

**AN ASSESSMENT OF LOAN SYSTEM ON THE PRODUCTIVITY OF
BUSINESS ORGANIZATIONS IN APAC TOWN COUNCIL, APAC
DISTRICT: CASE STUDY OF CENTENARY RURAL DEVELOPMENT
BANK.**

BY

OKILLA HUMPHREY JIMMY

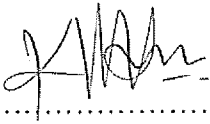
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**A RESEARCH REPORT SUBMITTED TO THE FACULTY OF BUSINESS
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UNIVERSITY.**

OCTOBER, 2011.

DECLARATION

I Okilla Humphrey Jimmy do hereby declare that this research report is original and has not been published or submitted for any other degree award to any other university before.

Signed:  Date: 28th October 2011

Okilla Humphrey Jimmy

Department of Business Administration

Faculty of Business and Management, Kampala International University

APPROVAL

This report has been submitted for examination with approval of the under signed supervisor.

Name: **Mr. Odongo Mike**

Supervisor

Signed:  Date: 29/09/2021

DEDICATION

This research work is dedicated to my loved father the late mzee David Obilo Okilla and Mother Mrs. Sophia Apolo Obilo.

ACKNOWLEDGMENT

I would like to thank my wife Flavia Adoch and mother for the moral and financial support they have given me throughout this course.

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MAY THE ALMIGHTY GOD BLESS YOU ALL

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LIST OF ABBREVIATIONS

CERUDEB	Centenary Rural Development Bank
SACCO	Savings and Credit Cooperative Organization
HIVOS	Humanistic Institute for Development Cooperation (of Netherlands)
UNFU	Northern Uganda Finance Union
HIL	Home Improvement Loan
VAT	Value Added Tax

ABSTRACT

This study aimed at an assessment of the loan system on the productivity of business organizations in Apac Town Council Apac District.

The methodology the researcher used in executing this work included; focused group discussions, documentation review, questionnaires, interview guide, and observation check list.

The objective was to assess the loan systems and how it impact on the productivity on business organizations.

It analyses the effects of loan disbarment, loan repayment period, and loan repayment method and loan size on the productivity of business organizations.

The majority of respondent showed that business organization operating in Apac town are accessing loans facilities for their businesses, and that prompt and timely disbursements is commensurate to business productivity. While corporate loans are good because the repayment period is long with repayment schedules flexible. This promotes business expansion and productivity.

However loan size depends on the type of business venture an organization is engaged.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This particular chapter presents the background of the study, problem statement, purpose of the study, objectives of the study, research questions, scope of the study, significance of the study, limitations and conceptual frame work.

1.1 Background of the study

In Apac town council business organizations started accessing loans from CERUDEB in 1998 with 10 business organization each receiving 2 million loan sizes with repayment period of 6 months. The subsequent loan size was then raised to 4 million with repayment period of one year. The loan sizes were later elevated to 50 million and above for those who could offer land title as collateral security.

The Centenary Rural Development Bank (CRUDEB) serves over 250,000 Ugandans families, primarily in the rural areas of the country (83% of loans are to rural inhabitants and 77% deposits), with a network of 16 branches through out the country, this was year 2001.

Currently, 90% of business organizations operating in Apac town council are accessing loans from CERUDEB. The rest are; 1% loans from Stanbic bank, 2% loans from FINCA, 7% loan from UNFU and Alutkot SACCO.

1.2 Statement of the problem

Corporate loans are good because of the loan size with a lengthy repayment periods. Despite the corporate loan, most business organizations and traders in Apac Town Council go for micro - business loans which management is difficult and servicing becomes a problem affecting the productivity of the business organization.

The extend of the loan system on the productivity of business organizations has remained a myth despite 90% of business organizations in Apac town accessing loans from CERUDEB.

CERUDEB has trained business organizations In Apac Town to come up with , business plan and proposals targeting loan investments, but the actual investments of loans by most organization have been diverted. This is the beginning of factors which affects productivity of business organization.

The loan system on the one hand encompasses the main features, eligibility criteria, basic requirements, application, processing, loan sizes, disbursements, repayments and benefits envisaged therein.

Processing and servicing loan has hi-caps which affects directly or indirectly the productivity of a business organization. Once the process is delayed and the season of investment planned is off target, it grossly impact on the productivity of the business organization. Similarly when the business organization can not service the loan effectively as scheduled within the recovery method and period, this is an indication of low productivity by the business organization.

From the supply institutions, unconfirmed truth is that the loan systems have remained exploitative with high interest rates, rigorous procedures, and rudimentary loan recovery methods. Also loans have strings attached to them in that the target is profit maximization either in the short - run or in the long – run. The borrowers on the other side is looking at how best to invest the loan such that the turn over is fast to repay the loan and then generate profits henceforth. These dynamics have a direct bearing on the productivity of a business organization which calls for an assessment on the loan systems to inform the business organization to make correct decision on the loan to invest in the business.

To this end the research is intended to carry out an assessment of the loan system on the productivity of a business organization.

1.3 General objective.

The purpose of this study is to assess how the loan system affects the productivity of the business organization in Apac Town Council, Apac District.

1.4 Specific objectives:

1.4.1 To examine how disbursements of loan affects business organization in Apac Town Council.

1.4.2 To assess the effects of loan repayment methods on productivity of business organization in Apac Town Council.

1.4.3 To find out the extend to which the loan size affects the productivity of the business organization in Apac Town Council.

