobulenzi trading centre; to determine the impact of bank accounts usage on the performance of small and medium enterprises Wobulenzi trading center; to determine the impact of financial advice on the performance of small and medium size enterprises in Wobulenzi trading center.

The findings indicate a positive relationship between financial services and business performances. This implies that if the business people have positive perception towards saving account, they are bound to trust the services offered to them in this fashion and therefore changing business operation should be given more emphasis by Wobulenzi trading center. Findings further reveal that there was a negative relationship between business performances and financial advice offered to the traders that was when the level of customer's high, customers may not demand more and therefore a clear strategy to reduce the business activities to be put in place. The study concluded that financial services significantly affect the performances of small and medium enterprises and therefore recommended that financial services increment should be emphasized in Wobulenzi trading center to improve business performance. There are little follow up on the by the banks on the bank loans given the traders hence causing a huge gap in the carrying out of the study.

ABBREVATIONS AND ACRONYMS

SMEs – Small and Medium Enterprises

ATM – Automatic Teller Machine

IFC – International Finance Corporation

WB –World Bank

IF – Financial Institution

GDP – Gross domestic Product

DFID – Department for International Development

CGAP – Consultants Group to Assist Poor

NPL- Non- Performing Loans

OLS– Ordinary Least Square

3SLS – Three Stage Least Square

UK – United Kingdom

ICT- Information Communication Technology

SPSS- Statistical Packages for Social Scientists

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter also explains the background of the study, problem statement, purpose of the study, objectives of the study, research questions, and the scope of the study and the significance of the study.

1.1 Background of the study

The Small and medium size enterprises present the most active economic foundation for growth, income and employment formation (Bates, 1996:28). Globally, although countries' definitions of what constitutes SMEs for legal or statistical purposes are typically based on the number of employees, financial services like bank generally define SMEs in terms of average annual sales; an indicator that was more easily observable, a good proxy of an SME level of business activity, thus, more useful to banks' business and risk management purposes, Augusto et al (2008) further points out that the threshold of annual sales used by financial services varies by country, according to the size of the economies and structure of their corporate sector. Augusto et al (2008) hints that in Argentina, a company was considered to be an SME when its average annual sales was approximately between 300,000 and 30 million US dollars. In Chile, the range goes from around 90,000 to 24 million US dollars. In Africa, developing countries such as Zimbabwe have also identified the potential of small firms to turn economies with negative growth into vibrant ones. For this reason, several governments in developing countries offer funding to small firms either directly or by guaranteeing the payment of such loans from financial services as lack of funding was cited as one of the major challenges faced by small businesses. Obert and Olawale (2010) argues that due to limited resources by governments, not all small firms receive funding from the government; therefore, the other option would be to go for bank loans.

Being a new nation, South Sudan was setting the conditions for business growth, especially for the local small and medium-sized enterprises (SMEs) that were so critical to creating jobs and increasing living standards. The needs was immense: it was one of the world's poorest countries, with just 30 miles of paved roads and only 15 percent literacy. But a new legal framework for investors was now in place, backed up by state institutions that was help improve the conditions for investment. An IFC/World Bank team has helped the government reach this point, supporting it closely over the last three years in building a nascent private sector. According to the World Bank's recent survey (Doing Business in Juba 2011), out of 183 countries surveyed Juba ranks 159th on the ease of doing business. It was said that Juba scores relatively high on dealing with construction permits and starting a business, and was ahead of Kenya, Egypt, and Uganda on enforcing contracts and paying taxes, but the report says credit facilities, investor protections, and infrastructure was comparatively weak.

The Government of Uganda have continued to support the Small and medium size enterprises through economic, financial and regulatory policies that provide an enabling environment and sustainable growth and development. More private sector involvement have been encouraged through a wide range of measures and incentive policies to improve the micro-enterprises operations such as access to credit is being emphasized. Small and medium size enterprises are being encouraged to start the production of some intermediate industrial inputs particularly on a sub-contracting basis between the large and small firms (Opio, 1996).

In Uganda, the number of SMEs was increasing as more and more people are becoming jobless through layoffs and retrenchment from both public and private sectors and others failing to get jobs. With SMEs contributing to 70 per cent of the country's total GPD and employing more than 2.5 million people,(Ankunda, 2010:27). There was great need to support these SMEs to ensure the survival of this sector which up to 90 per cent is private for the country to achieve sustainable economic growth since these enterprises support a large number of the population as there are estimated to be over 80,000 enterprises in the country, Ankunda, (2010).

Today Wobulenzi which is the first trading center in Luweero District has attracted a big number of SMEs for instance hotels, retail shops, hardware's, supermarkets and many more. Uganda Bureau of Statistics, (2008).

1.2 Problem Statement

Financial institutions are the most important source of external financing which enhances sustainable growth and development and performances of SMEs (Kostis, 2012:15). Despite the effort of the Bank of Uganda to cut down its bank rate by 3.4 per cent points from 4.2 in 2009 the interest rates that financial institutions are charging is still very high, that this, ranging from 15 per cent to 25 per cent.

Most of Businesses in Wobulenzi trading center still facing the current challenges like financial services require potential borrowers to save before applying for a loan, access to safe and flexible savings services play a critical role in poor people's strategies for minimizing risks, mitigating income fluctuations, facing unexpected expenditures and emergencies, and building a small asset base over time, better availability of safe savings facilities increases self-financing capacity and thus reduces the need to borrow Kuo (2001).

Hence they have hindered business enterprises from getting access to credit for their expansion. The consolidating capital and creating business plans to become viable lending candidates, this creates a blockage to growth, where SMEs that have the skills to scale-up or move into manufacturing and processing cannot due to their limited access to finance services. Beck et al.,(2007).

A lender may deny credit, sometimes to the firms that are credit worthy but unable to complains for their right their results (Coleman, 2000). It was in this context that the researcher came up with a proposal to assess the impact of financial services on the performance of small and medium size enterprises in Wobulenzi trading center impact of financial services on the performance of small and medium size enterprises in Wobulenzi trading center.

1.3 General objective

To determine the impact of financial services on the performance of small and medium size enterprises in Wobulenzi trading center.

1.3.1 Specific objectives

To fulfill the purpose of the Research, the following objectives were addressed:

1. To establish the impact of loan usage on performance in Wobulenzi trading centre.

2. To determine the impact of bank accounts usage on the performance of small and medium enterprises Wobulenzi trading center.

3. To determine the impact of financial advice on the performance of small and medium size enterprises in Wobulenzi trading center.

4. To determine the relationship between loan usage, bank account usage and financial advice and business performance of small and medium sized businesses.

1.4 Research Questions

1. What is the impact of loans on the performance of small and medium size enterprises in Wobulenzi trading center?

2. What is the impact of bank accounts usage on the performance of small and medium size enterprises in Wobulenzi trading center?

3. What is the impact of financial advice on the performance of small and medium size enterprises in Wobulenzi trading center?

4. What is the relationship between loan usage, bank account usage and financial advice and business performance of small and medium sized businesses?

1.5 Scope of the Study

1.5.1 Subject scope

The study was limited to financial services in regard of credit/loans, saving and financial training services given to small and medium size enterprise in Wobulenzi trading center as this was establish the level of financial performances of small and medium size enterprise through liquidity, cash flow and return on assets diversifications, expansions, and investments.

1.5.2 Geographical scope

The study was carried out in Wobulenzi .This was chosen mainly because it was located in the area that is more convenient to me and reduces the costs of the study.

