

**THE EFFECTS OF MICROFINANCE SERVICES ON THE DEVELOPMENT OF
SMALL AND MEDIUM ENTERPRISE IN MAKINDYE DIVISION,
KAMPALA DISTRICT**

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DECLARATION

This research report is my original work and has never been presented for a degree or any other academic award in any university or institution of learning”.

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APPROVAL

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DEDICATION

I dedicate this research work to my beloved parents who raised me up right away from childhood to date and always encouraged me to struggle and pursue my studies up the end.

ACKNOWLEDGEMENT

I am grateful to Almighty God who has been with me throughout the whole period in the completion of this course. I am so humbled to appreciate my parents for the wonderful work they contributed financially towards my academic schedules. I am sure God will reward them abundantly. Sincere appreciation goes to my relatives who stood in for me and encouraged me; I believe the Almighty God will always open doors of blessings for you. I would also like to thank my supervisor over his support/ help towards the completion of this project. Sincere thank goes to the management of Kampala International University for having endeavored to put such course in place and enabled me to study.

ACRONYMS/ ABBREVIATIONS

SMEs	Small and medium-sized enterprises
NGOs	Non-Governmental Organizations
MFIs	Microfinances
CVI	Content Validity Index
PLCC	Pearson's Linear Correlation Coefficient
KCCA	Kampala Capital City Authority

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ABSTRACT

This study examined the extent to which SMEs access financial services and assessed whether accessibility to such services affect their development or not in case of SMEs in Makindye division, Kampala district. Specifically, this study aimed at achieving the following objectives: (i) To examine the level of microfinance services performed by SMEs in Makindye division, (ii) To determine the level of development of SMEs in Makindye division and (iii) To establish the relationship between microfinance services and development of SMEs in Makindye division.

The descriptive design was selected in this study because it allowed the researcher to gather numerical and descriptive data to assess the relationship between the variables. The study was conducted among the selected Small and Medium Enterprises in Kampala which is one of the fastest developing districts in Uganda with an increasing number of small scale business enterprises. A sample size of 142 respondents was selected from a targeting population of 220 individuals by using Slovene formula. This study employed the following instruments in the collection of data; a questionnaire survey and interview survey. In this study, the researcher used questionnaires and interviews as primary sources of gathering data and documentary analysis as secondary method. The first two tools were preferred because they were the best in determining the affective domain of the respondents.

Findings based on the microfinance services accessed by SMEs, data analysis indicated that microfinance services was rated satisfactory on average (overall mean=2.85), hence implying that the microfinance institutions provide financial services in terms savings services and small loans services which help in the development of small and medium enterprises in Makindye Division. Regarding the development of SMEs, the findings indicated that the development of small and medium enterprises in Makindye Division, was generally high and this was indicated by the overall mean of 2.88, hence confirming that the small and medium enterprises in Makindye Division perform well in relation to profitability, sales volume and development in number of customers through offering a variety of quality services to their customers and lastly, Regarding the relationship between microfinance services and the development of SMEs in Kampala Capital City Authority, the findings also indicated a positive and significant relationship between microfinance services and development of small and medium enterprises in Makindye Division, Kampala district, this is because the sig-value was less than 0.05 (Sig=0.000), hence implying that improvement in access of microfinance services increases the level of development of small and medium enterprises in Makindye Division, Kampala district and failure to access microfinance services reduces development of small and medium enterprises in Makindye Division, Kampala district.

The researcher concluded that the microfinance institutions provide financial services in terms savings services, small loans services and insurance services which help in the development of small and medium enterprises. The small and medium enterprises perform well in relation to profitability, sales volume and development in number of customers through offering a variety of quality services to their customers and the improvement in access of microfinance services increases the level of development of small and medium enterprises in Makindye Division and failure to access microfinance services reduces development of small and medium enterprises in Makindye Division, Kampala district. The researcher recommended that the small and medium enterprise owners in Makindye Division should always carry out sales forecasting every month, and this will increase in development of number of customers.

