BANKING SERVICES AND GROWTH OF INFORMAL SECTOR IN UGANDA: A CASE STUDY OF MAKINDYE DIVISION KAMPALA

BY

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DECLARATION

I, **MAKUMBI MIKE** declare that this dissertation is my original work and has never been presented to any other university for award of any academic certificate or anything similar to such. I solemnly bear and stand to correct any inconsistence.

Signature

Date:
02/06/2018

APPROVAL

This dissertation has been done under my supervision and submitted to the College of Economics and Management with my approval as a supervisor.

DR. NAFIU L.A
Supervisor

Signature.........P.P. Hanklin.............

Date...........21/05/2018...............

DEDICATION

This work is dedicated to my parents; my father; the late Lutankome John, my lovely mother; Nalubwama Regina and my Auntie, Nambogo Teddy.

ACRONYMS/ABBREVIATIONS

ISE	Informal sector enterprises
APA	American Psychological Approach
SPSS	Statistical Packages for Social Scientist
KIU	Kampala International University
BEC	Bachelor of Economics
BS	Banking services
AA	Asset accumulation
MDV	Makindye Division
BA	Business Advice
IS	Insurance Services
CS	Collateral Security
CEM	College of Economics and Management
EBIT	Earning before interests and taxes
GDP	Gross Domestic Product
IFC	Investment Facility Climate
KIU	Kampala International University
MDG	Millennium Development Goals
MFI	Micro-Finance Institution
OCDE	Organization for Economic Co-operation and Development
ROCE	Return on capital employed
ROE	Return on Equity
SACCO	Saving and credit co-operatives
SME	Small and Medium Enterprises
UNIDO	United Nations Industrial Development Organization
WTO	World trade organization

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

The topic of the study was banking services and performance of the informal sector in Makindye division, Kampala. The study was guided by three specific objectives, that included i) determining the extent of banking services; ii) level of performance of informal sector; iii) the effects of banking services on performance of informal sector in Makindye division, Kampala. This research employed descriptive correlational design to describe the relationship between credit financing and performance of micro-enterprises in Makindye division, Kampala.

The findings of the study indicated that, the overall mean on banking services in Makindye division is 2.52 which fall under high, implying that the banking services provided are satisfactory to the business individuals in Makindye division, Kampala. The overall mean of 2.46 fall under high which gives a general implication that the performance of informal sector in Makindye division, Kampala is generally high. There is a positive weak effect of banking services on performance of informal sector in Makindye division, Kampala since the sig. value (0.233) was less than 0.05 and which is the maximum level of significance required to declare a significant effects in social sciences. This implies that good and better banking services will improve the level of performance of informal sector in Makindye division, Kampala, and unsatisfying banking services reduces it.

It can be concluded that, the overall mean 2.52 implies that the banking services provided are satisfactory to the business individuals in Makindye division, Kampala; also that, the overall mean of 2.46 fall under high and implies that the performance of informal sector in Makindye division, Kampala is generally high and that there is a positive weak effects of banking services on performance of informal sector in Makindye division, Kampala since the sig. value (0.233) was less than 0.05 and which is the maximum level of significance required to declare a significant effects in social sciences.

The researcher suggested that the banks should always provide services in form of loans to informal sector for better informal sector performance; the banks should always make sure that they provide business advice to the informal sector for better performance; they should always provide bank services in form of saving people's money which will reduce the incidences of theft cases; the informal sector should always make sure that the type of loans they get are properly invested to have better returns and that the informal sectors should always make sure that the type of loans they get have interest rates which do not threaten the growth of their businesses.

CHAPTER ONE

BACKGROUND

1.0 Introduction

This chapter was the basis upon which the researcher built up the whole study and it was the overall introduction of the study. The chapter is about the background of the study, problem statement, the purpose of the study, objectives of the study, research questions, research hypothesis, and scope of the study and significance of the study.

Informal sector world over play a key role in the industrialization and development of countries' economies. They occupy a place of strategic importance in economies structure due to their considerable contribution in terms of output and exports of the countries. They also provide immediate large scale employment as they need lower investment and offer a method of ensuring a more equitable distribution of national income, **(Vasiliades, 2001).**

With great importance attached to informal sector enterprises however, Africa's informal sector enterprises have little access to finance, which thus hampers their emergence and eventual growth. Their main sources of capital are their retained earnings and informal savings and loan associations, which are unpredictable, not very secure and have little scope for risk sharing because of their regional or sectarian focus, **(Vasiliades, 2001).**

Access to formal finance is poor because of the high risk of default of informal sector enterprises due to inadequate financial facilities. Informal sector businesses in Africa can rarely meet the conditions set by financial institutions, which see informal sector enterprises as a risk because of poor guarantees and lack of information about their ability to repay the loans, **(Berger and Udell, 2001).**

Like any other developing countries, in Uganda, informal sector enterprises typically operate with limited capital and at the same time cite lack of access to finance as

significant constraint on their operations. This lack of access is often associated with financial policies and bank practices that make it hard for banks to cover the high costs and risks involved in lending to small firms. To those financial institutions that are lending to these informal sector enterprises, they have registered high cost of administration in loan processing and monitoring and yet the return rate is low because of small amounts borrowed as well as high risks since these informal sector enterprises don't have collateral securities and yet default rate is high. As a result, they have tended to lend at very high interest rates which have become prohibitive and thus affecting financial performance of informal sector enterprises, **(Vasiliades, 2001).**

The interest rate that you pay to borrow money is influenced by numerous factors relating to the type of loan that you choose. The length of time over which a loan is to be repaid, the collateral, your credit history, and the lender that you select are all important aspects of the interest rate that you'll be charged. It has been found that the borrowing depends on the operation expenses, level of profits a lending institution expects, the amount of taxes a lending institution incurs and the nature of the borrower in terms of capability to repay the loan, **(Vasiliades, 2001).**

Informal sector in Uganda have been trapped into vicious circle of poor financial performance. This is because they operate with little capital of which many acquire it through borrowing, little capital has led to increase in cost of production because they don't enjoy economies of scale and the end result has been low production accompanied by low sales and low profit levels, **(Ortiz-Molina, 2007).**

This study was guided by inter-temporal choice theory - one of the fundamental theories of economic agents' financial behavior - and, in particular, the life-cycle theory put forward by Modigliani, Brumberg, in 1954 as cited from Mwenda and Muuka (2006). According to the inter-temporal choice theory - households smooth their consumption over time by saving and/or borrowing funds under certain conditions during certain stages of their life. Numerous empirical studies are devoted to the problem of defining the determinants of households' choice of the saver's

strategy. However only a few studies examine the factors influencing the households' choice of the borrower's strategy and even less are devoted to the analysis of those in developing economies.

Banking services were examined in terms of loans, business advice, keeping money for business people and insurance services

According to **Youssoufou, (2007),** the definitions of the informal sector usually stress that informal sector is non-regulated and non-tax paying. In order to better understand the informal sector, and with the objective of developing better policies for its development as well as its interaction with the formal economy, there is a need to provide a useable and acceptable definition for the concept, **(Youssoufou, 2007).**

"The informal sector covers a wide range of labor market activities that combine two groups of different nature. On the one hand, the informal sector is formed by the coping behavior of individuals and families in an economic environment where earning opportunities are scarce, **(Okurut 2006).** On the other hand, the informal sector is a product of rational behavior of entrepreneurs who desire to escape state regulations" **(Okurut 2006).**

We can thus identify two types of informal sector activities. One can be described as activities that are more or less based on the need to cope and that have survival as their main objective. The other type involves activities that entail unofficial earnings and are related to illegal business. This second type can be further subdivided into two types. The first is unofficial business activities which evade taxation and tend to avoid regulations, **(Okurut 2006).** The informal sector can be generally defined as the multitude of small-scale, self-employed activities, with or without hired workers, typically at a low level of organization and technology with the primary objective being the generation of employment and income, **(Okurut 2006).**

Currently, the performance of Informal sector is still poor. The situation about the informal sector in Makindye division has not improved despite the fact that the

government of Uganda is putting in emphasis on the Informal sector (Current reports, the division finance officer Makindye, 2015). In Banks in Uganda, interest and fees charged on a loan have the effect of increasing the cost of an object or service purchased with credit and also affects performance of the informal sector. Various methods which are used to calculate interest rates can mislead a borrower about the actual cost of a loan. Banks in Uganda show that even when this situation is happening, informal sector have continued to borrow with the intention of improving their financial performance. It is due to this unclear situation that has necessitated the researcher to undertake the study to find out the extent to which banking services lead to performance of the informal sector in Makindye division Kampala.