1.1.1 To analyze how the loan repayment period affects the productivity of business organizations in Apac Town Council.

1.5 Research questions

1.5.1 How does disbursement of loan affect productivity of business organizations in Apac Town Council?

1.5.2 What are the effects of repayment methods on productivity of business organizations in Apac Town Council?

1.5.2 To what extent does loan size affect the productivity of business organizations in Apac Town Council?

1.5.3 How does a loan repayment period affect the productivity of business organizations in Apac Town Council?

1.6 Scope of the study

1.6.1 Content scope; shall focus on analysis of the productivity of business organization and their ability to absorb the loan system. It also examines the loan system which influenced positively and negatively the performance of business organizations.

1.6.2 Geographical scope shall be Apac Town Council, Apac District which is located in northern part of Uganda.

1.6.3 Time scope; this study shall cover the period between 2007 to 2011. This is the period most business organizations operating in Apac Town Council is accessing loan from CERUDEB, Lira branch.

1.7 Significance of the study

- (i) The assessment will help proprietors and managers of business organization make meaningful decisions from an informed perspective. An assessment shall stimulate productivity and improve performance of a business organization.
- (ii) Productivity of the business organization will be achieved. The assessment will be able to analyze the unviable loan system. Under this assessment, business organization will be able to go in for loan system which disbursements are timely,

the loan size adequate, repayment methods and periods favorable for their productivity.

- (iii) Through the membership of chambers of commerce and industry, the plights of business organization and traders over high interest rates on loan, inadequate loan size, rigorous repayment methods and periods can be addressed through dialogue with loan institutions on the basis of this assessment.
- (iv) The local communities, rural peasants shall realize effective and efficient business services, trade and consumption of wide variety of goods and services with alternative choice when the loan systems are favorable to business organizations.
- (v) The government of Uganda through the Ministry of Trade, Industry and Cooperatives in collaboration with Chambers of commerce will be able to come up with policies to monitor the loan institutions and evaluate their progress on extending financial support to business organization.
- (vi) Future researchers shall take this assessment as reference points to review their research study.

1.8 Limitation of the study

- 1.8.1** The loan institution under the case study denied access to information for literature review on grounds that the researcher have to get letter from their head quarters to allow the branch release information. This limitation was explained to the branch public relation officer in a face to face interaction who eventually understood the circumstance under which the researcher was operating in terms of costs involved up to completion of the research report.
- 1.8.2** There is inadequate finance to facilitate the research. However, the small finance envelope from personal savings shall be squeezed to fit in and meet the required budget for the research.

- 1.8.3 Respondent; proprietors and managers of business organization in most cases are not open to interviews. But this shall be addressed by through explanation of the significance of the study and assurance that the information given shall be confidential
- 1.8.4 Not all business organization in Apac is membership to chambers of commerce and industry. But this association had office bearers who are representative enough as key informants to give the necessary information for the research.
- 1.8.5 Tracing and tracking the loan trends is a problem to business organizations run by sole proprietorship. But the sample population under this study is big enough to generate information for the research.

1.9 Operational definition of terms

Loan size; the amount of loan that is disbursed to a business organization depending on the credit product requested.

Productivity; the yield of business growth realized from loan investments and its systems.

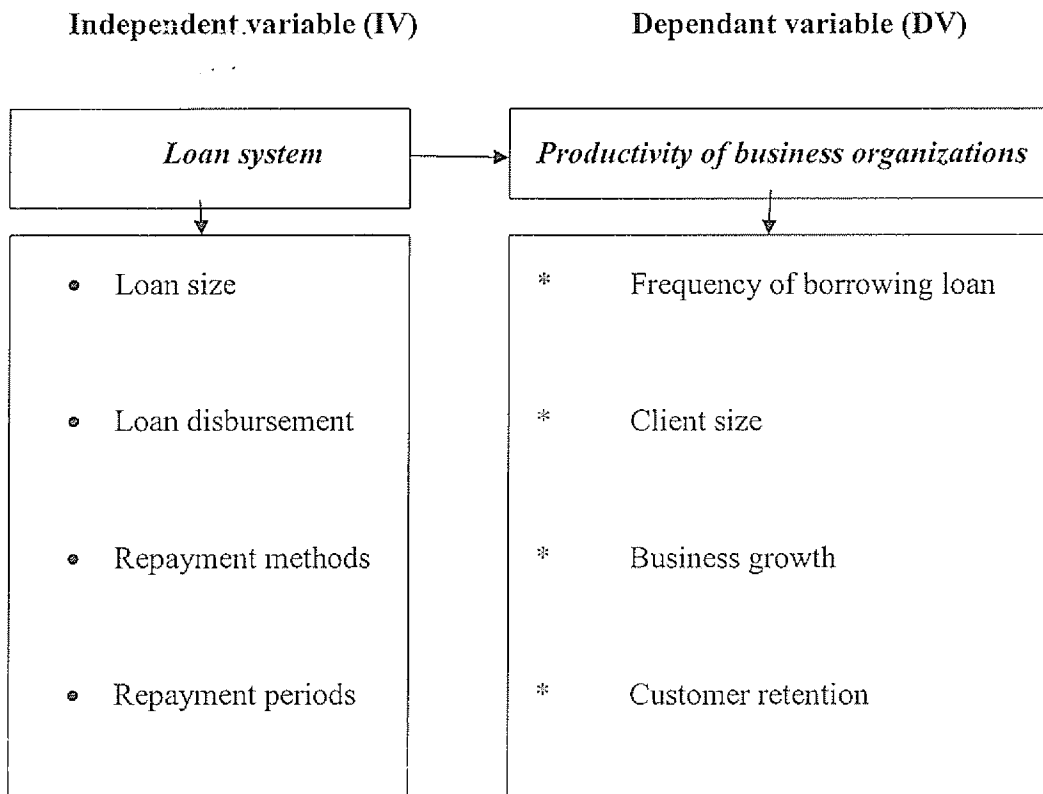
Client; Business organization and traders who have borrowed money from the loan institution.