1.5.3 The Time Scope
The study was carried for a period from August to September 2016.

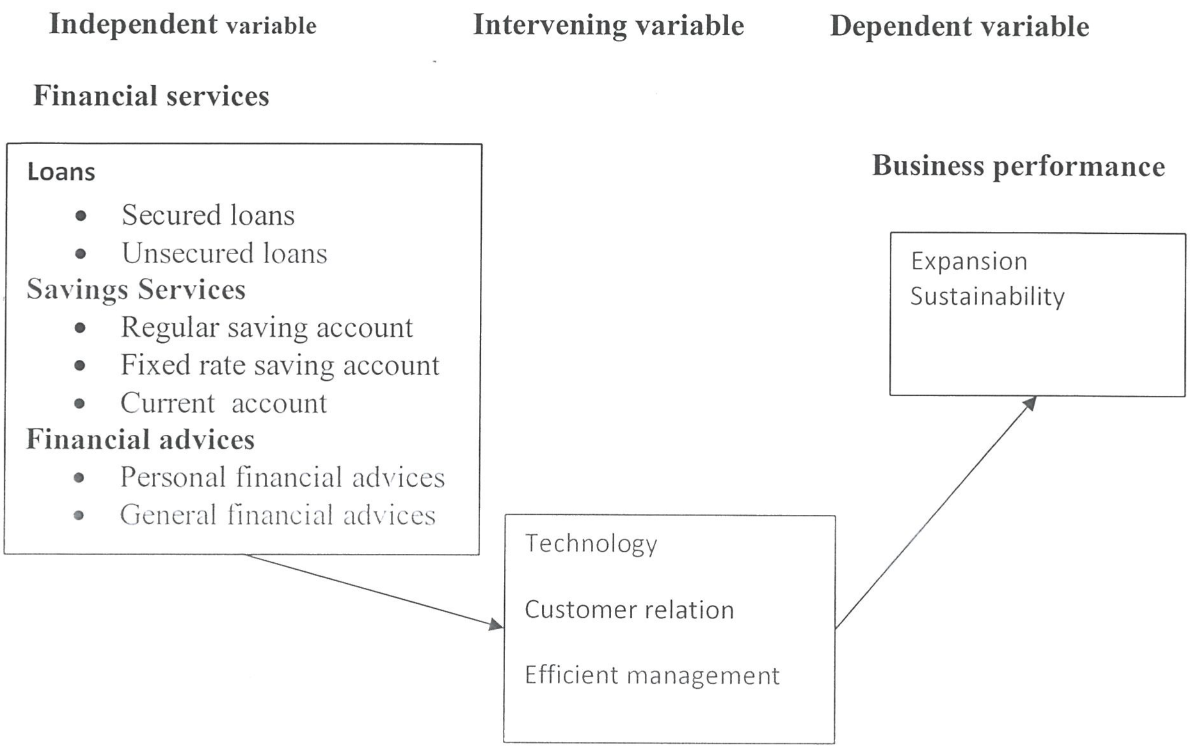
1.6 Significance of the study
The study was important to me as a researcher because I would acquire research skills, likes developing questionnaires, interacting with new people and getting necessary information and analyzing data which I can apply to conduct research in various field of academics.

The final research report on submission to the university would enable the researcher to qualify for an academic award.
The study was of great significance to government policy makers and various enterprises stakeholders.

The study should guide Wobulenzi trading center administrators to a new planning paradigm to financial services and performances of small and medium size enterprises evaluation.
The study was expected to enable the identification of financial services that are essential to financial performances of small and medium size enterprises in Wobulenzi trading center.

1.7 Conceptual framework
The study was intended to establish the relationship between financial services and financial performances of small and medium enterprises in Wobulenzi trading center.

The flow chart below show the relationship between the two variables by use of arrows



Source: primary data 2016

1.8 Operational definition of terms

Financial Institutions (FIs), a financial Institution is an establishment that focuses on dealing with financial transactions, such as investments, loans and deposits. Conventionally, financial services are composed of organizations such as banks, trust companies, insurance companies and investment dealers. Almost everyone have deal with a financial institution on a regular basis. Everything from depositing money to taking out loans and exchange currencies must be done through financial institution.

Credit/loans, these were the type of debt in Wobulenzi trading center which entails the redistribution of financial assets over time between the lender and the borrower where by the borrower receives an amount of money called the principal from the lender and was obligated to pay back in equal amount of money along with interest at some future time.

Saving, these are income not spent or a deferred consumption by small and medium size enterprises in Wobulenzi trading center.

Profit Margin, in this study profit margin is an indicator of the financial services pricing strategies and how well they control their cost.

Expansion, in this study expansion mean the act of getting bigger by SEMs in Wobulenzi trading center, it other it mean the SEMs are growing.

Diversification, this refers to SMEs engaging in different types of businesses in different locations in Wobulenzi trading centre.

Investments, in this case the firm utilizes the savings from the financial institution start up a new business.

1.9 Limitations of the study

Our study was mainly limited on the impact of financial services on the performance of small and medium size enterprises in Wobulenzi.

Dishonesty, this study may be limited due to the analysis of attitude surveys and analytical writing samples involve a degree of subjectivity. In addition, despite the secrecy of the surveys, participants may not have answered all of the questions honestly.

Informative respondents, this study may also be limited since some bankers and banking experts may not be informed about the computerized banking and therefore they may not know exactly how to work with the new technology.

Confidentiality, bearing in mind that banks' information was usually classified to only the top managers, the researcher may has to seek permission before conducting the research.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This chapter deals with the review of relevant literature. The study discusses past research done on the topic and other related ones in order for the researcher to Analyze, summarize, cite, and relate previous studies explicitly.

2.1 Theoretical Review

There was a substantial literature, both theoretical and empirical, establishing the link between financial sector depth (measured by macro-level indicators such as total amount of bank deposits or private credit as a proportion of GDP) and growth (King and Levine, 1993; Calderon and Liu, 2003). According to Kirkpatrick (2001) and DFID (2004), there are also a number of studies linking financial institution depth to poverty reduction.

These studies use measures of financial services collected from financial institutions themselves, such as the total value of bank usage, loans, and financial advices, which do not capture the distribution of these bank deposits or credit across the population (Levine, 1997). In many countries, household survey evidence shows that most bank deposits and loans are held by only a small proportion of the population with relatively high incomes, and that relatively few people have access to any kind of formal financial services. Many people rely instead on informal or semi-formal providers such as microfinance institutions or cooperatives (Jalilian, 2001).

These traditional indicators of financial depth may not therefore be very strongly related to the level of access to financial services for the population as a whole. Thus there are hardly any empirical studies linking access to financial services, growth and poverty reduction, despite a range of theories as to why this relationship might exist (Honohan, 2004:30).

But more recent data collection efforts by the World Bank and Consultative Group to Assist the Poor (CGAP), and others are beginning to remedy this gap. The World Bank have been collecting macro-level indicators of access to financial services in recent years, (such as number of accounts held, and number of bank branches or ATMs) from regulators and banks in a large cross-section of developing countries. They have started to use this data to explore the link between access to financial services and financial sector development, economic activity, firms financing constraints, inequality and poverty (Beck, Demirguc-Kunt and Peria, 2007; Honohan 2007 and CGAP, 2009).

However, these indicators still only capture formal financial services providers for the most part, and it was clear that informal and semi-formal providers reach a much greater proportion of the population in many countries than banks. So developing a greater understanding of the role that access to and usage of financial services as a whole (including formal, semi-formal and informal financial services) was thus an important, and currently under-researched area for investigation (Martinez, 2007).

This study have begun to address this gap in the literature, by utilizing more recently available Fine Scope household survey results (part-funded by DFID through their Financial Sector Development programmed in each country) on the usage of financial services in Kenya and Tanzania. The dataset includes nationally representative information about which financial services and financial services providers are being used, for what purposes, and what barriers to financial access are being faced. This can be broken down in many different ways using the detailed information that has been collected on individual characteristics (gender, wealth, family position, location, attitudes etc.). Despite the richness of this new dataset, it has been under-utilized for the purposes of economic research so far (Peria, 2009)

Broadly comparable data have been generated in each of the countries covered – although the ways in which questions are asked are not always identical, which can complicate matters when comparing results. One of the reasons why Kenya and Tanzania were chosen for this analysis was because the questions of interest for this study were asked in a very similar way in both countries, thus facilitating direct comparison (Levine, 1997).

Given that savings may be considered less of a necessity when credit is available, (Jappelli and Pagano, 1994) argue that alleviating credit constraints on households reduces the savings rate, with negative repercussions for economic growth, and they provide empirical evidence to support this argument, based on a sample of middle and high income countries. (Beck, Buyuk Karabacak, and Valev, 2008) also provide empirical evidence showing that while access to credit for enterprises does increase growth in GDP per capita, increasing access to credit for households does not have a positive impact on growth.

On the other hand, the impact of access to savings facilities, such as a bank account, was clearly help to increase savings. Aportela (1999) looked at the impact of increasing financial access in Mexico, arising from the expansion of a Mexican savings institute, on the savings of those on low incomes. They found that once low income people are given access to savings instruments, they often become prolific savers. Results suggest that increased access to savings increased saving rates by an average of three percent. The highest effect was seen in the poorest households, where the increase reached seven percent.

Burgess and Pande (2004) studied the effects of bank expansion into rural India following government reforms which encouraged the move. Bank expansion into rural areas was followed by a reduction in rural poverty, which was also linked to an increase in savings mobilization. The study finds that the increased number of bank branches allowed households to accumulate more capital and have access to longer term investment loans than previously possible. Bank branch openings thus helped increase total per capita output, especially for small scale manufacturing and services.

Thus while the theory was ambiguous on the overall impact of access to *credit* on growth (and this may also be true of other financial services which reduce risks and hence may reduce the need to save, such as insurance schemes and remittances), the impact of bank accounts or other savings facilities, appears from the existing theoretical literature at least, to be unambiguously positive (beck 2007:45).

2.2 The impact of loan usage on performance of small and medium enterprises in Wobulenzi Trading Centre

The role of a bank in a financial market is that of a financial intermediary, which makes use of loan and deposit services to effectively channel the idle funds of the general public into valuable production and other investment projects Rioja (2008). As indirect finance was still the major funding channel for enterprises, banks through their intermediation bridge the gap between the supply and demand for funds, thereby reducing the costs of exchange, and efficiently supervising the capital utilization of the enterprises. In addition, banks play a key role in the development of the overall economy of the society as it creates profit for itself Grady (1979:55).