1.2 Statement of the Problem

The Uganda informal sectors are confronted with a myriad of problems but notable among them is financial constraint caused by the sources of funds used in financing the project. Informal sector operate with limited capital which has not been enough for them to meet the costs of operation. As a result, many of them have resorted to borrowing basically from MFIs with the intention of acquiring more funds for expansion in order to enjoy economies of scale and become competitive in the market and boost their financial performance, **(Okurut 2006).**

Despite of the above, many informal sectors in Uganda have continued to search for loans from banks though they still register poor performance. In Makindye division performance of informal sector has continued to decline by 5% from 2010 to 2013 and by 10% from 2014 to 2015 (Division finance officer's report, 2015). This could be due to failure to cope up with high interest rates, collateral requirements, high and multiple transaction costs that include application fees, processing fees, insurance and compulsory savings. Most banks perceive informal sector as being risky. As a result, banks in Uganda restrict those to get loans and participating in informal sector and it is upon this background that the researchers curiosity has be increased to investigate on impact of banking services on performance of informal sector in Uganda.

1.3 Purpose of the study

The purpose of the study was to examine the effects of banking services on the performance of the informal sector in Uganda in Makindye division, Kampala.

1.4 Specific objectives

1. To determine the level of banking services in Uganda in Makindye division, Kampala.
2. To determine the level of the informal sector performance in Uganda in Makindye division, Kampala.
3. To establish the effects of banking services on informal sector performance in Uganda in Makindye division Kampala.

1.5 Research questions

1. What is the level of banking services in Uganda in Makindye division, Kampala?
2. What is the level of the informal sector performance in Uganda in Makindye division, Kampala?
3. What are the effects of banking services on informal sector performance in Uganda in Makindye division Kampala?

1.6 Scope of the study

1.6.1 Geographical scope

This study was conducted in Makindye division Kampala. The study consisted of small scale businesses such as wielding, salons, mobile money shops, and hotels in Makindye division Kampala. The researcher selected Makindye division due to proximity to the researcher's residence and access to the required information.

1.6.2 Content Scope

The study was restricted to the level of banking services, informal sector performance and the effects of banking services on the informal sector performance in Uganda.

1.6.3 Theoretical scope

This study was guided by inter-temporal choice theory - one of the fundamental theories of economic agents' financial behavior - and, in particular, the life-cycle theory put forward by Modigliani, Brumberg, in 1954 as cited from Mwenda and Muuka (2006). According to the inter-temporal choice theory - households smooth their consumption over time by saving and/or borrowing funds under certain conditions during certain stages of their life. Numerous empirical studies are devoted to the problem of defining the determinants of households' choice of the saver's strategy. However only a few studies examine the factors influencing the households' choice of the borrower's strategy and even less are devoted to the analysis of those in developing economies.

1.6.4 Time scope

The study was conducted for three months, that is, from March 2016 to Late May 2016.

1.7 Significance of the study

The study will be useful in the following ways:

The banking institutions

The research findings will help the banking Industry in formulating appropriate policies aimed at enhancing the performance of informal sectors.

The government

The findings of this study will be of great value to the government because it will understand the ways of how to improve the performance of the informal sector.

The proprietors of informal sector

The result of the study will help the proprietors of informal sectors to know the attributes of good performance as this will help them improve on their financial management abilities and loan accessibility.

The institution

The study findings will be an addition to the already existing knowledge especially in the field of bank borrowing and informal sector.

The community

The results of the study will help the future researchers especially those who will be researching in a similar area of study.

The research findings will be useful to the individual researcher as it will help fulfil the partial requirement for the award of a Bachelor's degree in Economics of Kampala International University.

1.8 The conceptual review
Figure 1 Conceptual framework of the study

Independent Variable	Informal sectors	Dependent
Banking services		Informal sector performance

Loans Business advice Keeping their money Insurance services	-Salons Mobile money shops Hotels Cottage industries Retail shops Welding	Profits Assets accumulation Liquidity New branches
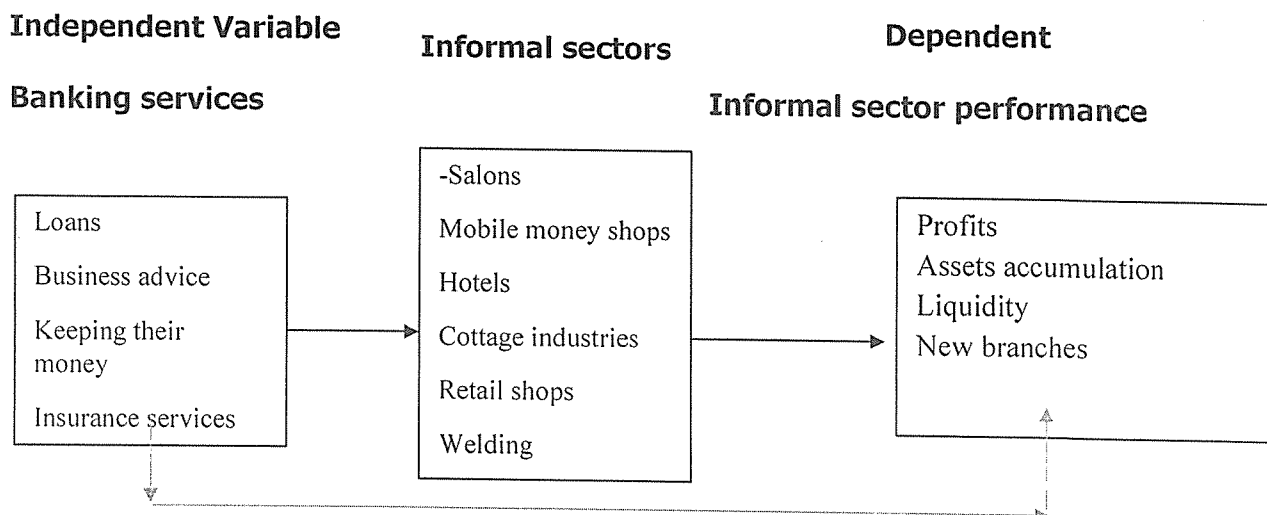
Source: adopted from Kauffmann, (2004), and modified by the researcher, (2016).

Figure.1. is the conceptual framework showing the effects of banking services on the informal sector performance. Banking services include loans, business advice, keeping people's money, and insurance services; informal sectors include salons, mobile money shops, hotels, cottage industries, retail shops and welding places; whereas performance of informal sector will be measured in terms of level of profits, assets accumulation, liquidity, and opening of new branches. Performance of the informal sector will be measured in form of level of profits, level of asset acquired (asset accumulation), liquidity opening new branches is influenced by banking services such as loans, business advice, keeping money (banking services) and insurance services. An improvement in provision of these services is likely to lead to improvement in performance of these informal sectors in terms of improvement in profit level, asset accumulation, liquidity levels and opening of new branches.

CHAPTER TWO

LITERATUREREVIEW

2.0 Introduction

This chapter shows the views and ideas of the previous scholars and researchers about banking services and performance of the informal sector.

2.1 Conceptual definitions of variables

Banking services are financial services, that is, economic services provided by United Dominations Trust Limited 1966 the finance industry which encompasses a broad range of businesses that manage money. Such services are investment services, loan services, saving people's money and providing advice to the business people. Bank services provided by commercial banks are accepting deposits, giving business loans, mortgage lending and basic investment products like savings accounts and certificates of deposits. The various banking services are bank loans, insurance services, and advice to business individuals. A bank loan is an amount of money loaned at interest by a bank to a borrower, usually on collateral security, for a certain period of time. A secured loan is a loan in which the borrower pledges some asset (for example a car or property) as collateral. An unsecured loan is a loan where there is not anything used to secure it. Insurance is the act, system, or business of providing financial protection for property, life, health, etc., against specified contingencies, such as death, loss, or damage, and involving payment of regular premiums in return for a **(Macesich George 2000)** policy guaranteeing such protection. Insurance service is protection against loss.