Disbursement; the time it takes to transfer loan funds to the customer's bank account.

Repayment; loan servicing and recovery to the loan institution.

1.10 Conceptual frame work

This conceptual frame work is linking the independent variable which is the loan system to the dependent variables which is the productivity of the business organizations.



CHAPTER TWO

LETTRATURE REVIEW:

2.1 Introduction:

In this chapter, the researcher shall examine the theoretical review and actual review of related literature. This shall be done objective by objective. The study is about loans system and productivity of business organization.

2.2 Actual review of related literature

The researcher shall look at the theory of basic needs, and a case study on loan products and their characteristics.

Theory of basic needs; considering the theory advanced by David McClelland and his associates proposed McClelland's theory of needs/Achievement motivation theory. This theory states that a human behavior is affected by three needs. Needs for power, achievement and affiliation. Need for achievement is the urge to excel, to accomplish influence other individual's behaviors as per your wish. In other words, it is the desire to have control over others and to be influential. Need for affiliation is a need for open and sociable interpersonal relationships. In other words, it is a desire for relationship based on co-operation and mutual understanding.

The individuals with high achievement needs are highly motivated by competing and challenging work. They look for promotional opportunities in job. They have a strong urge for feedback on their achievement. Such individuals try to get satisfied in performing things better. High achievement is directly related to high performance. Individuals who are better and above average performers are highly motivated. They assume responsibility for solving the problems at work. McClelland called such individuals as gamblers as they set challenging targets for themselves and they take deliberate risk to achieve those set targets. Such individuals look for innovative ways of performing job. They perceive achievement of goals as a reward, and value it more than a financial reward.

The individual who are motivated by power have strong urge to be influential and controlling. They want that their views and ideas should dominate and thus, they want to lead. Such individuals are motivated by the need for reputation and self-esteem. Individuals with grater power and authority will perform better than those possessing less power. Generally, managers with high need for power

turn out to be more efficient and successful managers. They are more determined and loyal to the organization they work for. Need for power should not always be taken negatively. It can be viewed as the need to have a positive effect on the organization and to support the organization in achieving its goals.

The individuals who are motivated by affiliation have an urge for a friendly and supportive environment. Such individuals are effective performers in a team. These people want to be liked by others. The manager's ability to make decisions is hampered if they have high affiliation need as they prefer to be accepted and liked by others, and this weakens their objectivity. The individuals have high affiliation needs prefer working in an environment providing greater personal interaction. Such people have a need to be the good books of all. They generally cannot be good leaders.

Loan products and their characteristics; Case study a simulation model of loan servicing for saving and credit cooperative organizations (SACCO) under poverty alleviation program by SSEWANKAMBO DAMIAN, October, 2007.

Loan Products:

Working capital loans; these loans are targeted to individuals who have enterprises that is not the primary means of generating income for the individual. Working capital loans are designed for investing in activities that support the enterprise's business cycle.

Welfare loans; these are designed to respond to life cycle crisis that the loan beneficiary have to deal with. These loans take care of needs such as education, medical expenses, legal fees, and so on. Loan beneficiaries have to stipulate the reasons for which they are taking the loan in order to qualify for consideration.

Development Loan; these are loan capital investment that are made presumably to increase the holdings productive land, building houses, purchasing in-puts. It a financing instrument with a term of a minimum of five years.

Characteristics of loans:

From the supply side, loans are provided with the following being the standard requirements that borrowers are supposed to meet.

Loan size; maximum loan size is based on one's ability to repay

Collateral for loans; these may include shares, guarantors, or assets.

Loan terms; this depends on the agreed timeframe.

Loan fees; these includes loan appraisal fees.

2.2.1 Loan disbursement and productivity

Report on "micro impact assessment carried out for CERUDEB by HIVOS in June 1999 by G. Galle, M Duursman and L. Eturu.

There is over whelming statistically significant evidence that business organization have experienced overall positive impact related to their being clients of CERUDEB's micro credit services. This positive productivity includes specific factors of favorable changes in the amount of business, income from business, change in enterprises assets and change in household assets. These all increase (more than in the case of non- clients) over successive loans.

The vast majority of loan amount is spent on the business, especially to buy stock or materials. However, sometimes parts of the loan are also used to cover household or medical expenses, school fees and so on. CERUDEB does reach its target group; "the economically active poor". However the "poor" of course is a relative concept, therefore it might be more appropriate to say that CERUDEB reaches an echelon of micro business enterprises or organizations (both poor and less poor) that have no access to regular financial institutions. As the bank's reputation and procedures become more familiar and the market further penetrated, it is likely relative more poor will be reached. The average client is in his thirties, has at least completed primary education and has been in business nearly six years. The average client's household count eight members and his business is likely to be a one room rented shop. The majority of client can be categorized as rural based, even though a lot of small businesses are located in urban or trading centers. The target group in general does not have access to formal financial services elsewhere. Nationwide, 68% of CERUDEB's clients are recurrent customers.

The report recommended that some discrepancy was observed which hinders loan performance and productivity. This was between CERUDEB's policies and procedures (e.g. concerning minimum requirements for loan eligibility) as advocated at National (head office) level and the

interpretation of some of these policies and procedures at branch levels. Often this meant a “sticker” interpretation than required. It was therefore recommended that CERUDEB communicates its policies, procedures and criteria clearly to the branches.

2.2.2 Loan repayment method and productivity Cente facts hand book 2011, all you need to know about Centenary bank products and services).

Micro-business loan; Short term loan targeting micro business enterprises for financing any productive purpose, these are working capital.

Main features includes; interest charged on declining methods, minimum loan amount is Ushs 100,000=, with a maximum of up to Ushs15 million, flexible and regular repayment plans available, and loan period of up to 24 months.