In recent years, we have observed that the financial institutions in Taiwan have faced the double predicament of a decline in credit business and an increase in nonperforming loans (NPLs). For example, in February 2001, the total loans of the Bank of Taiwan, Taiwan Cooperative Bank, First Commercial Bank, Hua Nan Commercial Bank, and Chang Hwa Commercial Bank slid to a new 22 month-low. As for the loan-deposit ratios in recent years, we find that the loan-deposit ratio for all banks was 87.90% in 1997, but was only 72.66% in 2002, indicating that the banks have not been doing well in the loan market. In the 1990s, the lifting of restrictions on the establishment of new banks in Taiwan, along with existing financial institutions being allowed to engage in banking business, resulted in an increasingly large number of banks and especially fierce competition in Taiwan's financial markets. However, in recent years, as the investment environment has deteriorated, traditional industries have hollowed out and the incomes of the general populace have decreased. There has been a significant decline in the ability of Industry to purchase or upgrade mechanical equipment and people have been less willing to consume which has resulted in a fall in the demand for loans Peristiani (1996).

In addition to the influence of the external environment upon the demand for loans, the government's request for risk controls has also indirectly frustrated the loan decisions of banks that have higher debt ratios (Lown and Berger, 1996; Berger and Udell, 1994). In terms of the high nonperforming loans (NPLs) ratios was a loan that was in default or close to being in default. Many loans become non-performing after being in default for 90 days, but this can depend on the contact terms. The statistical data clearly show that the banks in Taiwan are facing high pressure in this regard. For instance, the NPLs ratio for Taiwan's financial institutions greatly increased from 3% in 1995 to 6.84% in 2002, reaching a peak of 8.78% in the first quarter of 2002. Since the loan spread is the basic source of profit for banks, the banks' loan policies are closely tied to their operating performance. Many scholars in discussing the optimal loan policies make the maximization of the banks' profitability their primary goals.

Pringle's (1974) assumption was based on the borrowers and interest rates remaining unified, so that banks could earn profit by controlling the amount of loans and investing in government bonds, to set the target function as in the case when banks pursued the goal of maximizing private wealth. Pringle deduced that the optimal loan policies (the amount of the loans), would be affected by the spread of deposits (minus the risk-free rate of interest), the spread of loans, the amount of the deposits in the next period, and the capital of the bank. The study emphasized that the risk-free rate of interest did not influence the bank's decision regarding the amount of the loans. Graddy and Kyle (1979) also started with the equation on the balance sheet, and concluded that the amount of loans, deposits, bank capital and labor cost were factors that were significant to a bank's profitability. In addition, Molyneux et al. (1998), under the assumption that managers of banks pursued to maximize profitability, minimize risk, and maximize expected utility, deduced that the two major factors influencing a bank's amount of loans were the profitability of the loans and the risk faced by the bank itself.

Besides making theoretical deductions, scholars have also empirically discussed the influence of the amount of loans on a bank's operating performance. Taking Molyneux et al. (1998) as an example, in that paper they discussed how loan behavior affects bank performance, utilizing the data for foreign banks in the United States from the first quarter of 1990 to the third quarter of 1992. With the 2SLS method, they found that with the return on total assets (ROA) as the proxy variable for operating performance, when the amounts of the loans increase, the bank's performance was significantly positively affected. Graddy and Kyle (1979) made use of the sample data for 463 commercial banks in 1974, and adopted OLS and 3SLS estimations to find that, when banks raised the amount of the loans in their assets, at the 0.01 significance level, doing so would have a significantly positive influence on the labor costs ratio (labor cost to total assets).

Kwan (2002) examined the banks in seven Asian countries (Hong Kong, Indonesia, South Korea, Malaysia, Philippines, Singapore, and Thailand) from 1992 to 1999, using regression analysis, and empirically found that when banks increased the amount of their loans in earning assets, at the 0.01 significance level, they would significantly and positively influence the labor cost ratio (the labor cost to earning assets). This conclusion is in agreement with Graddy and Kyle (1979).

In financial markets, the conditions of borrowers are not identical; therefore, in addition to the banks decisions as to the amounts of the loans, the targets of the loans and their condition are also important factors related to bank performance. By understanding the borrower, the risk premium can be ascertained, and the profit erosion from bad debts can be decreased. Basically borrowing can be categorized as consisting of business loans and consumer loans. With differences in time periods, regions, and subjects of study, scholars categorize the amounts of the loans, and then discuss the influence of different types of loans on bank performance. For example, Fraser et al. (1974) used American banks in 1969 and 1970 as the study sample, and applied canonical correlation analysis to find that the composition of loans (the ratio of different types of loans including real estate, agriculture, consumer and business loans) would significantly affect the bank at the 0.01 In addition, Arshadi and Lawrence (1987), based on Graddy and Kyle's (1979) research, divided the factors that influenced bank performance into seven types, including cost, structure, loan composition, deposit composition, regional factors, economic conditions and scale. The loan composition type categorized the total amount of loans into real-estate loans, agricultural loans, consumer loans and business loans.

Through the categorization, their study empirically analyzed new banks in America from 1980 to 1984 (the purpose of the study was to discuss the influence of the factors on bank performance after the new banks had entered the market), using canonical correlation analysis. It was found that the above-mentioned factors did exhibit a significant correlation with operating performance. Furthermore, different types of loan and bank performance had different degrees of correlation. For example, the study empirically found that agricultural loans and business loans were significantly negatively correlated with operating performance, and the authors reached the conclusion that loan composition directly influenced bank performance.

The meaning of a functional policy under a loan policy is that, when the bank makes a loan policy decision to allocate resources to different departments, each department can, based on the direction of the policy, design functional policies to assist in the execution of the loan policy and attain profitability (Berger, 1994). For instance, by observing the borrowers, it may be possible to decrease risk and loss associated with the loan. Berger(in Glover, 1939) once categorized the factors that should be taken into consideration in lending into nine items, including expecting a future surplus, the financial statement of the borrower, additional conditions, such as collateral, the business management of the borrower, the business operations of the borrower, the purpose of the loan, the relationship with the borrower, the scale of the borrower's business, and the term of the loan, and stated that the banks should reinforce their understanding of these factors to increase executive capability. In addition, Kuo (2001) further introduced a support system to the loan policy, as a result of which the data of the borrower (such as the financial, managerial, and economic aspects) were put into the system to scientifically increase the quality of the loans and the profitability of banks.

In addition to the above-mentioned discussions of loan policy and bank performance in terms of the amounts of the loans and the types of loans, there are other studies that regard NPLs as an explicit factor of the severity of the loan policy, the reason being that the amount of the loans is sometimes determined by the external factors of the environment, and not necessarily by the willingness of the manager to take risks. However, when a bank chooses a high-risk loan policy, it should reasonably reflect on the higher amount of bad loans, and create a positive influence on the performance of the bank. This is referred to as the policy hypothesis by scholars. Jordan (1998) took the new banks in England from 1989 to 1992 as his sample to test the hypothesis. The study used cost efficiency and profit efficiency as proxy variables for bank performance.

Through examination, he found that the amount of bad loans did have a significant positive correlation with profitability, proving that the effect of the policy hypothesis did exist. In other words, assuming that the hypothesis was valid, when banks have high NPLs, it means that they have easier loan policies, or are more willing to engage in loan services (Lown1994). The abovementioned hypothesis indicates the existence of this effect, but it was worth noting that Berger and Robert (1997) once created three different hypotheses as to the causes of bad loans, namely, bad luck, bad management, and skimping and moral-hazard. Skimping meant that, in the pursuit of high performance, the resources on monitoring were reduced, which resulted in a high NPLs ratio.

Although the phenomenon of a high NPLs ratio and a high return did occur, its direction of influence was directly opposite to that of the policy hypothesis; the two hypotheses did not contradict each other. Meanwhile, interest rates on loans can reflect the preferences of a bank's lending policy. Liew (1970) thought that when interest rates for loans increased, profitability would increase, and would cause a bank to increase its preference for risks, thus resulting in an easier loan policy (when interest rates for loans increase, the debtor's risks also increase, resulting in a higher probability of default). Conversely, Lown and Peristiani (1996) thought that when banks tried to reduce loans, they would also increase interest rates to increase the difficulties for the borrowers. Nonetheless, in an empirical analysis of the relationship between loans and interest rates, Hannan (1991) found that whatever the amount of the loan was, the interest rate and the amount of the loan exhibited a significant negative correlation. The empirical finding of (Lown and Peristiani, 1996:76) exhibited significant positive correlations in small banks, and insignificant negative correlations in large banks, indicating that the two loan policies had a mixed influence on the interest rate.