The practice of defining informality or informal sector in terms of the economic status of the individual (self-employed or own-account worker, domestic worker, small scale employer etc.) in conjunction with the characteristics of the employer (small scale, no collective bargaining among others.).

A substantial number of early analysis of informality simply assume that the informal sector corresponds to sole-traders (own account workers) and those in small or micro enterprises. "Small" or "micro" is defined arbitrarily and may depend on questionnaire design. For example, from recent research which makes use of

8

such a definition of informality, **Prahan** and **van Soest (1995, 1997) and Maloney (1999)** use a definition of fewer than six employees for Bolivia and Mexico respectively.

Informality or informal sector should therefore be defined not according to the nature of the job or the employer but according to the worker's legal status. But in practice the informal sector may exist for a complicated mix of reasons. Some workers may choose to be there because jobs are more flexible or because self-employment is more attractive whereas others may be displaced involuntarily into the sector **Phahan (1995) / W. Arthur Lewis (2002).**

The practical problem with defining informal sector in terms of illegal employment is that data may simply not exist on contract status. This is particularly so if the employee does not know for certain whether the employer is conforming to employment regulations, something that might be more likely in the case of temporary workers. For the self-employed or for own-account agricultural workers such a definition may have no relevance since an own account worker cannot contract with themselves. In some countries, of which Brazil is a notable example, employers are required to indicate to workers that the employment relationship is legally registered **Maloney (1999).**

So a third party such as a statistical agency can establish this with a reasonable degree of accuracy. It therefore follows that the informal sector in Brazil has attracted particular attention from researchers. Where information on contract status is not available or relevant, the principal alternative definition of informality is one defined by social protection status. The paper that is widely regarded as the seminal empirical study of the informal sector **(Merrick, 1976)** employs this definition.

Merrick's study is of the urban labour market of Belo Horizonte in central eastern Brazil. For employed workers informality is defined by the lack of membership of a social security institute. Subsequent work which has adopted the criterion of no social protection or non-payment of social security taxes for distinguishing informal

employees includes **Portes et al. (1986), Marcouiller et al. (1997), Maloney (1999)** and **Saavedra and Chong (1999).** Absence of social protection is regarded as an important indicator of informality, focusing attention on the potential costs of informality to employees in the event of adverse economic circumstances. The consequences of informality so defined may depend on the economic position of the individual within the household: that is whether they are the main or secondary earner. It may also depend on the social protection status of other household members. This definition also focuses attention on the inefficiency of social protection systems as a possible driver of the growth in informality.

Many commentators express a belief that the informal sector in Brazil is large and growing, despite trade liberalization and successful macroeconomic stabilization over the last 15 years. For example, **Carneiro (1997)** reports that, although in the late 1980s the Brazilian economy appeared to stagnate, unemployment rates remained low and total employment (formal and informal) continued expanding. In 1988, prior to trade liberalization and at a time of chronic price instability, the Brazilian statistical agency (IBGE) estimated that 13% of GDP was generated in the informal or unregistered economy. Within the service economy this proportion was estimated as high as 30%, suggesting that the overall estimate may well have been conservative **(Carneiro, 1997).**

2.2 Related studies

Uppal R.K. (2010) studies the extent of mobile banking in Indian banking industry during 2000-2007. The study concludes that among all e-channels, ATM is the most effective while mobile banking does not hold a strong position in public and old private sector but in new private sector banks and foreign banks m-banking is good enough with nearly 50 pc average branches providing m-banking services. M-banking customers are also the highest in e-banks which have positive impact on net profits and business per employee of these banks. Among all, foreign banks are on the top position followed by new private sector banks in providing m-banking services and their efficiency is also much higher as compared to other groups. The study also suggests some strategies to improve m-banking services.

Abdullah and Rozario (2009) study the influence of service and product quality towards customer satisfaction. 149 respondents from one of the well-known hotel in Kuala Lumpur, Malaysia are selected as a sample. Psychometric testing is conducted to determine the reliability and validity of the questionnaire. The study finds positive significant relationship between place/ambience and service quality with customer satisfaction. Although, relationship between food quality and customer satisfaction is significant, it is in the negative direction. Future researchers can concentrate on determining attributes that influence customer satisfaction when cost/price is not a factor and reasons for place/ambiences currently becoming the leading factor in determining customer satisfaction.

Benjamin and Mbaye (2011) study mobile phones increasingly became tools that consumers use for banking, payments, budgeting, and shopping in Indonesia. Given the pace of developments in the area of mobile finance, the Federal Reserve Board began conducting annual surveys of consumers' use of mobile financial services in 2011. The survey examines trends in the adoption and use of mobile banking, payments, and shopping behaviour and how the emergence of mobile financial services affects consumers' interaction with financial institutions.

According to J. Andrew and D. Stuckler (2006) study indicates that the informal sector has been significant contributor to the employment and output of the developing economies in general, and the Indian economy, in particular. Economic performance of the informal sector can be attributed by its size and growth in country's output and employment. In fact, economic performance of the informal sector in India is linked to the performances of the whole economy because the informal sector accounts for about 86 percent to the total employment generation in 2004-2005 and about 60 percent to the Net Domestic Product in (2005-2006).

These were systematically collected through large database searches. Informal sector on local economic development. In South Africa, new thinking about informal sector and its contribution to local economic development. 3 Previous studies and potential sources Anderson conducted a study in (1997) on the informal economy in Ulaanbaatar using an "eclectic approach" with data from a number of

11

sources: Qualitative interviews with key informants; a sample survey of 770 informal operators Including kiosks, taxicabs, and "street informal" from three markets — the Black Market, the Technical Market, and the Kharkhorin Market; sample surveys conducted by the National Statistical Office; and laws and regulations related to taxation, labour, and social insurance (Anderson, 1998, p. 6). The sample survey covered 245 kiosks, 309 taxicabs, and 217 market vendors and street informal.

The Anderson report estimates from these data sources that there were between 105,000 and 130,000 women and men working in the informal sector in Ulaanbaatar in 1997. . It is unclear whether this measure refers to a selected number of informal occupations or if it includes all activities in the informal economy. Using various methods to measure employment, Anderson's study suggests that about one-third of the workforce is engaged in informal the ILO uses several indirect methods to estimate the size of the informal sector activities.

According to **ILO** report prepared under UNDP Support for Policy and Programme Development **(SPPD):(1999)** study on growth, employment, and training in Mongolia executed by the ILO uses several indirect methods to estimate the size of the informal sector. Measured by type of organization 57 per cent of the workforce is employed outside of "formal" organizations: public sector enterprises, limited liability companies, and cooperatives. If those working in places not covered by the census of establishments are counted, then 72 per cent of employed persons are in the informal sector. These estimates are used to divide the employed population into the formal and informal sectors. They do not measure those who are counted as "not employed" but who are actually working in informal activities **(ILO, 1999).**

Rajesh and Duraisamy (2007) study measured the technical efficiency and productivity performance of informal manufacturing enterprises across the states in India using Data Envelopment Analysis, enterprises in Kerala India utilizing a stochastic production frontier and by using National Sample Survey data they analysed that informal enterprises were contributing 80% of the economies GDP.

In economics literatures, several schools of thought have developed regarding the formal and informal sectors" relationship through use of the Data Envelopment

Analysis (DEA). According to first school, (1999), informal sector is an autonomous segment of the economy producing mainly for consumption within the sector. The second school (1996) believes that the informal sector has a dependent relationship with the formal sector and is exploited by the formal sector. According to the third school, (2004) the informal sector is integrated with the rest of the economy through complementary linkages. In India, the complementary linkage between the formal and informal sectors is taking place through sub-contracting. Unlike in the past, a large number of informal sector's firms in recent years are producing their products by receiving direct contracts from the formal firms/ agencies/ contractors. The contracts are on the sale of outputs, supply of raw materials and equipment.