Basic requirement includes; savings or current account with the bank, moveable collateral like vehicles, household property or business assets, guarantees, personal or corporate, application fees of Ushs 15,000=, commitment fees of 2% of the loan amount, inspection of collaterals, legal perfection of collaterals and guarantees, applicant must be resident within the branch designated area of operation, there must be an on-going business activity.

Commercial or corporate loan; Loans extended to small medium enterprises (SME’s) and corporate engaged in profitable business activities in a variety of sectors including trade and commerce, transport and communication, industry or manufacturing, agriculture, animal husbandry, fisheries and crop finance, government sector building and construction, and service sector. The loan can be used to finance working capital, acquisition of business assets and infrastructural development.

Main features includes; interest charged on declining balance, minimum loan amount of up to Ushs 15 million and with a maximum loan amount of up to Ushs 3 billion, maximum loan period of up to five years, loan amount approved not exceeding 100 % of the forced sale value of the collateral, grace period of up to six month applicable on a cases - by -case basis, processing fees for commercial loan is Ushs 20,000=, while for corporate loans is Ushs 50,000=, security has to be provided for this type of loan.

Supportive documents to be submitted based on the nature of the business are; application form, certificate of registration or incorporation, articles and memorandum of association, companies profile, partnership deed, borrowing resolution, audited financial statements for at least the last three years, balance sheet, profits and loss accounts prepared by registered certified public accountants or auditors, projected cash flow statements, statements of assets and liability dated within three month of application date, copy of title deed being offered as security, copy of valuation report (dated within four years of application date), valued by the bank approved valuer, curriculum vitea of the proprietors or partners or directors or guarantors, statement of bank account for at least twelve month, approved plan and bill of quantities for construction projects, valid licenses for the business being undertaken, authority to borrow granted by relevant ministry in case of financing government aided projects, proforma invoices for purchase of machinery or equipments or vehicles, site visit report for the business premises and properties being offered as security (with pictures), and local purchase orders.

2.2.3 Loan repayment period and productivity

Cente facts hand book 2011, all you need to know about Centenary bank products and services).

Cente lease; is a short term to medium term lease product targeted at individual and or organizations activity engaged in agricultural production, processing and marketing, and other business activities outside the agricultural sector like transport, trade and commerce, education services, health services, small scale processing and manufacturing, hotels and recreational services for the purpose of acquiring business assets or equipments through leasing. The bank lease assets or equipments to individuals and or organization in exchange of payments of periodic rentals for periods up to a maximum of five years. A customer automatically owns the asset once all the agreed payments or rentals have been paid. Customers can acquire assets or equipments of their choice with values ranging from a minimum of Ushs 100,000= up to a maximum of Ushs 100 million (VAT inclusive).

Bank overdraft; Very short term credit facility designed to meet the bank customer's urgent day - to - day cash requirements for their business transactions. The facility is renewable based on borrower's credit history with the bank

Main features; loan term is up to a maximum of twelve month, commitment fee of 2 % is charged, repayment through good account deposit, interest is linked to bank prime lending rate and charged on declining balance, minimum amount offered is Ushs 100,000=.

Automatic loans; is a credit line with favorable terms offered to the bank's prime micro and agricultural loan borrowers with excellent credit histories for loans previously borrowed from the

bank. The borrowers can within certain limits have two credits outstanding at the sometime. The loan is entirely aimed at offering good services.

Main features; accessed by best performing borrowers, finances working capital, operational expenses and assets acquisition, minimum loan amount of Ushs 100,000= with a maximum of up to Ushs 15 million, borrower is free to set the repayment mode to his or her preferences, loan period of up to 24 month.

Home improvement loan (HIL); Short term loan with both regular repayments targeted at home owners with regular income earnings for the purpose of financing home improvement either through construction or renovation of residential or commercial house, erecting of perimeter wall or fence, installation of power and energy system, kitchenettes, water supply and sanitation system and building of latrines.

Main features; interest charged on declining balance, regular and flexible loan repayment plan, and maximum loan period up to 36 month.

Solar loan; Centenary bank's solar loan is a short term loan for providing finance to customers who desire to purchase and install solar power at their places of residence or business. Loan repayment plans are flexible depending on the individual cash flows of the customer and the loan term ranges from a minimum of six month to a maximum of 24 month depending on the loan amount applied, the purpose and the capacity of the customer to service the loan

2.2.4 Loan sizes and productivity; report on “micro impact assessment carried out for CERUDEB by HIVOS in June 1999 by G. Galle, M Duursman and L. Eturu.

There are no indications that CERUDEB might move away from the current clientele or loan sizes. There is a strong commitment to the economically active poor and small deposits and loan sizes at all levels in the organization. The delivery mechanisms are specifically developed to cater for this target group and these products. Service are delivered in a very cost effective way, no extra cost are involved in serving these groups. The smaller loan sizes (under Ushs 500,000=) are relatively expensive to administer, but this is “cross-subsidized” by the larger loan sizes.

The demand is high and not likely to be a constraining factor for CERUDEB's expansion. Because of the urge unmet demand for loans, many eligible potential clients do not (yet) receive loans. CERUDEB has chosen to opt for ensuring bank viability and sustainability in its loan

procedures. The major bottleneck for the economically active poor is there is too much demand and insufficient financial institutional capacity to provide a much larger supply.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The study was conducted to assess the loan system on the productivity of business organization in Apac Town Council, Apac District. The chapter entails the summary of investigation, area of sampling, data collection, population, tools and how they shall be administered to the subjects and analysis of the data.

3.1 Research Design

The particular area of study is the business communities of Apac Town Council, which included the business organizations and traders in the sample area, and the association of the chambers of commerce and industries Apac branch.

3.2 Population of the study

At least 30 business organizations and enterprises were selected basing on their willingness to be interviewed.