2.3 The impact of bank accounts usage on the performance of small and medium enterprises Wobulenzi trading center

Financial inclusion connotes an increasing access to formal financial services such as having a bank account, and using credit and savings facilities of banks. On the other hand, financial exclusion occurs when access to financial services is hampered by constraints (such as distance to financial institutions), despite the exceeding marginal benefit over the marginal cost from using these services (Demirgue, 2011). The latter is unattractive in an economy as its adverse macroeconomic effects are numerous and they include the reduction in aggregate savings, low domestic investment borne from reduced savings and epileptic development of the financial system (Allen, 2007).

Consensuses have being reached on the benefits of financial inclusion to national development. Some of these include poverty reduction, decrease in the level of inequality and enhanced private investment (Beck et al., 2007 and Allen et al., 2012). Also, financial inclusion enhances the attraction of remittances, as it eases the transfer of funds from abroad (Kunt et al., 2011). Needful to state, the going concern of banks depend on the extent of financial inclusion since banks require customers' funds for re-investment and bank liquidity; and because the charges on bank services rendered to customers form part of banks' overall profitability. Other gains from financial inclusion include improved household consumption and female empowerment (Ashraf et al., 2010).

Following the benefits from financial inclusion, countries are beginning to develop strategies to increase individuals' access to financial services. In Uganda, some of the strategies recently developed by the Central Bank to reduce the 46.3% adult population currently excluded from financial services include: enhancing bank–customer relationship, electronic banking, public enlightenment about financial services and the introduction of credit enhancement schemes. Despite the appreciable effort and its consequent implications, we argue that for sustainable financial inclusion to be attained in Uganda, there was the need for the consideration of a 'bottom-top approach' in policy formulation. It becomes imperative to understand the factors that impede/enhance individuals' access to financial services, which should inform policy action. The objective of this study was therefore to examine the extent to which individuals' attributes explain the access to and use of bank services in Uganda. This perspective was budding and some studies that have attempted to follow this approach have, at best, considered a descriptive analysis of the trend of financial inclusion in African countries (Demirguc-Kunt and Klapper, 2012) and conducted surveys on the extent of financial inclusion in Uganda (Ladipo, 2012). The shortcoming of these approaches is that they present a description of possible associations and do not clearly show the significance of the associations; therefore, clear scientific conclusions cannot be easily drawn from their findings.

Our focus on Uganda was instructive because of the rising rate of adult financial exclusion. In 2010, only about 36% of the adult population in Uganda – roughly 31 million out of an adult population of 85 million – operated a formal bank account (Central Bank of Uganda -CBN, 2012). This figure, when compared to South Africa and Kenya that had about 68% and 41% adult population operating a formal bank account in the same period is worrisome, calling for an urgent inquiry into the factors that can likely improve the trend of adult financial inclusion. Uganda, having the second largest financial industry in Africa, makes the findings from this study useful for policy action in other African countries. Presently, the rate of financial inclusion in the region was relatively low: for instance, only 55% of the adult population with tertiary education has bank accounts, but only about 10% of those with primary or no formal education in the region have bank accounts (The Economist, 2012).

The approach of this study focusing on individuals' attributes helps to solve two distinct problems that were popularly associated with economic analysis. The first was the problem of endogeneity, which plagues studies that have focused on financial sector development. We are aware that Demirguc-Kunt et al. (2011) raised this issue when they considered remittances and banking sector breadth in Mexico. They argued that conclusions that are reached on financial sector development, using aggregate data are subject to at-least some form of endogeneity. This implies that the factors that explain financial sector development are also being explained by other factors. Therefore, by using survey data that contains individuals' information, as it was in this study, the possibility of the existence of endogenous variables was ruled out since the measurement errors and reverse causation are reduced.

Secondly, some of the measures used by extant studies, in measuring financial institution, are adjudged as problematic, overestimated and may not be robust. For instance, the popular measures of financial institution – number of accounts per capita, in Honohan (2008), Kendall et al. (2010), and Demirguc-Kunt et al. (2011), contain individuals who are likely to have more than one bank account. Likewise, foreigners who were not included as part of the population but own bank accounts are likely to be counted among the aggregate measure of financial inclusion. This was overstate the extent of access to and usage of bank services in Uganda.

Our approach, which was 'access to and use of bank services' by individuals, circumvents this problem. Apart from these identified gaps, we also accessed the individuals' level of financial discipline and ICT inclination as explanatory variables to the extent of financial institution; this was because policy attention was geared towards enhancing ICT usage in Uganda. For instance, the Central Bank of Uganda's summary report on National Financial Inclusion Strategy 2012, clearly emphasizes on the need for ICT development of current/potential bank customers as a step towards better financial institution. Financial institution on the other hand, represents the innate attributes of the individuals which are capable of affecting their decisions to engage bank services. This have been inadvertently neglected in existing literature, and which if included would give a more robust discussion on the factors affecting access to and use of bank services in Uganda.

2.4 The impact of financial advice on the performance of small and medium size enterprises in Wobulenzi trading center

The theoretical relationship between access to financial services and growth was not straight forward. According to the theoretical literature, there were several mechanisms through which the two may be related and this also varies depending on which financial services we are talking about. First, and the main hypothesis upon which this study was based, was the idea that access to financial services facilitates greater household level investment in productivity-enhancing assets, and that this increases household income in future Gorra (1993).

Investment was the active redirection of resources by an economic entity (e.g. an individual or a firm) from being consumed today, to creating benefits in the future. The hope was that the investment was to yield greater benefits in future than would be yielded by consuming those resources today. The investment may take the form of savings, of a financial instrument (e.g. an equity investment), of physical capital (e.g. a new tool or piece of equipment that improves productivity such as agricultural machinery), or of human capital (e.g. education).

According to Solow and Romer growth models, growth depends on the stock of human and physical capital in the economy, as well as technological progress. Investment at the level of the firm or the individual can contribute to all of these things, and thus plays an important role in facilitating long run economic growth.

In practical terms this means that the provision of a bank account that enables an individual to accumulate funds in a secure place over time more easily than they would otherwise have been able to, (perhaps because the money is safe from being stolen or plundered by other family members), or access to credit which enables them to borrow funds, can strengthen their productive assets. It does this by enabling them to invest in micro-enterprises, in productivity-enhancing new „technologies" such as new and better tools, equipment, or fertilizers, or in education and health, and thus facilitates greater capital accumulation and growth DFID (2004). Savings and access to credit or insurance can also minimize the negative impacts that income shocks can sometimes have on longer term income prospects, if income-generating assets are sold at low prices out of necessity during a household crisis. Access to regular remittances (e.g.

from relatives abroad) can also reduce risks for households, by diversifying their sources of income Eswaran (1990).

Eswaran and Kotwal (1990) argue that having access to credit may reduce household vulnerability to negative shocks by increasing their ability to smooth consumption during difficult times, and that availability of credit also allows households to undertake riskier investments as it would enable them to better deal with the consequences of poorly performing investments.

In addition, Deaton (1991) argues that by reducing the financial risks faced by households in this way, access to financial services may decrease the proportion of low-risk, low-return assets held by households for precautionary purposes (such as jewellery), and enable them to invest in potentially higher risk but higher return assets, (such as education or a rickshaw), with overall long-term income enhancing impacts.

Ghosh, Mookherjee and Ray (1999) argue that credit was essential in allowing capital investments among producers (such as farmers) who are not able to save, as well as giving households the ability to obtain money in an emergency. The availability of credit also increases risk taking with the adoption of new technologies or productivity enhancing investments for poorer households or producers, hence contributing to increases in production and income.

Galor and Zeira (1993) find that access to household credit can have a positive impact on growth through its impact on human capital accumulation, and that this was affected by the initial distribution of wealth; richer families are better able to invest in human capital accumulation leading to increased growth.

De Gregorio (1996) also argues that access to credit promotes human capital accumulation, as credit constraints force students to work, which would reduce the time available for study. Dehejia and Gatti (2002), Beegle, Dehejia and Gatti (2003), and Jacoby (1994) also find that access to risk-reducing financial services increases investment in schooling.

A second channel through which access to financial services, (or more specifically, access to credit), may affect economic growth was by facilitating the entry of new firms (Klapper, Laeven and Rajan, 2004) and the Schumpeterian process of "creative destruction". They argue that access to credit permits greater market entry by talented new entrants, who would otherwise be constrained by their lack of inherited wealth and absence of connections to the network of well-off incumbents. To the extent that access to credit is limited to only privileged groups, or preferred sectors, this reduces the value of the investments undertaken, reducing growth. So wider access to credit for individuals as well as firms (given that small and micro-enterprises are often financed by individual borrowers), increases the productivity returns to investment. A third channel of impact relates to the effect of access to credit on savings, and this provides a more complicated story. The level of savings was an important determinant of the overall level of investment in an economy, and thus is directly linked to growth (Leaven, 2004)

The potential contribution that access to financial services can make to growth and poverty reduction was now widely accepted in academic and policy circles, and thus improving access have become an issue of increasing focus for developing country governments and donors. But the empirical link between access to financial services and growth have not been well established in the academic literature, despite a range of theoretical literature hypothesizing about the potential economic linkages that may exist between the two. The availability of robust empirical evidence to support or disprove these theories have been limited to date, due to a lack of adequate data on access to financial services, wshich was now being remedied through data collection efforts by DFID, the World Bank and others (Honohan, 2004).