According to **Roubeaud and Trellis studies (2013)** indicates a strong relation between basic skills and labour outcomes, particularly in the informal sector, despite the sector's lower average returns. Nevertheless differences in access to education and other basic services between formal and informal actors are huge and lead to difference in skills, productivity and earnings. As many studies have found, there is a large productivity and earnings gap between formal and informal firms in Africa as elsewhere. And For example, the study estimates that wages in the formal sector are twice higher than those in the informal sector in Cameroon and DRC, 3 times higher in Senegal, and 3.6 times in C scale. National Sample Survey analysis was used In addition, when informality is differentiated along a continuum, the levels of formality and productivity are strongly and positively correlated, for numerous reasons. The informal sector relies on practices that hinder productivity growth, including lack of transparency or lack of knowledge of their own accounts, long-established traditions based on well-entrenched control of territory and rents, and sub-optimal allocation of productive factors (including reliance on family sources for credit). Informality also prevents companies from acquiring modern management skills and worker training, limiting growth potential and access to the world market.

Increased demand for informally produced inputs therefore leads the informal sector's growth. From the perspective of employment, formal firms attempt to reduce labour costs by cutting worker benefits, replacing permanent workers by part-time labour, or by laying off workers from the production process. The

retrenched workers from the formal sector get absorbed in the informal sector due to its easy entry. **(Aleman Castilla, 2006).**

2.3 Research gaps

Paradigm gap, the previous researchers failed to state the approach the study could follow either quantitative or qualitative. This study will close this gap by stating clearly the paradigm the study will follow.

Conceptual gap, the previous researchers failed to conceptualise banking services into manageable elements and informal sector performance into manageable elements. This study will close this conceptual gap by conceptualizing banking services and growth of the informal sector into manageable elements.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter shows the research design, target population, sample size, sampling techniques, data sources, research instruments, validity and reliability of the instrument, data gathering procedure, data analysis, and ethical considerations.

3.1 Research design

The study used the quantitative research approach; which will specifically consist of descriptive designs such as descriptive co-rrelational, and cross sectional design.

3.2 Study Population

The target population of this study was 60 respondents who consisted of owners of small businesses in the informal sectors such as salons, hotels, mobile money shops, cottage industries, retail shops and welding. These respondents comprised of 10 members from each business category. The researcher chose Makindye division Kampala due to its proximity to the researcher's residence.

3.3 Sample size

The sample size for this study was 52 respondents who were selected from the target population of 60in Makindye division Kampala. This sample was arrived at using Sloven's formula of sample size computation which states that;

$n=N/1+N (e^2)$

Where, n is the sample size, N is the target population, e is the error, which is 0.05

$N=60/1+60(0.05)^2$

$n=54$

Category	Target population	Sample
Salon business	10	09
Mobile money	10	09
Hotels	10	09
Cottage industries	10	09
Retail shops	10	09
Welding	10	09
Total	**60**	**54**

3.4 Sampling Procedure

To select the sample of 54 respondents out of 60 target population purposive sampling techniquewas used to select the respondents. This technique was used with a purpose in that those small business owners who were willing to participate in the study were the ones to be selected. The technique required the researcher to use inclusion and exclusion criteria to select the sample and then the respondents were selected until the required sample was reached.

3.5 Data sources

The research used both primary and secondary data.

3.5.1 Primary data sources

The researcher obtained primary data by use of questionnaires.

3.5.2 Secondary sources

The researcher will also use data from reports and previous research work majorly from text books and internet.

3.6 Data collection instruments

The data collection instrument in this study was basically questionnaire.

3.6.1 Questionnaire

Questionnaires by definition mean a set of printed questions addressed by the researcher to the respondent for him or her to answer and after answering return the questionnaires to the researcher. The questionnaires will be administered personally by the researcher to the respondents and collected after time interval. The questionnaire comprised of closed ended questions that were treated in four likert scales that required the respondents to answer all the questions to the best of their knowledge. The questionnaires were used because they are cheap, quicker, they cover many respondents, and they are free from interview bias and give accurate information since respondents take their time to answer the questions. However, they have a disadvantage of non-despondence.

3.7 Validity and Reliability of the Instruments

3.7.1 Validity of the instrument

Validity is the degree to which results obtained from the analysis of the data actually represents the phenomenon under study. Content validity was ensured by subjecting the researcher devised questionnaires on bank services and performance of the informal sector in Makindye division that consisted of all the elements of the concept of these variables.

3.7.2 Reliability of the instruments

Reliability is a measure of the degree to which research instruments yield consistent results or data after repeated trials.

The test-retest technique was used to assess the reliability (accuracy) of the instruments. The researcher devised the instruments to 12 qualified respondents, two from each category of business in Makindye division Kampala. These respondents were not included in the actual study. In this test- retest technique, the questionnaires were administered twice to the same subjects after the appropriate group of the subject are selected, then the initial conditions was kept constant, the scores were then correlated from both testing periods to get the coefficient of reliability or stability. The tests and the trait measured if they are stable, indicated consistent and essentially the same results in both times **(Treece and Treece, 1973).**

3.8 Research Procedure

The researcher obtained an introductory letter from the college of Economics and Management and taken to the administration of Makindye division to ask for permission to conduct the study from the division. When approved, the researcher visited Makindye division and then purposive sampling was used to select respondents from the target population to arrive at the minimum sample size. The respondents were enlightened about the study and were requested to sign the Informed Consent Form (Appendix 3). The researcher reproduced more than enough questionnaires for distribution.

Questionnaires were then administered and during the administration of questionnaires, the respondents were requested to answer completely and not to leave any part of the questionnaires unanswered, the researcher emphasized retrieval of the questionnaires within five days from the date of distribution, on retrieval, all returned questionnaires were checked if all questions are answered.

After collection of data, the data gathered were edited, encoded into the computer and statistically treated using the Statistical Package for Social Sciences (SPSS).

3.9 Data Analysis

The frequency and percentage distributions were used to determine the demographic characteristics of the respondents. The means and standard deviations were applied in order to assess the extent of banking services and level of informal sector performances. Analysis was done by statistical packages for social scientists (SPSS).

For the level of banking services

Mean Range	Response Mode	Interpretation
3.26-4.00	Strongly agree	Very satisfactory
2.51-3.25	Agree	Satisfactory
1.76-2.50	Disagree	Unsatisfactory
1.00-1.75	Strongly disagree	Very unsatisfactory

For the level of performance of informal sector

Mean Range	Response Mode	Interpretation
3.26-4.00	Strongly agree	Very high
2.51-3.25	Agree	High
1.76-2.50	Disagree	Low
1.00-1.75	Strongly disagree	Very low

3.10 Ethical Considerations

To ensure confidentiality of the information provided by the respondents and to ascertain the practice of ethics in this study, the following activities were implemented by the researcher:

18

Sought permission to adopt the standardized questionnaire on banking services and growth of the informal sector in a formal communication to the author; the respondents, and Makindye division Kampala was coded instead of reflecting the names; the respondents were requested to sign an Informed Consent Form (Appendix 3); the authors were acknowledged by quoting them in this study and the author of the standardized instrument through citations and referencing; and then the findings were presented in a generalized manner.

3.11 Limitations of the study
The research study faced the following problems:

- Most of the respondents in Makindye division, Kampala were too busy, so less time was posed to the researcher. It was solved by extending the time frame for questions to be answered.

- Some of the small scale enterprise owners were not willing to give out information due to lack of trust between the researcher and the respondents. I used face to face method which assured the owner and trusted me.

- Confidentiality, in that, there is some information which was not supposed to move out of the enterprises to the researcher, this limited the research study.

- Some respondents were hesitant to give information since it does not benefit them, thus they needed to have some funds committed to them. Some funds were provided to them to provide information.

- The study was only limited to the case study due to limited time and resources to cover the whole Kampala. The researcher resorted to purposive sampling and yet it had its own disadvantages.

- There were transport costs that limited the study. More money was borrowed to facilitate transport cost.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter shows the profile information of respondents, the extent of credit financing, level of performance of micro-enterprises and the significant relationship between credit financing and performance of micro-enterprises in Makindye division, Kampala

4.1 Profile of Respondents

Respondents were asked to present information regarding their age, gender, highest level of education and number of years of experience in business.

4.1.1 Respondents' Gender

It was necessary to find out the distribution of respondents who participate in micro enterprises in Makindye division, Kampala. The findings on the respondents' distribution in Makindye division by age was as shown on table 1 below.