1.1.2 Theoretical perspective

This research study was hanged on **Credit theories of money** stated by Alfred Mitchell-Innes (1956) and revied by Kampa, Alex (2016) in his book “Money, Credit Conversion and the legacy of Mitchell-Innes”, he emphasizes that money and credit/debt are the same thing, seen from different points of view. Proponents assert that the essential nature of money is credit (debt), at least in eras where money is not backed by a commodity such as gold. Two common strands of thought within these theories are the idea that money originated as a unit of account for debt, and the position that money creation involves the simultaneous creation of debt. Some proponents of credit theories of money argue that money is best understood as debt even in systems often understood as using commodity money. Others hold that money equates to credit only in a system based on fiat money, where they argue that all forms of money including cash can be considered as forms of credit money. The first formal Credit theory of money arose in the 19th century. Anthropologist David Graeber has argued that for most of human history, money has been widely understood to represent debt, though he concedes that even prior to the modern era, there have been several periods where rival theories like Metallism have held sway(Kampa Alex, 2016).

1.1.3 Conceptual perspective

Microfinance, according to Otero (2014) is “the provision of financial services to low-income poor and very poor self-employed people”. These financial services according to Ledgerwood (2014) generally include savings and credit but can also include other financial services such as savings and payment services. Schreiner and Colombet (2014) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

A small scale enterprise is a privately owned and operated business, characterized by a small number of employees and low turnover. A small enterprise usually only shares a tiny segment of the market it operates in. Small scale enterprises (also, small scale businesses) are essential to the economy for industrial development and diversification. The definition of a small scale

enterprise may vary in different economies of the world, but the underlying concept is the same. Some measures used to define small scale enterprises include annual sales, asset valuation, net profit, headcount and balance sheet totals. Perhaps the most important measure in defining small scale enterprises is the number of people employed by the business. In African nations, a business is considered to be small scale if it employs less than 30 people.

1.1.4 Contextual perspective

This study was conducted from Makindye division, Kampala district; where there are very many SMEs operating in difficulty conditions and this could be due a number of factors. Most enterprises in Uganda are operating on a small scale due to partly the unfriendly political climate. The unconducive business environment in Uganda has resulted into many other challenges faced by the surviving business institutions there. Among these challenges is the inadequate supply of financial services due to scanty financial institutions. In Uganda, there are few financial institutions and most of these few ones are situated in Kampala. However, this has not given an advantage to the enterprises there to efficiently grow. A study by Yasin (2013) identified that Small businesses in Kampala are facing challenges to access loan from MFIs and as a result many small business die soon or many may not be started due to lack of access to financial capital. The study is designed to establish whether access to micro finance services has a significant impact on the development of SMEs in Makindye division, Kampala district.

A small scale enterprise is a privately owned and operated business, characterized by a small number of employees and low turnover. A small enterprise usually only shares a tiny segment of the market it operates in. Small scale enterprises (also, small scale businesses) are essential to the economy for industrial development and diversification. The definition of a small scale enterprise may vary in different economies of the world, but the underlying concept is the same. Some measures used to define small scale enterprises include annual sales, asset valuation, net profit, headcount and balance sheet totals. Perhaps the most important measure in defining small scale enterprises is the number of people employed by the business. In African nations, a business is considered to be small scale if it employs less than 30 people.

1.2 Statement of the Problem

Many SMEs in Kampala usually experience stagnated development. Very few of them have expanded sales, profits or opening up branches and few transform to Medium Enterprises. While several factors account for failure of SMEs to grow, inadequate finances and access to financial services is assumed to be more of a challenge than other factors (Yasin, 2013) and yet few studies have surveyed into the extent to which the microfinance services reach the poor business owners in the SMEs sector in Makindye division, Kampala district, hence the need for this study. Lack of access to finance has been identified as one of the major constraints to small business development (Owualah, 2014; Carpenter, 2014; Anyawu, 2015). The reason is that provision of financial services is an important means for mobilizing resources for more productive use. The extent to which Small Medium Enterprises could access fund is the extents to which small firms can save and accumulate own capital for further investment (Hossain, 1988). Thus, this study examined the extent to which SMEs access financial services and assessed whether accessibility to such services affect their development or not in case of SMEs in Makindye division, Kampala district.