2.5 Summary of identifying Gap

From the reviewed literature the scholars like Staley and Morse (1965, p.318) who argued that not only financial services can lead to identify a 'developmental approach' to SME promotion which have its objective the creation of 'economically viable enterprises which can stand on their own feet without perpetual subsidy and can make a positive contribution to the growth of real income and therefore to better living levels'. This approach emphasizes the importance of efficiency in new SMEs. Small producers must be encouraged to adopt new methods, move into new lines of production and in the longer-run, wherever feasible, they should be encouraged to become medium- or even large-scale producers, (Levy,1993).

CHAPTER THREE: METHODOLOGY

3.0 Introduction

This section presents the methodology that was used in carrying out the study. It describes the research design, location of study, sample population, sample size, sampling methods, data collection method, validity and reliability of instruments, data processing and analysis that is employed in the study.

3.1 Research Design

This study employed a cross-sectional survey design that is based on qualitative and quantitative methods of analysis. In the qualitative method, direct interviews were used and the quantitative method Questionnaire was employed. This design was selected due to the fact that it facilitates easy accessibility to the relevant data.

3 .2 Location of the study

The study took place in Wobulenzi trading center 47.0 km from Kampala along Gulu high way in Luweero district.

3.3 Targeted Population

The study was involve the respondent from the small and medium businesses of Wobulenzi trading center such as retail shops, salons, hard wares, and clinics, covering a population size of 100 businesses operators.

TARGETED POPULATION	POPULATION SIZE	SAMPLE SIZE
Retail shops	45	35
Hardware	25	20
Clinics'	20	15
Saloon	10	10
TOTAL	100	80

Table 1: Total population with targeted business areas

3.4 Sample size

The sample size of 80 customers was through using Taro Yamane's sample size formula for determining sample size.

The formula is $n = \frac{N}{1 + Ne^2} = \frac{100}{1+ (100*(0.05)^2} = 80$

Here n: means Sample size.

N: means Population size

e: means desired error.

3.5 Sampling techniques

Sampling selection was by use of probability sampling technique especially simple random sampling and purposive sampling. Simple random sampling was used since the study intended to select a representative sample without bias from the accessible population. This ensures that each member of the target population has an equal and an independent chance of being included in the sample. Purposive sampling was used to select respondents, especially administrative employees in order to collect focused information, typical and useful information to get the perspective views of the administration. The study employed multi-instruments using both primary and secondary methods.

3.6. Data Sources

Data was obtained from primary and secondary source.

3.6.1 Primary sources

Primary data is data that is collected from the respondents through observation and directly from first-hand experience through research instruments such as questionnaires, and interview guides. It involves giving respondents questionnaires to fill especially those who can be able to read and write.

3.6.2. Secondary sources

Secondary data is data that has already been collected and readily available from other sources such as: records and reports, newspaper articles, textbooks, libraries, online journals among others so as to obtain relevant data.

3.7 Data collection method

3.7.1. Questionnaire

This study used a self-administered questionnaire and semi structured instruments to collect data from respondents. McMillan and Schumacher (2001) recommend a questionnaire if the researcher knows that the respondents will be in position to answer the questionnaire. Closed ended and scaled items were carefully used to generate information of influence, facilitate response since the questions with multiple choices and data were categorized easily. The scaled items, according to Macmillan and Schumacher (2001) allow fairly accurate assessments of opinions. Similarly, it has the ability to solicit information from several respondents within a short time (Gupta, 1999).

3.7.2. Interviews

This involved face-to-face interaction between the researcher and the respondents. Formal interview guides helped to investigate complex and sensitive issues in relation to standard of living. Clarifications as well will be conducted to enable the interviewee reveal their points of view as observed by Marshall and Bossman (1989). These helped to capture information, not provided by the questionnaires. This method was preferred because of its flexibility and ability to provide new ideas on the subject (Kothri, 1990).

3.7.3. Observation

This involves the researcher to view or note a fact or occurrence from the study area in order to gain information especially on the financial services offered by the bank to the small and medium businesses.

3.8 Data processing and analysis

Data analysis was done using qualitative and quantitative approaches. Qualitative data on age, education level, marital status and religion was descriptively analyzed. Due to the nature of the study, emphasis was put on quantitative approach where data was analyzed using statistical packages like Excel to get the means of respondents on independent variable that is loan usage, bank account usage and financial advice and dependent variable that is business performance and ranked their means according to their values were, 1-1.799 strongly degree, 1.8-2.599 disagree, 2.6-3.399 not sure, 3.4-4.199 agree, 4.2-5.0 strongly agree. In addition, other methods of analysis like Spearman's Correlation (r) were used to determine the strength of relationship between loan usage, bank account usage, financial advice and business performance of small and medium sized businesses in terms of expansion from the given model.

Model

$Y = \alpha + X\alpha_1 + X_2\,\alpha_2 + X_3\,\alpha_3 + \mu_i$

Where, y is the dependent variable –business performance in terms of expansion

X are the independent variable –loan usage, account usage, and financial advice

μ_i is the error term and α is the coefficient.

3.9 Quality control

3.9.1 Validity of the Instruments

Validity refers to the extent to which a method of data collection presents what it is supposed to do, or the extent to which a method of data collection measures what it is supposed to measure (Bell, 1997). To establish the validity of instruments, instruments were pre-tested by administering the questionnaires to 5 respondents; however they will not be included in the study. This was intended to correct any errors that might be identified before the main study.

The questionnaire's validity was determined by getting the relevant items according to the experts divided by the total number of items; that is;

Content Index = CVI = $\frac{k}{N}$

Where; k=Total number of items rated as Yes, No, use of True and False.

N=Total number of items in the questionnaire.

According to Amin (2005), if the Content Validity Index is 0.7 and above, it means the instrument used is valid.

3.9.2 Reliability of the instrument

Reliability according to Amin (2005) refers to the degree to which the instrument consistently measures whatever it is measuring. The questionnaire and the structured interviews were improved and adjusted according to the recommendations provided by the supervisor.

CHAPTER FOUR:

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter presents the findings, analysis and interpretation to answer the research questions.

4.1 Bio-data of respondents

Personal information of respondents was asked in this study since they determine the response of particular respondent. Therefore age, gender, education level and ownership of business were recorded and presented in the tables below.

4.1.1 Age of Respondent

The respondents were asked to mention their age bracket and the findings are presented in the table below.

Table 4.1.1 Age of respondents

	Frequency	Valid Percent	Cumulative Percent
Valid below 20 years	9	11.3	11.3
20 -30 years	47	58.8	70.0
30 -40 years	17	21.3	91.3
40 -50 years	6	7.5	98.8
Above 50 years	1	1.3	100.0
Total	80	100.0	

Source: Primary Data

The findings presented in the table 4.1.1 above indicate that most of the respondents were within the age bracket of 20-30 represented by 58.8% of the total number of respondents, followed by those within the age bracket of 30-40 represented by21.3%, followed by below 20 with (11.3%), followed by 40-50 represented by7.5% and finally by above 50 years represented by 1.3% of the total number of respondents. This shows that the respondents were mature enough to provide reliable information on the study

4.1.2 Sex of Respondents

The respondents were asked to state their sex and findings are presented below;

Table 4.1.2 Sex of respondents

	Frequency	Valid Percent	Cumulative Percent
Male	40	50.0	50.0
Female	40	50.0	100.0
Total	80	100.0	

Source: Primary Data.

The findings presented in table 4.1.2 above indicate that the proportions of the respondents are equal. Male and female are represented by 50 % of the total number of respondents. This clear indicated that the respondents in Wobulenzi trading center are proportional .This shows that study was gender sensitive as in information was obtained from both female and male.

4.1.3. Education level

Respondents were asked to mention their highest level of education and the findings are presented below;

Table 4.1.3 Level of Education of respondents

	Frequency	Valid Percent	Cumulative Percent
Never been to school	6	7.5	7.5
Primary level	4	5.0	12.5
Secondary level	16	20.0	32.5
Tertiary level	18	22.5	55.0
University level	36	45.0	100.0
Total	80	100.0	

Source: Primary Data.

The findings presented above in table 4.1.3 indicate that most of the respondents had attained degree level of education represented by 45.0% of the total number of respondents, followed by tertiary level (22.5%), secondary level (20.0%), Never been to school (7.5%) and finally primary level (5%). This means that most of the beneficiaries of financial institution services were degree holders.