Table 1: Respondents' gender in Makindye division, Kampala

Gender category	Frequency	Percent	Cumulative Percent
Male	25	46.3	46.3
Female	29	53.7	100.0
Total	54	100.0	

Source: Primary data, (2016).

Concerning gender; the results indicated that most of the respondents in this sample were females and this marked 29 respondents, the same as 53.7% of the total sampled population, whereas a few (25) the same as 46.3% of the total sampled population were males, hence implying a gender gap in the informal sector in Makindye division, Kampala.

Figure 1: A pie-chart Showing Respondents' gender in Makindye division, Kampala

Male , 25, 46%

Female , 29, 54%

■ Male
■ Female
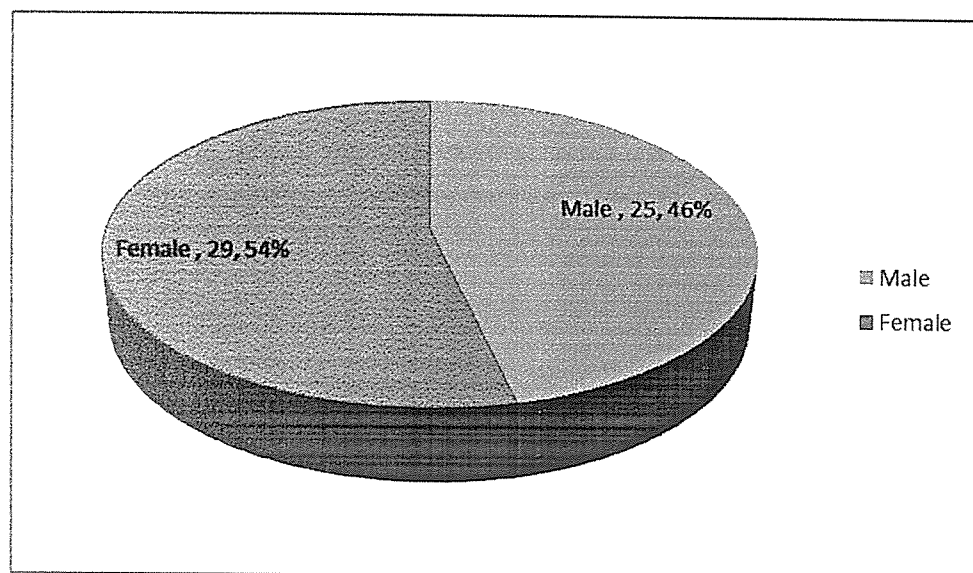
4.1.2 Respondents' Age

It was also necessary to find out the distribution of respondents in Makindye division, Kampala by age. The findings on the respondents' distribution in Makindye division by age was as shown on table 2 below.

Table 2: Respondents' age in Makindye division, Kampala

Respondents' age	Frequency	Percent	Cumulative Percent
18-25	3	5.6	5.6
26-33	26	48.1	53.7
34-41	15	27.8	81.5
42-49	8	14.8	96.3
50-58	1	1.9	98.1
58 and above	1	1.9	100.0
Total	**54**	**100.0**	

The results in table showed that majority of the respondents in this study's sample were aged between 26-33 years, who were 26 the same as(48.1%) of the total sampled population. These were followed by those between 34-41years of age who

21

were 15 constituting 27.8% of the total sampled population, followed by those between 42-49years who were 08 the same as 14.8% of the total sampled population, followed by those in age group 18-25 who were 03, the same as 5.6% and lastly those who were under aging group who were 02 in number, 01 the same as 1.9% in the age group of 50-58 and 01, the same as 1.9% in the age group 58 years and above. This implied that majority of respondents in this sample were in their mid-adulthood age.

Figure 2: :A bar graph Showing Respondents' age in Makindye division, Kampala
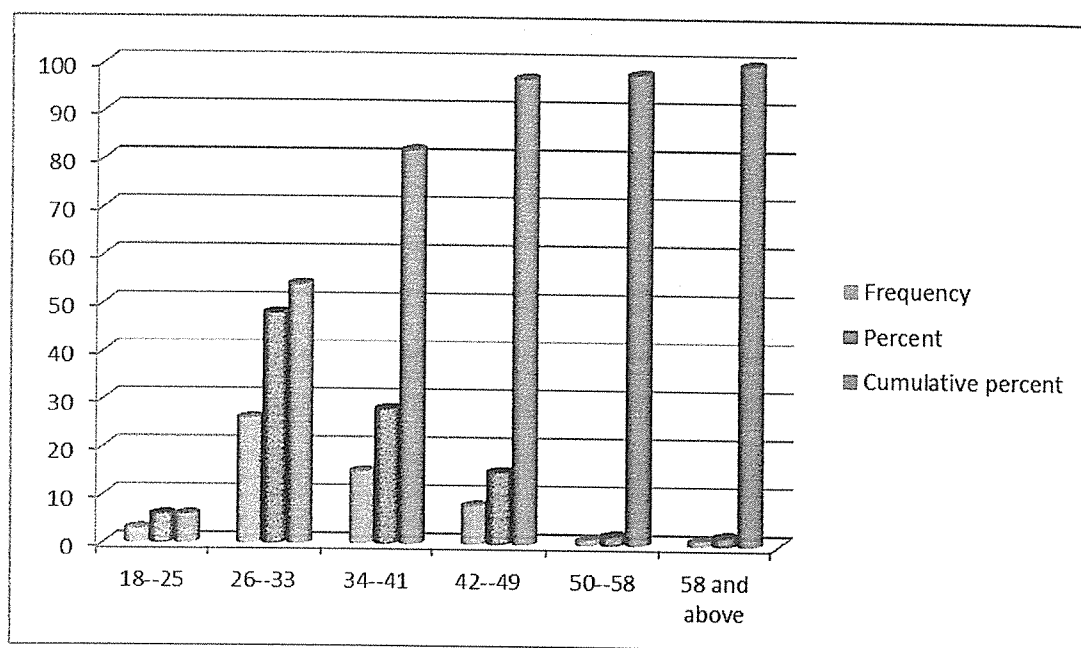
4.1.3 Respondents' level of education in Makindye division, Kampala.

It was also necessary to find out the distribution of respondents in Makindye division, Kampala, by level of education. The findings were as shown on table 3 below.

Table 3: Respondents' level of education in Makindye division, Kampala

Respondents' level of education	Frequency	Percent	Cumulative Percent
Never attended primary	3	5.6	5.6
Secondary	16	29.6	35.2
Certificate	23	42.6	77.8
Diploma	8	14.8	92.6
Degree	4	7.4	100.0
Total	**54**	**100.0**	

Source: Primary data, (2016).

The results in table 3 indicated that certificate level of education who were 23 respondents the same as (42.6%) of the total sample population dominated the study, followed by those who ended at secondary who were 16 in number the same as (29.6%) of the total sampled population, followed by those who were diploma holders, they are 08 in number, the same as 14.8% of the total sampled population, whereas only 04 respondents, the same as 7.4% of the total sample population were degree holders and only 03, the same as 5.6% of the total sampled population had never reached primary. This implied that most of individuals in the informal sector in Makindye division are generally not well educated.