Interviews were administered to 10 small-scale industries operated in Apac Town Council.

The executive committee and board of directors of the chambers of commerce and industries Apac branch, total of 09 members was selected to answer the questionnaire as key informants.

3.3 Sampling

Table I Showing sample selection size

Respondents	Total	Sample size
Key informants	40	36
Business firms/organizations	80	66
Small scale industries	25	24
Local authorities	90	73
Total	235	199

Table II Showing sampling methods

Respondents	Sample size	method
Key informants	36	Purposive sampling
Business firms/organizations	66	Stratified sampling
Small scale industries	24	Random sampling
Local authorities	73	Random sampling
Total	199	

3.4 Data collection method

The following methods shall be used by the researcher for data collection; the questionnaires, interview, observation, and documentation.

3.5 Data collection instruments

The data collection instruments shall include focused group discussions, documentation review, questionnaires, interview guide, and observation check list.

3.6 Data analysis

Data shall first be collected, edited, and presented using statistical tools such as pi-charts, tables, graphs, and so forth.

3.7 Reliability of data

The researcher shall conduct pre-testing of the instruments on a selected population outside the area of the research study that shall be used to compare note and field information

3.8 Ethical consideration

The researcher shall keep all information confidential and for the purpose of this research only, other than for any other purpose envisaged henceforth.

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This study aimed at an assessment of the loan system on the productivity of business organizations in Apac Town Council, Apac District.

4.2 Data presentation

The assessment was carried out on business organizations and enterprises, small scale industries, the executive committee and board of directors chambers of commerce, Apac branch, and the indigenous communities.

4.3 Data analysis

The results from the questionnaire were presented and tabulated to the items in questions. The results were analyzed in percentage (%). The highest percentage represented the majority of the opinion of the study.

Fig 1.

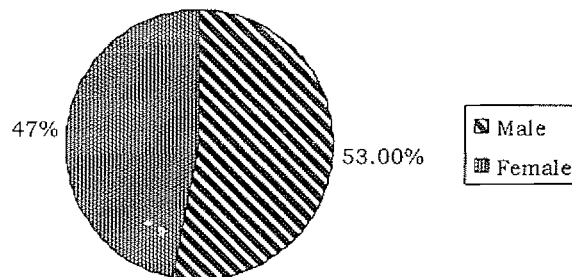


Figure one above indicates that there were more female interviewed than the male (53) against 47%.

Business organization responses:

Table 4.3.1 Loan disbursement and productivity of business organization

Question No.	Response	Number of respondents	Percentage (%)
1	Strongly agree	50	62.05
	Agree	15	18.75
	Not sure	08	10.00
	Disagree	05	6.25
	Strongly disagree	02	2.50
	Total	80	100

The response show that 62.5% of business organizations strongly agree that loan disbursements has direct bearing on the productivity of business organizations.

Fig. 2.
Showing response on loans disbursement.

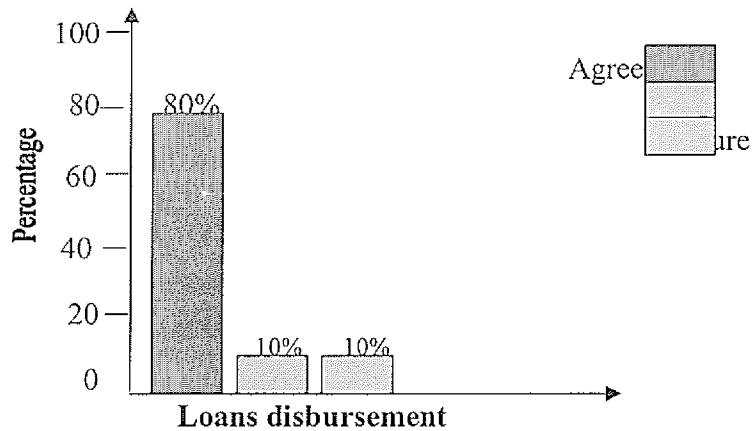


Fig. 2 above indicates that loans disbursement significantly affect productivity of organizations. The amount disbursed is insignificant to cause development.

Table 4.3.2 loan repayment period and productivity of business organization

Question No.	Response	Number respondents	of Percentage (%)
2	Strongly agree	21	26.25
	Agree	53	66.25
	Not sure	01	1.25
	Disagree	03	3.75
	Strongly disagree	02	2.50
	Total	80	100

The responses show that 66.25% of business organization agree, 26.25% strongly agree that their productivity is achieved when loan repayment period is long enough for loan servicing.

Table 4.3.3 Loan repayment methods and productivity of business organization

Question No.	Response	Number respondents	of Percentage (%)
3	Strongly agree	19	23.75
	Agree	42	52.50
	Not sure	07	8.75
	Disagree	02	2.50
	Strongly disagree	10	12.50
	Total	80	100

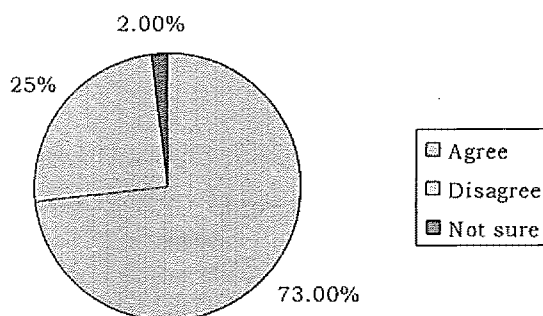
The responses show that 52.5% of business organizations agree on reducing balance methods of repaying loans.