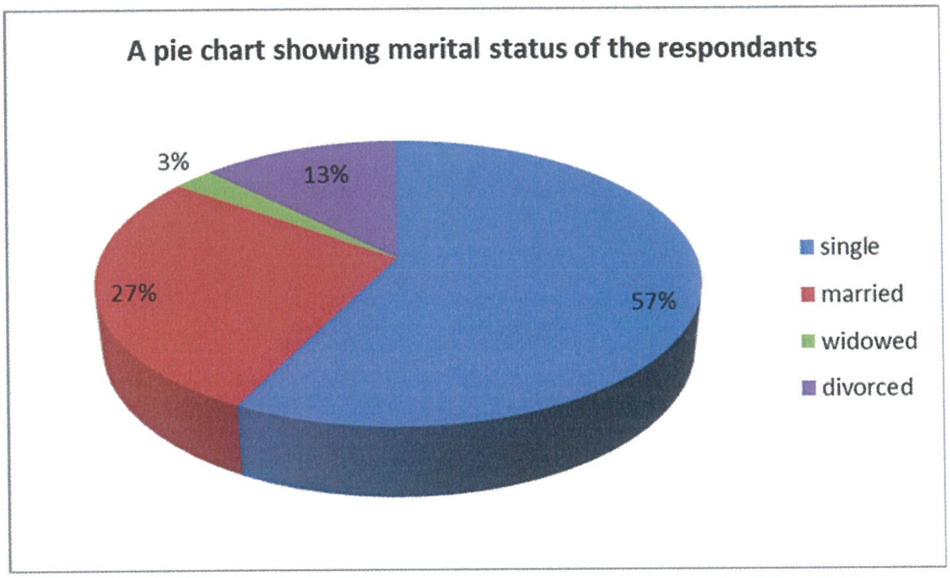
4.1.4 Marital Status

Respondents were asked to state their marital status and the findings are presented below;

Table 4.1.4 Martial status of the respondent

	Frequency	**Valid Percent**	**Cumulative Percent**
Single	46	57.5	57.5
Married	22	27.5	85.0
Widowed	2	2.5	87.5
Divorced/Separated	10	12.5	100.0
Total	**80**	**100.0**	

Source: Primary Data.



The findings presented above in table 4.1.4 indicate that most of the respondents are single represented by 57.5% of the total number of respondents, followed by Married (27.5%), divorced/separated (12.5%), and finally widowed (2.5%). This means that most of the respondents were single.

4.1.5 Religion

Respondents were asked to state their region and the findings are presented below;

Table 4.1.5 Religion of the respondents.

	Frequency	Valid Percent	Cumulative Percent
Valid Protestant	20	25.0	25.0
Catholic	30	37.5	62.5
Muslim	8	10.0	72.5
Pentecostal	22	27.5	100.0
Total	80	100.0	

Source: Primary Data

The findings presented above in table 4.1.5 indicate that most of the respondents are Catholic represented by 37.5% of the total number of respondents, followed by Pentecostal (27.5%), protestant (25%), and finally Muslim (10%). This means that most of the respondents were Catholic.

4.1.6 Grand means

The grand mean indicated the total means per the respondents toward the business performances, Loan usage, Saving account and the financial advices.

Table 4.1.6 The grand means of business performances, Loans usage, Saving account and financial advices

	Respondents	Mean
MEANPERF	75	3.0533
MEANLOAN	77	3.1494
MEANSAC	79	3.1788
MEANFAD	79	3.0095

Source: Primary Data.

Legend

Mean Range	Respondents Mode	Rank	Interpretation
1 —1.799	Strongly Disagree	1	Fair
1.8—2.599	Disagree	2	Good
2.6—3.399	Not Sure	3	Better
3.4—4.199	Agree	4	Best
4.2 —5.0	Strongly Agree	5	Excellent

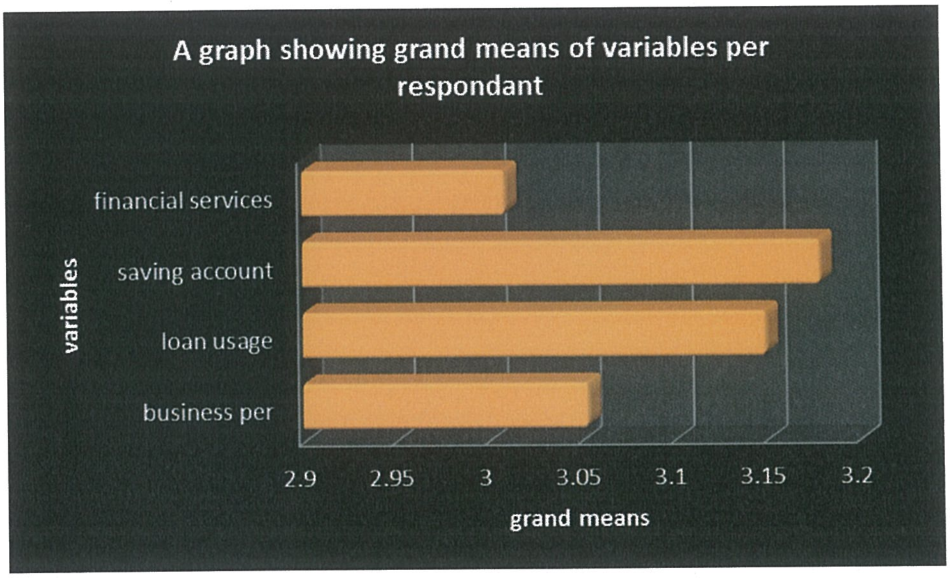


Figure 4.1.6

The findings presented above in table 4.1.6 and figure 4.1.6 indicate most of business people in Wobulenzi trading centre have a saving account with a mean of 3.1788 which was better to uses saving account, followed by loans usage or borrowing with a mean of 3.1494, followed by business performance of 3.0533 and finally most of business people in Wobulenzi trading centre get less financial advice from the banks with a mean of 3.0095. This concluded that the grand mean of both business performances, loans usage, saving account and financial advices is better because the over average of four variable is 3.09775. This indicated the business operation in Wobulenzi trading centre was good but it need improvement.

4.1.7: Business performance of small and medium enterprises in Wobulenzi trading Centre

Table 4.1.7 Business performances of small and medium enterprises

	Respondents	Mean
My business has continuously expanded since I started it	80	3.56
My business has stagnated since I started it	80	2.71
My business has been declining ever since I started it	80	2.51
I now deal in many more products than the ones I started with	80	3.76
My business can now stand on its own even if I don't use loans	80	2.93
I can calculate my expenses and profits without any problem	78	2.78
I do not know how to calculate my expenses and profits	79	2.28
My business expenses always exceed the sales I make	79	3.20
My business expenses are always lower than the sales I make	79	3.46
I can say that generally, my business is doing well (succeeding)	80	3.34
Overall mean		**30.53**
Grand mean		**3.053**

Source: Primary Data

Legend

Mean Range	Respondents Mode	Rank	Interpretation
1 —1.799	Strongly Disagree	1	Fair
1.8—2.599	Disagree	2	Good
2.6—3.399	Not Sure	3	Better
3.4—4.199	Agree	4	Best
4.2 —5.0	Strongly Agree	5	Excellent

The findings in table 4.1.7 indicated that the all were of financial institution services performed in Wobulenzi trading centre were better in respect of providing business performance small and medium enterprises at the of 3.053 mean value and 1.434 standard deviation. encouraging small and medium size enterprises (SMEs) to continuous operating in Wobulenzi trading centre. This generally mean that the services of the financial institutions in Wobulenzi trading are taken as a support for SMEs be operated, the SMEs in Wobulenzi trading centre access the financial institution services as a boost where necessary.

4.1.8 The impact of loan usage on performance of small and medium enterprises in Wobulenzi Trading Centre.

The first objective of this study was to establish the impact of loan usage on performance of small and medium enterprises in Wobulenzi trading centre.

Table 4.1. 8: Loan access, acquisition and usage

	Respondents	Mean
I have access to business loans	79	3.87
I have ever acquired a business loan	80	3.29
I am interested in acquiring another loan	80	3.35

I am not interested in acquiring another loan	79	2.18
The loans I receive are affordable	80	2.89
I must have collateral security to acquire a Loan	79	3.32
I do not require collateral security to acquire a Loan	80	2.23
Loan usage has improved my business	80	4.01
Over all mean		**25.14**
Grand mean		3.145

Source: Primary Data

Legend

Mean Range	Respondents Mode	Rank	Interpretation
1 —1.799	Strongly Disagree	1	Fair
1.8—2.599	Disagree	2	Good
2.6—3.399	Not Sure	3	Better
3.4—4.199	Agree	4	Best
4.2 —5.0	Strongly Agree	5	Excellent

The findings in table 4.1.8 indicated that the all were of financial institution services performed in Wobulenzi trading centre were good in respect of loans usages on performance small and medium enterprises at the of 3.145 mean value which was better, encouraging small and medium size enterprises (SMEs) to continuous borrowing loans from financial services to run business activities in Wobulenzi trading centre. This generally mean that the services of the financial institutions in Wobulenzi trading are taken as a support for SMEs be operated, the SMEs in Wobulenzi trading centre access the financial institution services as a boost where necessary.