Figure 3:Abar graph Showing Respondents' level of education in Makindye division, Kampala
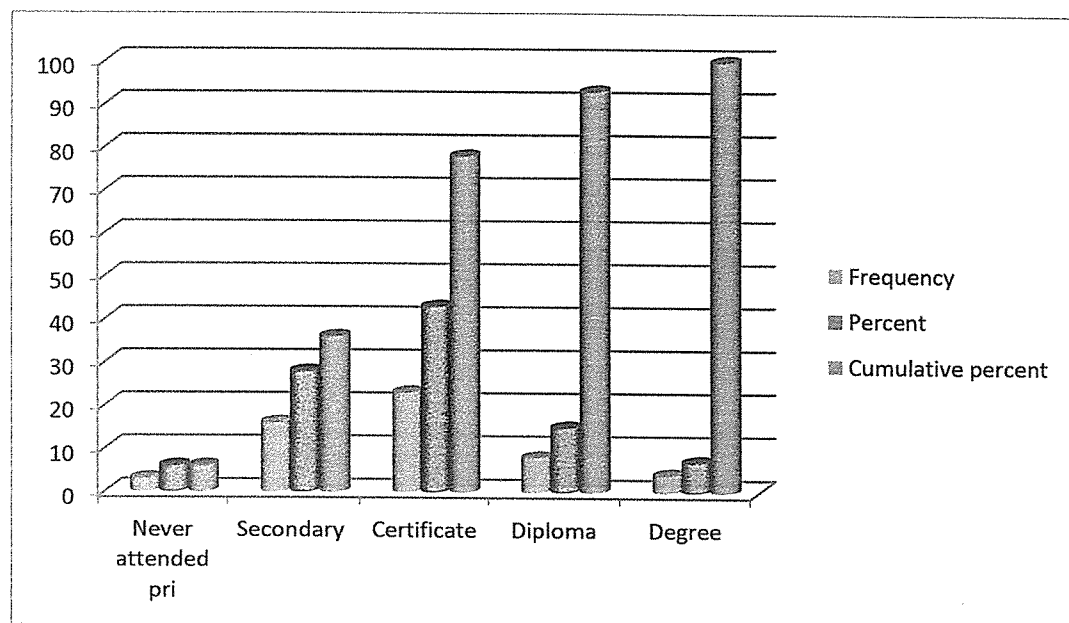
4.1.4 Category of business engaged in in Makindye division, Kampala.

It was also necessary to find out the distribution of respondents in Makindye division, Kampala, by category of business engaged in. The findings were as shown on table 4 below.

Table 4: Category of business engaged in in Makindye division, Kampala

Category of business	Frequency	Percent	Cumulative Percent
Salon business	9	16.7	16.7
Mobile money	9	16.7	33.3
Hotels	9	16.7	50.0
Cottage industries	9	16.7	66.7
Retail shops	9	16.7	83.3
Welding	9	16.7	100.0
Total	54	100.0	

Source: Primary data, (2016).

The results in table showed that there is a uniform number of business individuals who engaged in various forms of the informal as salon business, mobile money business, hotel business, cottage industry business, retail shops business and

welding business. This uniform number is 9 for each category of informal sector which is the same as 16.7% of the total sampled population each. This implied that respondents in this sample engage in various informal sectors in equal number.

4.2 The level of banking services in Makindye division, Kampala.

A question was derived from the first objective of the research study about what is the level of banking services in Makindye division, Kampala?. To achieve this objective, respondents were subjected to a number of questions to provide answers to the above research question. The questions delivered to the respondents were aimed at investigating their response towards the stated research objective. This research objective was conceptualized into four elements and analysis was done depending on each separate element.

4.2.1 The extent to which business individuals are accessed to loans in Makindye division Kampala

On this element of banking services, respondents were asked questions to provide answers to them. The response was as shown on table 5 below.

Table 5: The extent to which business individuals are accessed to loans in Makindye division Kampala.

The extent of customer's access to loans	Mean	Std. Deviation	Rank of mean	Interpretation
you always receive money from bank	2.80	.683	2.5	High
The bank provides loan in full as you require	2.80	.626	2.5	High
Banks are very strict with collaterals when accessing loans	3.17	.575	1	High
You can apply for more loan from different banks	1.48	.606	4	Low
Average mean	2.56			High

Source: Primary data, (2016).

The research findings from table 5 showed that a mean of 3.17 falls under high implying that Banks are highly very strict with collaterals when accessing loans, a mean of 2.80 fall under high implying that informal sector business individuals

25

always receive money from bank and that the bank provides loan in full as individuals require; the mean of 1.48 fall under low, implying that individuals cannot apply for more loan from different banks. The average mean of 2.56 on loan period fall under high which gives a general implication that informal sector business individuals in Makindye division are highly accessed to loans as a banking service to them.

4.2.2 The extent to which banks provide insurance services

On this element of banking services, respondents were asked questions to provide answers to them. The response was as shown on table 6 below.

Table 6: The extent to which the Banks provide insurance services

Insurance services provided	Mean	Std. Deviation	Mean rank	Interpretation
You receive some insurance services from insurance companies	2.83	.666	2	Satisfactory
The services rendered are too costly	2.96	.776	1	Satisfactory
The kinds of insurance services are life insurance and property insurance	2.78	.604	3	Satisfactory
Insurance services provided help businesses prosper	2.48	.720	4	Satisfactory
Average mean	2.76			Satisfactory

Source: Primary data, (2016).

The research findings from table 6 showed that a mean of 2.96 falls under satisfactory implying that the services rendered are too costly, a mean of 2.83 fall under satisfactory implying that individuals can satisfactorily receive some insurance services from insurance companies, the mean of 2.78 fall under satisfactory, implying that the kinds of insurance services are highly life insurance and property

insurance and a mean of 2.48 fall under satisfaction, implying that insurance services provided satisfactorily help businesses prosper. The average mean of 2.76 on the insurance services provided by banks fall under satisfactory level which gives a general implication that the extent to which banks provide insurance services to informal sector business individuals is satisfactory.

4.2.3 The extent to which banks provide business advice in Makindye division, Kampala.

On this element of banking services, respondents were asked questions to provide answers to them. The response was as shown on table 7 below.

Table 7: The extent to which banks provide business advice in Makindye division, Kampala.

The extent of business advice provided	Mean	Std. Deviation	Mean rank	Interpretation
Banks provide advice to small scale business owners	2.61	.878	1	High
The advice concerns how to market the products	2.39	.856	4	High
The advice provided are free of charge	2.56	.861	2	High
The bank advice enables business to prosper	2.54	.862	3	High
Average mean	2.53			**High**

Source: Primary data, (2016).

The research findings from table 7 showed that a mean of 2.61 falls under high implying that banks highly provide advice to small scale business owners, a mean of 2.56 fall under high implying that the advice provided are highly free of charge, the mean of 2.54 fall under high, implying that the bank advice highly enables business

to prosper and a mean of 2.39 fall under high, implying that the advice highly concerns how to market the products.

The average mean of 2.53 on loan period fall under high which gives a general implication that the extent to which banks provide business advice in Makindye division, Kampala is high.

4.2.4 The extent to which banks provide saving services to the business members in Makindye division, Kampala.

On this element of banking services, respondents were asked questions to provide answers to them. The response was as shown on table 8 below.

Table 8: The extent to which banks provide saving services to customers in Makindye division, Kampala.

Saving services provided to customers	Mean	Std. Deviation	Mean rank	Interpretation
Banks provide a service of saving money for business people	3.17	.694	1	Satisfactory
The money saved is at no interest rate	1.76	.432	4	Fair
Any amount of money can be banked on some ones account	1.96	.726	3	Fair
The saved money can be withdrawn at any time it is wanted	1.98	.714	2	Fair
Average mean	**2.22**			**Fair**

Source: Primary data, (2016).

The research findings from table 8 showed that a mean of 3.17 falls under satisfactory implying that banks satisfactorily provide a service of saving money for business people, a mean of 1.98 fall under fair implying that the saved money can

fairly be withdrawn at any time it is wanted, the mean of 1.96 fall under fair, implying that any amount of money can be banked on some ones account at a fair level and a mean of 1.76 fall under fair, implying that the money saved at times requires interest rate which should be paid. The average mean of 2.22 on saving people's money fall under fair which gives a general implication that the extent to which the banks offer good service in saving people's money is fair. The overall mean on banking services in Makindye division is 2.52 which fall under high, implying that the banking services provided are satisfactory to the business individuals in Makindye division, Kampala.

4.3 The level of performance of informal sector in Makindye division, Kampala.

A question was derived from the second objective of the research study about what is the level of the informal sector performance in Makindye division, Kampala? To achieve this objective, respondents were subjected to a number of questions to provide answers to the above research question. The questions delivered to the respondents were aimed at investigating their response towards the stated research objective. This research objective was conceptualized into four elements and analysis was done depending on each separate element.

4.3.1 The level of profit earning by the informal sectors in Makindye division, Kampala.

On this element of informal sector performance, respondents were asked questions to provide answers to them. The response was as shown on table 9 below.

Table 9: The level of profit earning by the informal sector in Makindye division, Kampala

The level of profit earned	Mean	Std. Deviation	Mean rank	Interpretation
You have always recovered the money that you have been investing in terms of profit	2.67	.673	1	High
Your capital has been increasing	2.39	.627	2.5	High
Your profit levels have increased over the last two years	2.39	.627	2.5	High
Your business has been able to expand	2.37	.592	4	High
Average mean	2.46			High

Source: Primary data, (2016).