Table 4.3.4 Loan size and productivity of business organization

Question No.	Response	Number respondents	of Percentage (%)
4	Strongly agree	09	11.25
	Agree	11	13.75
	Not sure	01	1.25
	Disagree	44	55.00
	Strongly disagree	15	18.75
	Total	80	100

The responses show that 55% of business organizations disagree that it's not necessarily the loan size that causes productivity of business organization, since a business can be productive irrespective of the loan size.

Fig. 3.
Showing responses on loan size.



The above fig. shows that loan size does not affect business productivity. The way how people use the amount is significant.

Responses from directors of chamber of commerce and town council local authorities:

Table 4.3.5 **Loan disbursement and productivity of business organization**

Question No.1	Response	Number respondents	of	Percentage (%)
loan disbursement affects productivity of business organization	Strongly agree	17		47.22
	Agree	09		25.00
	Not sure	07		19.44
	Disagree	03		8.33
	Strongly disagree	00		-
	Total	36		100

The responses from chambers of commerce and local authorities show that 47.22% strongly agree, and 25% agree that loan disbursement affect productivity of business organization.

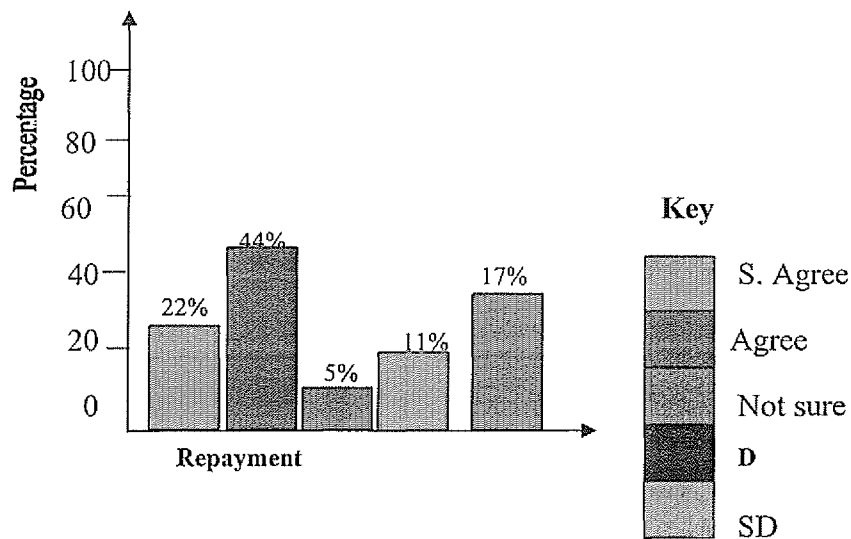
Table 4.3.6 loan repayment period and productivity of business organization

Question No.2	Response	Number of respondents	Percentage (%)
There is strong relation of loan repayment to productivity of business organization.	Strongly agree	08	22.22
	Agree	16	44.44
	Not sure	02	5.55
	Disagree	04	11.11
	Strongly disagree	06	16.66
	Total	36	100

The responses show that 44.44% agree, while 22.22% strongly agree that there is relation of loan repayment to productivity of business organization.

Their animals. 68% of the respondents believed that farmers are only given feeds at the time they are supplied with animals, but not enough to run the entire process. This is therefore affect the sustainability of the animals. However 24% agreed that feeds were provided. They rest of the people were not decided (8%).

Fig. 4 Showing repayment of loans.



By implication repayment and productivity and interrelated, this is the graph above.

Table 4.3.7 Loan repayment methods and productivity of business organization

Question No.3	Response	Number of respondents	Percentage (%)
Loan repayment methods commensurate with productivity of business organization.	Strongly agree	18	50.00
	Agree	04	11.11
	Not sure	01	2.77
	Disagree	06	16.66
	Strongly disagree	07	19.44
	Total	36	100

The responses show that 50% strongly agree that Loan repayment methods commensurate with productivity of business organization.

Table 4.3.8 Loan size and productivity of business organization

Question No.4	Response	Number of respondents	Percentage (%)
Corporate loans are good for productivity of business organization	Strongly agree	26	72.22
	Agree	10	27.77
	Not sure	00	-
	Disagree	00	-
	Strongly disagree	00	-
	Total	36	100

The responses show that corporate loans are good for productivity of business organization with 72.22 % strongly agreeing followed by 27.27% agreed position.

Small scale industries responses:

Table 4.3.9 Loan disbursement and productivity of business organization

Question No.1	Response	Number respondents	cf	Percentage (%)
Loan disbursement affects business productivity	Strongly agree	05		20.83
	Agree	08		33.33
	Not sure	02		8.33
	Disagree	05		20.83
	Strongly disagree	04		16.66
	Total	24		100

The responses show that 33.33% agree, and 20.83% strongly agree that Loan disbursement affects business productivity.

Table 4.3.10 loan repayment period and productivity of business organization

Question No.2	Response	Number respondents	of	Percentage (%)
Realistic loan repayment period is good	Strongly agree	10		41.66
	Agree	07		29.16
	Not sure	04		16.66
	Disagree	01		4.16
	Strongly disagree	02		8.33
	Total	24		100

The responses show that 41.66% strongly agree, followed by 29.16% agreed position that Realistic loan repayment period is good.

Table 4.3.11 Loan repayment methods and productivity of business organization

Question No.3	Response	Number respondents	of	Percentage (%)
Repayment methods correlate to productivity of business organization	Strongly agree	02		8.33
	Agree	05		20.83
	Not sure	04		16.66
	Disagree	04		16.66
	Strongly disagree	09		37.50
	Total	24		100

The responses show that 37.5% strongly disagree that Repayment methods correlate to productivity of business organization.