4.1.9 Impact of bank accounts usage on the performance of small and medium enterprises Wobulenzi trading centre

The researcher's second objective of the study was to determine the impact of bank accounts usage on performance in Wobulenzi trading centre

Table 4.1.9: Bank account usage

	Respondents	Mean
I operate/have a saving account	80	4.15
I opened up the savings account as a condition for acquiring the loan	80	2.51
I know and appreciate the purpose of savings account	80	3.80
I have a regular/usual/normal savings account	80	3.52
I have a fixed account	80	2.60
I have a current account	79	3.32
Using a bank account has helped to improve the success with my business	80	3.95
The bank account has been a disadvantage to my business	80	1.64
Over all mean		25.49
Grand mean		**3.18625**

Source: Primary Data

Legend

Mean Range	Respondents Mode	Rank	Interpretation
1 —1.799	Strongly Disagree	1	Fair
1.8—2.599	Disagree	2	Good
2.6—3.399	Not Sure	3	Better
3.4—4.199	Agree	4	Best
4.2 —5.0	Strongly Agree	5	Excellent

The findings in table 4.1.9 indicated that the all were of financial institution services performed in Wobulenzi trading centre were better in respect of bank account usages on performance small and medium enterprises at the of 3.18625 mean value, encouraging small and medium size enterprises (SMEs) to continuous having bank account from financial services to run business activities in Wobulenzi trading center. From Table 4.1.9, the researcher was interested in determining the impact of account usage on the performance of businessmen. However, the study results indicate that the operation of savings account by traders in Wobulenzi trading Centre was better with a mean of means of 3.18625.

4.2 Impact of financial advice on the performance of small and medium size enterprises in Wobulenzi trading center

The third study objective was to determine the impact of financial advice on the performance of small and medium size enterprises in Wobulenzi trading centre.

Table 4.2.0 financial advices

	Respondents	Mean
My bank offers me personal financial advice on how to go about my business	80	3.66
My bank offers us group financial advice on how to go about my business	80	2.86
I have benefited from the financial advice extended by my bank	79	3.22
Without financial advice from my bank, my business would not have succeeded	80	2.23
Overall mean		**11.97**
Grand mean		**2.9925**

Source: Primary Data

Legend

Mean Range	Respondents Mode	Rank	Interpretation
1 —1.799	Strongly Disagree	1	Fair
1.8—2.599	Disagree	2	Good
2.6—3.399	Not Sure	3	Better
3.4—4.199	Agree	4	Best
4.2 —5.0	Strongly Agree	5	Excellent

The findings in table 4.2.0 indicated that, the all were of financial institution services performed in Wobulenzi trading centre were better in respect of financial advices on performance small and medium enterprises at the of 2.9925 mean value, encouraging small and medium size enterprises (SMEs) to continuous seeking for financial advices from financial services to run business activities in Wobulenzi trading centre.

In Table 4.2.0., the researcher was interested in examining the impact financial advice on the performance of small and medium size enterprises in Wobulenzi trading centre. This study however found out that, financial advice on the performance of small and medium size enterprises was fair which had a mean of means of 2.99.

4.2.1 Relationship between Loan usage and business performance of small and medium enterprises in Wobulenzi trading centre.

This table 4.2.1 Relationship between business performance and loans usage on performance of SMEs using correlation.

		MEANPERF	MEANLOAN
MEANPERF	Correlation Coefficient	1.000	.341**
	Sig. (1-tailed)	.	.002
	N	75	73
MEANLOAN	Correlation Coefficient	.341**	1.000
	Sig. (1-tailed)	.002	.
	N	73	77
MEANSAC	Correlation Coefficient	.320**	.658**
	Sig. (1-tailed)	.003	.000
	N	74	77
MEANFAD	Correlation Coefficient	-.084	.194*
	Sig. (1-tailed)	.239	.045
	N	74	77
**. Correlation is significant at the 0.01 level (1-tailed).			
*. Correlation is significant at the 0.05 level (1-tailed).			

Source: Primary data

Spearman's Correlation Coefficient (r) of 0.341 which means, there was a weak positive relationship between loans acquisition and business performance of SMEs in Wobulenzi trading centre and **0.320** which mean there was weak positive relationship between the saving account with business performance and strong negative relationship of financial advices with a mean **-0.84** to the business performances at significant level of 0.01 using one tailed. The findings imply that when there are effective financial institutions services provided to the SMEs in Wobulenzi trading centre then the financial performance of SMEs in Wobulenzi trading centre was improved.

The results above show that the **P-value (0.000)** is less than **alpha value (0.05)**, this means that null hypothesis is rejected and the alternative is accepted which states that **"there was a significant relationship between financial institution services and financial performance of SMEs in Wobulenzi trading centre"**

4.2.2 Relationship between saving account Usage and business performance for the small and medium enterprises in Wobulenzi trading centre.

This table 4.2.2 Relationship between business saving account and financial advices on performance of SMEs using correlation.

		MEANSAC	MEANFAD
MEANPERF	Correlation Coefficient	.320**	-.084
	Sig. (1-tailed)	.003	.239
	N	74	74
MEANLOAN	Correlation Coefficient	.658**	.194*
	Sig. (1-tailed)	.000	.045
	N	77	77
MEANSAC	Correlation Coefficient	1.000	.340**
	Sig. (1-tailed)	.	.001
	N	79	79
MEANFAD	Correlation Coefficient	.340**	1.000
	Sig. (1-tailed)	.001	.
	N	79	79
**. Correlation is significant at the 0.01 level (1-tailed).			
*. Correlation is significant at the 0.05 level (1-tailed).			

Source: Primary data

Spearman's Correlation Coefficient (r) of **0.320** which mean there was weak positive relationship between the saving account with business performance and strong negative relationship of financial advices with a mean **-0.84** to the business performances at significant level of 0.01 using one tailed. The findings imply that when there are effective financial services provided to the SMEs in Wobulenzi trading centre then the financial performance of SMEs in saving account and financial advices in Wobulenzi trading centre is improved.

The results above show that the **P-value (0.000)** is less than **alpha value (0.05)**, this means that null hypothesis is rejected and the alternative is accepted which states that "there was a significant relationship between financial services to saving account and financial advices to the performance of SMEs in Wobulenzi trading centre".

4.2.3 Relationship between financial services and the performance of small and medium size enterprises SMEs in Wobulenzi trading center

Table 4.2.3 Relationship between financial institution services and the financial performance of SMEs

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.400[a]	.160	.124	.52335

Source: Primary data

a. Predictors: (Constant), MEANFAD, MEANLOAN, MEANSAC

The findings in table 4.2.3 indicate that the percentage of 16% represent the dependent variables of which 84% are represented by other factors other than the independent or dependent variables

4.2.4 Comparison of independent variable and dependent variable

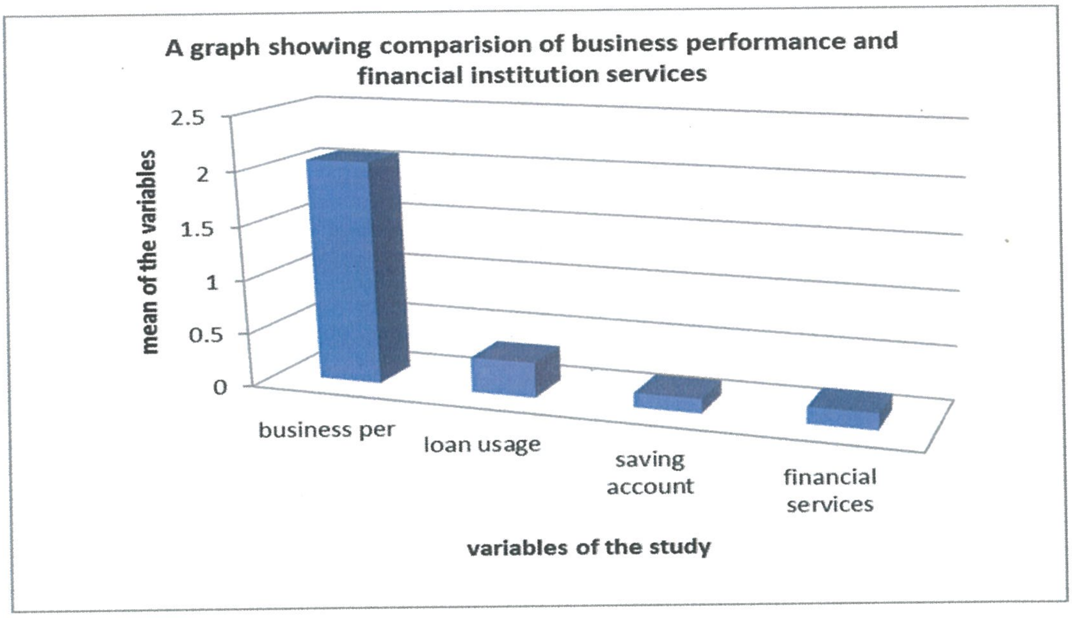
Table 4.2.4 Regression output of independent variable and dependent variable