The research findings from table 9 showed that a mean of 2.67 falls under high implying that business individuals have always recovered the money that you have been investing in terms of profit, a mean of 2.39 fall under high implying that the capital for business individuals has highly been increasing, and that their profit levels have highly increased over the last two years, the mean of 2.37 fall under high, implying that individual's business have highly been able to expand. The average mean of 2.46 on profits fall under high which gives a general implication that the extent to which profit is expanding is high.

4.3.2 The level of asset accumulation in the businesses in Makindye division, Kampala.

On this element of informal sector performance, respondents were asked questions to provide answers to them. The response was as shown on table 10 below.

Table 10: The level of assets accumulation in the businesses in Makindye division, Kampala.

Asset accumulation	Mean	Std. Deviation	Mean rank	Interpretation
Your assets in business has been accumulating	2.39	.564	1	High
Your assets in business has some good value	2.37	.592	2.5	High
The value of the asset can enable acquire more resources	2.37	.592	2.5	High
Average mean	2.38			High

Source: Primary data, (2016).

The research findings from table 10 showed that a mean of 2.39falls under high implying that some individuals assets in business has been accumulating highly, a mean of 2.37 fall under high implying that individual's assets in business has high good value, and that the value of the asset can enable acquire more resources. The average mean of 2.38 on asset accumulation fall under high which gives a general implication that the level of asset accumulation in businesses in Makindye division is° high.

4.3.3 The extent to which the businesses have opened new branches in Makindye division, Kampala.

On this element of informal sector performance, respondents were asked questions to provide answers to them. The response was as shown on table 11 below.

Table 11: The extent to which the businesses have opened new branches in Makindye division, Kampala.

The extent to which businesses have opened new branches	Mean	Std. Deviation	Mean rank	Interpretation
Your business has opened more new branches	2.52	1.023	1.5	High
You have a wide asset base	2.52	1.023	1.5	High
In your business, the opened branches can be well managed	2.50	1.042	3	High
There is economies of scale from expansion	2.48	1.023	4	High
Average mean	2.51			High

Source: Primary data, (2016).

The research findings from table 11 showed that a mean of 2.52falls under high implying that people's businesses have highly opened more new branches, and that they highly have a wide capital base, a mean of 2.50 fall under high, implying that in people's businesses, the opened branches can be well managed and a mean of 2.48 fall under high implying that there is high economies of scale from expansion of these businesses. The average mean of 2.51 on new branches opened fall under high which gives a general implication that the extent to which the businesses have opened new branches in Makindye division, Kampala is high.

4.3.4 The level of liquidity of the businesses in Makindye division, Kampala.

On this element of informal sector performance, respondents were asked questions to provide answers to them. The response was as shown on table 12 below.

Table 12: The level of liquidity of the businesses in Makindye division, Kampala

The level of liquidity in business	Mean	Std. Deviation	Mean rank	Interpretation
Your business shares has got liquidity	2.50	.885	1.5	High
The business is able to borrow anywhere due to the liquidity	2.48	.863	3.5	High
Your business can easily turn the assets into cash	2.48	.863	3.5	High
The business has much assets which are near cash	2.50	.841	1.5	High
Average mean	2.49			High

Source: Primary data, (2016).

The research findings from table 11 showed that a mean of 2.50 falls under high implying that people's business shares have got high liquidity, also a mean of 2.50 fall under high implying that the business has much assets which are highly near cash, the mean of 2.48 fall under high, implying that The business is able to borrow anywhere due to the liquidity and a mean of 2.48 also fall under high, implying that people's businesses can easily turn the assets into cash. The average mean of 2.49 on liquidity fall under high which gives a general implication that the level of liquidity of the businesses in Makindye division, Kampala is high.

4.4 The effects of banking services on performance of informal sector in Makindye division, Kampala.

A question was derived from the third objective of the research study about what are the effects of banking services on performance of informal sector in Makindye

division, Kampala?. To achieve this objective, respondents were subjected to a number of questions to provide answers to the above research question. The questions delivered to the respondents were aimed at investigating their response towards the stated research objective.

Therefore to achieve this objective, the researcher correlated the means on banking services and that on performance of informal sector by using the Pearson's Linear Correlation Coefficient as indicated in table 13 below.

Table 13: The correlation between banking services and performance of informal sector in Makindye division, Kampala.

Variables correlated	r-value	Sig	Interpretation
Banking services Vs Performance of informal sector	0.135	0.233	There is a positive very weak correlation or effects of banking services on performance of informal sector

Source: Primary data, (2016).

Results in table 13 indicated a positive weak effect of banking services on performance of informal sector in Makindye division, Kampala since the sig. value (0.233) was less than 0.05 and which is the maximum level of significance required to declare a significant effects in social sciences. This implies that good and better banking services will improve the level of performance of informal sector in Makindye division, Kampala, and unsatisfying banking services reduces it.

CHAPTER FIVE

DISCUSSIONS, CONLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the findings, conclusions, recommendations and suggested areas that need further research following the study objectives and study hypothesis.

5.1Discussion of findings

5.1.1 Findings on demographic data collected in Makindye division, Kampala.

Concerning gender; the results indicated that most of the respondents in this sample were females and this marked 29 respondents, the same as 53.7% of the total sampled population, whereas a few (25) the same as 46.3% of the total sampled population were males, hence implying a gender gap in the informal sector in Makindye division, Kampala.

The results in table 2 showed that majority of the respondents in this study's sample were aged between 26-33 years, who were 26 the same as (48.1%) of the total sampled population. These were followed by those between 34-41years of age who were 15 constituting 27.8% of the total sampled population, followed by those between 42-49years who were 08 the same as 14.8% of the total sampled population, followed by those in age group 18-25 who were 03, the same as 5.6% and lastly those who were under aging group who were 02 in number, 01 the same as 1.9% in the age group of 50-58 and 01, the same as 1.9% in the age group 58 years and above. This implied that majority of respondents in this sample were in their mid-adulthood age.

The results in table 3 indicated that certificate level of education who were 23 respondents the same as (42.6%) of the total sample population dominated the study, followed by those who ended at secondary who were 16 in number the same as (29.6%) of the total sampled population, followed by those who were diploma holders, they are 08 in number, the same as 14.8% of the total sampled population,

whereas only 04 respondents, the same as 7.4% of the total sample population were degree holders and only 03, the same as 5.6% of the total sampled population had never reached primary. This implied that most of individuals in the informal sector in Makindye division are generally not well educated.

The results in table 4 showed that there is a uniform number of business individuals who engaged in various forms of the informal as salon business, mobile money business, hotel business, cottage industry business, retail shops business and welding business. This uniform number is 9 for each category of informal sector which is the same as 16.7% of the total sampled population each. This implied that respondents in this sample engage in various informal sectors in equal number.

5.1.2 The extent of banking services in Makindye division Kampala.

To achieve this objective, respondents were subjected to a number of questions to provide answers to the research question derived from this objective. The questions administered to the respondents were aimed at investigating the respondent's response towards the stated research objective. Data analysis and interpretation revealed the following findings on this objective. Based on the analysis of chapter four, from Table 5 to table 8 the findings showed that the average mean of 2.56 on loan period fall under high which gives a general implication that informal sector business individuals in Makindye division are highly accessed to loans as a banking service to them. The average mean of 2.76 on the insurance services provided by banks fall under satisfactory level which gives a general implication that the extent to which banks provide insurance services to informal sector business individuals is satisfactory. The average mean of 2.53 on business advice fall under high which gives a general implication that the extent to which banks provide business advice in Makindye division, Kampala is high. The average mean of 2.22 on saving people's money fall under fair which gives a general implication that the extent to which the banks offer good services in saving people's money is fair.

The overall mean on banking services in Makindye division is 2.52 which fall under high, implying that the banking services provided are satisfactory to the business

36

individuals in Makindye division, Kampala. This finding is in line with **Otero (1999)** who noted that banks provide various services to business individuals in form of loans, insurance, saving and business advice.