Table 4.3.12 Loan size and productivity of business organization

Question No.4	Response	Number respondents	of	Percentage (%)
Sizeable loans are adequate for productivity of business organization	Strongly agree	12		50.00
	Agree	08		33.33
	Not sure	02		8.33
	Disagree	01		4.16
	Strongly disagree	01		4.16
	Total	24		100

The responses show that 50% strongly agree, and 33.33% agree that Sizeable loans are adequate for productivity of business organization.

Indigenous communities' responses:

Table 4.3.13 Loan disbursement and productivity of business organization

Question No.1	Response	Number respondents	of	Percentage (%)
Business organizations have caused development for the last three years because of good loan disbursement	Strongly agree	16		12.91
	Agree	44		60.27
	Not sure	08		10.96
	Disagree	02		2.74
	Strongly disagree	03		4.11
	Total	73		100

The responses show that 60% agree that Business organizations have caused development for the last three years because of good loan disbursement

Table 4.3.14 loan repayment period and productivity of business organization

Question No.2	Response	Number respondents	of	Percentage (%)
There is measurable growth and productivity of business organization between 2007 and 2010 as a result of good loan repayment period.	Strongly agree	24		32.88
	Agree	26		35.62
	Not sure	10		13.70
	Disagree	05		6.85
	Strongly disagree	08		10.96
	Total	73		100

The responses show that 35.62% agree, followed by 32.88% strongly agree that There is measurable growth and productivity of business organization between 2007 and 2010 as a result of good loan repayment period.

Table 4.3.15 Loan repayment methods and productivity of business organization

Question No.3	Response	Number respondents	of Percentage (%)
Loan systems are productivity to business organization when loan repayment methods are friendly.	Strongly agree	52	71.23
	Agree	21	28.77
	Not sure	00	-
	Disagree	00	-
	Strongly disagree	00	-
	Total	73	100

The responses show that 71.23% strongly agree that Loan systems are productivity to business organization when loan repayment methods are friendly.

Table 4.3.16 Loan size and productivity of business organization

Question No.4	Response	Number respondents	of Percentage (%)
Both micro-loans and corporate loans are productive to business organization.	Strongly agree	26	35.62
	Agree	18	24.66
	Not sure	22	30.14
	Disagree	03	4.12
	Strongly disagree	04	5.48
	Total	73	100

The responses show that 35.62% strongly agree, while 30.14% not sure about both micro-loans and corporate loans are productive to business organization.

CHAPTER FIVE

5.0 Summary, conclusion and recommendation

5.1 Introduction

After presenting and analyzing the data in the previous chapter (chapter four), there was need for discussion. The overall aim of the assessment was to assess how the loan system affects the productivity of the business organization in Apac Town Council, Apac District. It analyses the extend to which loan disbursement, loan repayment period, loan repayment method, and loan sizes affects productivity of business organizations in Apac Town.

5.2 Hypothesis (H):

5.2.1 Hypothesis (H1); loan disbursement.

The response show that 62.5% of business organizations strongly agree that loan disbursements has direct bearing on the productivity of business organizations

The responses from chambers of commerce and local authorities show that 47.22% strongly agree, and 25% agree that loan disbursement affect productivity of business organization

The responses from small scale industries showed that 33.33% agree, and 20.83% strongly agree that Loan disbursement affects business productivity.

The responses from indigenous communities of Apac Town showed that 60% agree that Business organizations have caused development for the last three years because of good loan disbursement.

5.2.2 Hypothesis (H2); loan repayment period.

The responses how that 66.25% of business organization agree, 26.25% strongly agree that their productivity is achieved when loan repayment period is long enough for loan servicing.

From chambers of commerce and local authorities, the responses show that 44.44% agree, while 22.22% strongly agree that there is relation of loan repayment period to productivity of business organization.

The responses show that 41.66% strongly agree, followed by 29.16% agreed position that Realistic loan repayment period is good. This was by small scale industries.

The indigenous communities showed that 35.62% agree followed by 32.88% strongly agree that there is measurable growth and productivity of business organization between 2007 and 2010 as a result of good loan repayment period.

5.2.3 Hypothesis (H3); loan repayment methods.

The responses show that 52.5% of business organizations agree on reducing balance methods of repaying loans.

The responses by chambers of commerce and local authorities showed that 50% strongly agree that Loan repayment methods commensurate with productivity of business organization.

The responses from small scale industries showed that 37.5% strongly disagree that Repayment methods correlate to productivity of business organization.

The indigenous communities' responses showed that 71.23% strongly agree that Loan systems are productivity to business organization when loan repayment methods are friendly.

5.2.4 Hypothesis (H4); loan size.

The responses show that 55% of business organizations disagree that it's not necessarily the loan size that causes productivity of business organization, since a business can be productive irrespective of the loan size.

The chambers of commerce and local authorities responses showed that corporate loans are good for productivity of business organization with 72.22 % strongly agreeing followed by 27.27% agreed position.

Small scale industries responses showed that 50% strongly agree and 33.33% agree that sizeable loans are adequate for productivity of business organization.

The responses from indigenous communities showed that 35.62% strongly agree, while 30.14% not sure about both micro-loans and corporate loans are productive to business organization.

5.3 Conclusion:

Basing on the finding as summarized above, the following conclusion can be drawn:-

Majority of business organization operating in Apac town are accessing loans facilities for their businesses and they have agreed that prompt and timely disbursements is commensurate to business productivity. While corporate loans are good because the repayment period is long with repayment schedules flexible. This promotes business expansion and productivity. However loan size depends on the type of business venture an organization is engaged.

5.4 Recommendation:

It is self evidenced that the loan systems is a determinant factor for the productivity of a business organization. Business organizations need to understand the loan systems properly before accessing the loan facilities. This is very important to enable the business organization service the loan properly and legalize its full potential productivity.