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	2.064	.420		4.917	.000
MEANLOAN	.325	.149	.310	2.178	.033
MEANSAC	.132	.157	.129	.839	.404
MEANFAD	-.151	.083	-.223	-1.828	.072

Source: Primary data

b. Dependent Variable: MEANPERF

The findings in table 4.2.4 indicated that, all were of financial institution services performed in Wobulenzi trading centre as the business performance (PERF) with a mean of 2.064 as a constants variable with high value because most of business people in Wobulenzi have involved themselves in business activities , followed by loans usage with 0.325 , followed by saving account with 0.132 and financial advices with negative -0.151 which indicated that most of business people where not offer financial advices from the financial services. This is shown on the graph below



CHAPTER FIVE

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter explains in summary the major findings of the study giving conclusions and recommendations with suggested areas for further research.

5.1 Summary Conclusions

5.1.1 Empirical findings

The research intended to handle gender sensitivity with utmost care however it turned out that male respondents were equal to the counterparts feminine. 40% of the respondents were male were as 60% were the females respondents. **Harmonize these numbers one is 60%!!!!!**

To the conclusion of the research, the following age groups emerged in their respective the respondents were within the age bracket of 20-30 represented by 58.8% of the total number of respondents, followed by those within the age bracket of 30-40 represented by21.3%, followed by below 20 with (11.3%), followed by 40-50 represented by7.5% and finally by above 50 years represented by 1.3% of the total number of respondents.

On marital status, the researcher found out that most that most of the respondents are single represented by 57.5% of the total number of respondents, followed by Married (27.5%), divorced/separated (12.5%), and finally widowed (2.5%). This means that most of the respondents were single.

On the education level, the findings depict that most of the respondents had attained degree level of education represented by 45.0% of the total number of respondents, followed by tertiary level (22.5%), secondary level (20.0%), Never been to school (7.5%) and finally primary level (5%). This means that most of the beneficiaries of financial institution services were degree holders.

5.1.2 Loan usage

The findings on this showed that the loan access, acquisition and usage in the performance in Wobulenzi trading centre was better having a grand of means of 3.14. Implying that, most of the traders were operating their businesses based on loans.

5.1.3 Bank accounts usage

The findings revealed that, the operation of savings account by traders in Wobulenzi trading centre was better with a grand of means of 3.19. This shows that, actually these traders were having functioning current bank accounts.

5.1.4 Financial advice on the performance of small and medium size enterprises in Wobulenzi trading centre

The study however found out that, financial advice on the performance of small and medium size enterprises was fair which had a grand of means of 2.99. Thus, making the researcher conclude that, these traders were fairly seeking or getting any financial advices in terms of operating their businesses.

5.1.5 Conclusion

In terms of financial institution services in Wobulenzi trading center, the study concluded that there was a very high number of financial services in Wobulenzi trading center. This supported by a single indicator used in the study that is number of financial which was better.

The findings reveal that, in terms of financial performances of SMEs, there was better level loans usage in the operation of businesses, better usage of current account and most traders in Wobulenzi trading centre do not base upon the advices given to them according to various bank hence there is a need of traders to respond to any financial advice for their benefit as well the good performance of businesses. The research findings emphasize that financial institution service constitute a weak significant portion of the firm`s current asset and thus SMES should be managed properly for the aim of growing businesses.

5.2 Recommendations

After analyzing the finding and found out the relationship between financial services on the performances of SMES, the researcher made the following recommendations:

1. Financial institutions should make sure that the process of accessing loans should be easy to SMES. This can be done through reminding, providing adequate information and educating SMES about the importance of loans.

2. On the side of profitability, retail and wholesale shops in Wobulenzi trading center make sales revenue leading to high profits. This was good and promising business owners which encourages them to seek for financial institution services in Wobulenzi trading centre in order to diversify into other business activities.

3. Retailers and wholesalers in Wobulenzi trading center should not only rely more on the support of financial institution services because it contributes a small percentage to their financial performances but also rely on the other means of developing their businesses like effective management of a relationship between their clients or customers as well as providing quality after-sale services

5.3 Areas for further research

The researcher suggests that, Further researcher should be conducted in the following areas:

1. Financial institution services and customers retention.

2. Customers turn over and profitability.

3. Receivables management and liquidity position.

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APPENDICES

APPENDIX 1: Questionnaire Guide to SMEs in Wobulenzi Trading Center

I am Thon Ajang Aguer, pursuing a Bachelor of Science in Statistics and Economics at Cavendish University Uganda. I am carrying out a survey on the "Impact of Financial Services on the Performance of Small and Medium Size Enterprises" in Ntinda trading center. This questionnaire was passed over to you with the aim of finding out your view. The responses or information gathered will be used entirely for academic research purposes only and with the utmost confidentiality.

SECTION A: Background Information

Please tick (✓) the box with the appropriate information according to you

1. Gender:

   Male ☐ Female ☐

2. Age Bracket of the respondents

   (a) below 20 years ☐ (b) 20-30 years ☐ (c) 30-40 years ☐

   (d) 40-50 year ☐ (e) above 50 years ☐

3. What is your highest academic qualification

   (a) Never been to school ☐ (b) Primary level ☐ (c) Secondary level ☐

   (d) Tertiary level ☐ (e) University ☐

4. Marital status of the respondents

   (a) Single ☐ (b) Married ☐ (c) Widowed ☐

   (d) Divorced /separated ☐

5. Religion of the respondents

   (a) Protestant ☐ (b) Catholic ☐ (c) Muslim ☐

   (d) Pentecostal ☐ (e) Born-again ☐ (f) Miracle center ☐

SECTION B: Business Performance of the Small and Medium Enterprises in Wobulenzi Trading Centre. For the following indicate whether you, SD: strongly disagree, D: Disagree, NS: Not sure: A: Agree, SA: Strongly Agree

Performance of Small and Medium Enterprises	SD	D	NS	A	SA
My business has continuously expanded since I started it					
My business has stagnated since I started it					
My business has been declining ever since I started it					
I now deal in many more products than the ones I started with					
My business can now stand on its own even if I don't use loans					
I can calculate my expenses and profits without any problem					
I do not know how to calculate my expenses and profits					
My business expenses always exceed the sales I make					
My business expenses are always lower than the sales I make					
I can say that generally, my business is doing well (succeeding)					

SECTION C: The Impact of Loan Usage on Performance of Small and Medium Enterprises in Wobulenzi Trading Centre.

For the following indicate whether you, SD: strongly disagree, D: Disagree, NS: Not sure: A: Agree, SA: Strongly Agree

Loan Access, Acquisition and Usage	SD	D	NS	A	SA
I have access to business loans					
I have ever acquired a business loan					
I am interested in acquiring another loan					
I am not interested in acquiring another loan					
The loans I receive are affordable					
I must have collateral security to acquire a Loan					
I do not require collateral security to acquire a Loan					
Loan usage has improved my business					

SECTION D: The Impact of Bank Accounts Usage on the Performance of Small and Medium Enterprises Wobulenzi Trading Center.

For the following indicate whether you SD: strongly disagree, D: Disagree, NS: Not sure: A: Agree, SA: Strongly Agree

Operation of Savings Account	SD	D	NS	A	SA
I operate/have a savings account					
I opened up the savings account as a condition for acquiring the loan					
I know and appreciate the purpose of savings account					
I have a regular/usual/normal savings account					
I have a fixed account					
I have a current account					
Using a bank account has helped to improve the success with my business					
The bank account has been a disadvantage to my business					

SECTION E: The Impact of Financial Advice on the Performance of Small and Medium Enterprises in Wobulenzi Trading Center

For the following indicate whether you SD: strongly disagree, D: Disagree, NS: Not sure: A: Agree, SA: Strongly Agree

Financial Advice	SD	D	NS	A	SA
My bank offers me personal financial advice on how to go about my business					
My bank offers us group financial advice on how to go about my business					
I have benefited from the financial advice extended by my bank					
Without financial advice from my bank, my business would not have succeeded					

Thank you for your participation

APPENDIX 2: BUDGET OF THE STUDY

S/NO	Items	Amount (UGX)
1	Stationery and printing	200,000
2	Secretarial	100,000
3	Photocopying	100,000
4	Binding	50,000
5	Transport	100,000
6	Miscellaneous	200,000
7	**Total**	**750,000**

Source: Self designed.