5.1.3 The level of performance of informal sector in Makindye division Kampala.

To achieve this objective, respondents were subjected to a number of questions to provide answers to the research question derived from this objective. The questions administered to the respondents were aimed at investigating the respondent's response towards the stated research objective. Data analysis and interpretation revealed the following findings on this objective. Based on the analysis of chapter four, from Table 6 to table 10 the findings showed that the average mean of 2.46 on profits fall under high which gives a general implication that the extent to which profit is expanding is high. The average mean of 2.38 on asset accumulation fall under high which gives a general implication that the level of asset accumulation in businesses in Makindye division is high.

The average mean of 2.51 on new branches opened fall under high which gives a general implication that the extent to which the businesses have opened new branches in Makindye division, Kampala is high. The average mean of 2.49 on liquidity fall under high which gives a general implication that the level of liquidity of the businesses in Makindye division, Kampala is high. The overall mean of 2.46 fall under high which gives a general implication that the performance of informal sector in Makindye division, Kampala is generally high.

This finding also agrees with Munoz (2010) who noted that the performance of informal sector can be seen through elements as level of profit, level of losses, business expansion, asset acquisition among others(Munoz, 2010).

5.1.4 The effects of banking services on performance of informal sector

To achieve this objective, the researcher correlated the means on banking services and that on performance of informal sector by using the Pearson's Linear Correlation Coefficient as indicated in table 13above. Results in table 13 indicated positive weak

effects of banking services on performance of informal sector in Makindye division, Kampala since the sig. value (0.233) was less than 0.05 and which is the maximum level of significance required to declare a significant effects in social sciences. This implies that good and better banking services will improve the growth of informal sector in Makindye division, Kampala, and unsatisfying banking services reduces it.

5.2 Conclusions

From the findings of the study, the researcher concluded that most of the respondents in this sample were females and this marked 29 respondents, the same as 53.7% of the total sampled population, whereas a few (25) the same as 46.3 % of the total sampled population were males; that majority of the respondents in this study's sample were aged between 26-33 years, who were 26 the same as(48.1%) of the total sampled population; that certificate level of education who were 23 respondents the same as (42.6%) of the total sample population dominated the study; that there is a uniform number of business individuals who engage in various forms of the informal sector as salon business, mobile money business, hotel business, cottage industry business, retail shops business and welding business. This uniform number is 9 for each category of informal sector which is the same as 16.7% of the total sampled population each.

It can also be concluded that, the overall mean on banking services in Makindye division is 2.52 which fall under high, implying that the banking services provided are satisfactory to the business individuals in Makindye division, Kampala. It can also be concluded that, the overall mean of 2.46 falls under high which gives a general implication that the performance of informal sector in Makindye division, Kampala is generally high. Also that there is a positive weak effects of banking services on performance of informal sector in Makindye division, Kampala since the sig. value (0.233) was less than 0.05 and which is the maximum level of significance required to declare a significant effects in social sciences.

5.3 Recommendation

The researcher suggests to the banks to always provide services in form of loans to informal sector for better informal sector performance.

The researcher suggests that banks should make sure that they provide business advice to the informal sector for better performance

Banks should provide bank services in form of saving people's money which will reduce the incidences of theft cases.

The researcher suggests that the informal sector should make sure that the type of loans they get are properly invested to have better returns.

The researcher suggests that the informal sectors should make sure that the types of loans they get have interest rates which do not threaten the growth of their businesses.

5.4 Areas for further research

Prospective researchers and even students are encouraged to research on the following areas;

Microfinance services and poverty reduction in rural areas

Taxation and growth of informal sector in Uganda.

Government policy and informal sector growth in Uganda.

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APPENDICES

APPENDIX IA: THE LETTER OF TRANSMITTAL FROM CEMS

OFFICE OF THE DEPUTY VICE CHANCELLOR (DVC)
COLLEGE OF ECONOMICS AND MANAGEMENT SCIENCES (CEMS)

Dear Sir/Madam,

RE: INTRODUCTION LETTER FOR MAKUMBI MIKE REG. NO BEC/40846/133/DU, TO CONDUCT RESEARCH IN YOUR INSTITUTION

The above mentioned candidate is a bonfire student of Kampala International University pursuing BEC.

He is currently conducting a field research for his thesis entitled, **Banking Services and Performance of the Informal Sector in Makindye Division Kampala.**

Your institution has been identified as a valuable source of information pertaining to his research project. The purpose of this letter then is to request you to avail her with the pertinent information she may need.

Any data shared with her will be used for academic purposes only and shall be kept with utmost confidentiality.

Any assistance rendered to him will be highly appreciated.

Yours faithfully,

Makumbi Mike.

APPENDIX 1B

TRANSMITTAL LETTER FOR THE RESPONDENTS

Dear Sir/ Madam,

I am an BEC candidate of Kampala International University. Part of the requirements for the award is a Dissertation. **My study is entitled, Banking services and performance of the informal sector in Makindye division Kampala.**

Within this context, may I request you to participate in this study by answering the questionnaires.

Kindly do not leave any option unanswered. Any data you will provide shall be for academic purposes only and no information of such kind shall be disclosed to others.

Thanks you so much in advance.

Yours sincerely,

Makumbi Mike

Kampala International University

Kampala, Uganda

APPENDIX II

TIME FRAME OF THE STUDY

This table shows the time this research will be completed the study

Activities	First month	Second month	Third month	Fourth month
proposal	March			
Visiting the data sources including libraries, institutions and others		March-April		
Final analysis			April-May	
Dissertation Typing, printing and submission				May

APPENDIX III

ESTIMATED BUDGET

The budget is estimated to be used is estimated at **636,000**/- as illustrated below

S/NO	PARTICULARS	AMOUNT
1	Stationary	45,000
2	Photocopy	80,000
3	Binding	32,000
4	Typing	120,000
5	Internet	30,000
6	Accommodation and transport and lunch	400,000
	TOTALS	**707,000**

RESEARCH INSTRUMENT, (QUESTIONNAIRE).

Dear Respondent,

This is an Academic Research about the banking services and performance of the informal sector in Makindye division Kampala. The research is being carried out as a partial fulfilment of the requirements of the award of a Bachelor's degree of Arts in Economic of Kampala International University. As one of the divisions in Uganda you been selected to participate in this study. The information provided will only be used for academic purposes, and will be treated with utmost confidentiality. You are to fill by ticking the option that applies to you.

Thank you very much in advance.

SECTION A
BACKGROUND INFORMATION:

1 Gender

Male ☐   **Female** ☐

2 .Age of Respondent in years

18-25 ☐   26-33 ☐ 34-41 ☐   42-49 ☐ 50-57 ☐   above 58

3. Education Level

Never attended Primary ☐   Secondary ☐   Cert ☐   Diploma ☐

Degree ☐

4 The forms of informal sector business

Mobile money ☐   retail shop ☐   cottage industry ☐   Welding ☐

Salons ☐   Hotels ☐

SECTION B:

QUESTIONNAIRE TO DETERMINE THE EXTENT OF BANKING SERVICES IN MAKINDYE DIVISION, KAMPALA

Direction 1: Please write your rating on the space before each option which corresponds to your best choice in terms of **Banking Services in Makindye Division Kampala**

Kindly use the scoring system below:

Response Mode		Rating	Description
Strongly Agree	(SA)	4	Very Satisfied
Agree	(A)	3	Satisfied
Disagree	(D)	2	somewhat dissatisfied
Strongly Disagree	(SD)	1	Dissatisfied

No.	Indicator	SA	A	D	SD
	Loan				
1	You always received money from bank				
2	The bank provides loan in full amount as you for				
3	Banks are very strict with collaterals when accessing finances				
4	You can apply for more loan from different banks				
	Insurance services				
5	You receive some insurance services from insurance companies				
6	The services rendered are too costly				
7	The kinds of insurance services are life insurance, property insurance				
8	Insurance services provided help the business prosper				
	Business advice				
9	Banks provides advice to small scale business owners				
10	The advice concerns how to market the products				
11	The advice provided are free of charge				
12	The bank advice enables business to expand				
	Saving their money				
13	Banks provide a service of saving money for business people				
14	The money saved is at no interest rate				
15	The saved money can be withdrawn at any time it is wanted				
16	Any amount of money can be banked on some ones account				