APPENDICES:

Table showing the work plan for the research

S/N	ACTIVITY	MONTHS OF YEAR, 2011					
		April	May	June	July	Aug	Sept
1	Designing questionnaires						
2	Mobilization of business community						
3	Data collection						
4	Desk work and compilation of data						
5	Supervisor's comments, recommendation and subsequent amendments.						
6	Handing over the research report.						

Appendix (i)

Work plan

1. loan disbursement and productivity of business organization

Statement	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
CERUDEB loan disbursements are always prompt.					
Does a bureaucratic loan disbursement affect business productivity?					
An adequate loan disbursement is a factor for business productivity.					
Late disbursements of loans do not affect productivity of business organizations.					

Appendix (ii)

Questionnaire

2. loan repayment period and productivity of business organization

Statement	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Short loan repayment period is good for business organizations.					
Long loan repayment period is preferred by business organization.					
For business to realize its productivity, repayment period should be chosen by business organization.					
Micro- medium term loans are the best for business productivity.					

2. Loan repayment methods and productivity of business organization

Statement	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Aggregated loan schedules are good for business productivity.					
Reducing balance loan schedules are good for business productivity.					
Even monthly broken schedules are good for business productivity.					
Is more than one collateral a loan security which enhances business productivity?					

3. Loan size and productivity of business organization

Statement	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Small loan size is adequate for business productivity.					
Medium size loan is adequate for business productivity.					
Large size loan is adequate for business productivity.					
Does accessing loan from more than one financial institution promotes business productivity.					

Appendix (iii)

INTERVIEW GUIDE FOR THE EXECUTIVE MEMBERS AND BOARD OF DIRECTORS FOR THE CHAMBERS OF COMMERCE, APAC BRANCH.

Dear respondent;

This survey is designed to conduct an assessment of the loan system on the productivity of business organizations in Apac Town Council, Apac District. The interview guide is tailored to probe where you strongly agree, agree, not sure, disagree, and strongly disagree.

Your responses will be highly appreciated and kept confidential.

1. Loan disbursement is a process. Does it have any effect on the productivity of a business organization?
2. How would you relate loan repayment period to productivity of a business organization?
3. Loan repayment methods are schedules for loan recovery, what frequency of loan schedule is commensurate with productivity of a business organization?
4. Figures of money end with the word only when writing. Which loan size would one prefer for the productivity of business organization?
5. Any recommendation and suggestion you would give about the loan system and its productivity on business organization.

INTERVIEW GUIDE FOR SMALL SCALE INDUSTRIES OPERATING IN APAC TOWN COUNCIL, APAC DISTRICT

Dear respondent;

This survey is designed to conduct an assessment of the loan system on the productivity of business organizations in Apac Town Council, Apac District. The interview guide is tailored to probe where you strongly agree, agree, not sure, disagree, and strongly disagree

Your responses will be highly appreciated and kept confidential.

1. Has the small scale industry invested loan capital? If yes, how does loan disbursement affect the productivity of a business organization?
2. Which loan repayment period is realistic for small scale industry?
3. Is loan repayment method correlated with productivity of a business organization?
4. Are corporate loans adequate for investment?

INTERVIEW GUIDE FOR THE INDIGENOUS COMMUNITIES OF APAC TOWN

Dear respondent;

This survey is designed to conduct an assessment of the loan system on the productivity of business organizations in Apac Town Council, Apac District. The interview guide is tailored to probe where you strongly agree, agree, not sure, disagree, and strongly disagree

Your responses will be highly appreciated and kept confidential.

1. Business organizations have caused development for the last three years because of good loan disbursement
2. There is measurable growth and productivity of business organization between 2007 and 2010 as a result of good loan repayment period.
3. Loan systems are productivity to business organization when loan repayment methods are friendly.
4. Both micro-loans and corporate loans are productive to business organization.

Appendix (vi)

BUDGET EXPENDITURES FOR THE RESEARCH TO ASSESS THE LOAN SYSTEM ON THE PRODUCTIVITY OF BUSINESS ORGANIZATIONS IN APAC TOWN COUNCIL, APAC DISTRICT.

S/N	ITEM/ PARTICULARS	QUANTITY	AMOUNT
1	Designing questionnaires	1 A4 paper ream	15,000
2	Mobilization of business community	Eastern ward and Western ward x 20,000@	40,000
3	Research data collection	50 days x 5,000	250,000
4	Compilation of research data	1 A 4 paper ream & Refreshments	45,000
5	Supervisory, type setting, printing, photocopying, and book binding	Unit	380,000
	TOTAL		730,000

Appendix (vii)



KAMPALA
INTERNATIONAL
UNIVERSITY

Geeta Road, Nakuru * PO BOX 20000 KAMPALA
TEL: 0206 274111, 046 801111, 0314 1111
E-MAIL: admission@kiu.ac.ug & info@kiu.ac.ug

(8/10/2011)

TO WHOM IT MAY CONCERN:

Dear Sir/Madam,

RE: INTRODUCTION LETTER FOR MR/MRS/... OKILLA HUMPHREY J.

REG. NO. BEA/2008/171/00-42

The above named is our student in the faculty of Business Studies, pursuing a Diploma/Bachelor degree in Business Administration (Accounting option).

He/she wishes to carry out research in your organization on

LOANS SYSTEM AND PRODUCTIVITY OF
BUSINESS ORGANIZATIONS IN APPE DISTRICT.
THE CASE OF CENTRAL RURAL DEVELOPMENT
BANK.

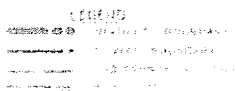
- The research is a requirement for the award of a Diploma/Bachelor degree in Business Administration.

Any assistance accorded to him/her regarding research will be highly appreciated.

Yours faithfully,



MAP OF APAC DISTRICT SHOWING THE LOCATION OF APAC SUB-CITY



APAC DISTRI