1.3 Purpose of study

The purpose of this research study is to assess the effects of microfinance services on the development of small and medium enterprise in Makindye division, Kampala district

1.4 Research Objectives

Specifically, this study aimed at achieving the following objectives:

- (i) To examine the level of microfinance services performed by SMEs in Makindye division
- (ii) To determine the level of development of SMĒs in Makindye division
- (iii) To establish the relationship between microfinance services and development of SMEs in Makindye division

1.5 Research Questions

In order to provide direction and sharpen the focus of this study, the following research questions were formulated:

- i) To what is the level of microfinance services performed by SMEs in Makindye division?

(ii) To what extent do SMEs owners in Makindye division experience development?

(iii) Is there any relationship between microfinance services and extent of SMEs development?

1.6 Hypothesis

Ho: There is no a relationship between microfinance services and extent of small and medium enterprise development.

1.7 The Scope of the Study

1.7.1 Geographical scope

The research work was done in Makindye division, Kampala district.

1.7.2 Content scope

The study was examined the microfinance services as the independent variable and development of small and medium enterprises as the dependent variable. The microfinance services examined and was included in savings services, small loans services and insurance services. Business development of small enterprises was examined in terms of profitability of enterprises, sales volume and number of customers.

1.7.3 Time Scope

This research was fulfilled within a period of 8 months that is from February 2018 to September, 2018.

1.8 Significance of the Study

The study examines the credit management practices in small scale business. This study is important for the following reasons: It was relevant to scholars, investors, management, and the society at large. It highlighted on why as to how there was need for putting up proper credit controls in a business. It enabled the owner-managers of small scale businesses to improve the management of credit in order to attain their business objectives. The impact of credit control analysis served as an invitation to other researchers to dig deeper in this aspect of human endeavor. Thus, this research report served as a source of literature and a motivation for further studies. The recommendation of this study assisted policy makers, educators, shareholders, borrowers and top management to adopt proper techniques of credit controls for small scale businesses. It also provided a better understanding of microfinance services and how access to them can contribute to the development of small and medium enterprises.

The study generated useful insights that can be used by the government and Non-governmental organization to promote the accessibility of credit to the small and medium enterprise from microfinance institutions and to ensure that policies are institute to facilitate easy access of loans by SMEs from MFIs.

The findings contributed to the existing knowledge of microfinance related to the effect on development of SMEs and were value to the future research. Academicians enriched the literature available on microfinance and their effect on development of SMEs. Microfinance institutions and governments benefited from the findings of this study and helped to understand how to improve the microfinance services access in Makindye division, Kampala district.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focused on the concept of microfinance and the role they play in the development of SMEs. It highlights concepts, ideas, theories, and opinions from Authors/ experts, theoretical perspectives. Also it describes related studies; it involves secondary data obtained from textbooks and journals.

2.1 Conceptual Review

In this section, the researcher presents a discussion of literature related to the definition and meaning of the concepts in the study variables, namely microfinance services and SME development. The definitions are based on the ideas of different scholars in the two fields.

2.2 Microfinance Services

The terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha (2014) states “microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services (savings, insurance, etc)”. Therefore microcredit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services (Okiocredit, 2005).

Microcredit and microfinance are relatively new terms in the field of development, first coming to prominence in the 1970s, according to Robinson (2014) and Otero (2014). Prior to then, from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidized rural credit programmes. These often resulted in high loan defaults, high loss and an inability to reach poor rural households (Robinson, 2014).

As highlighted, one of the key roles microfinance has to play in development is in bringing access to financial services to the poor, to those who are neglected by the formal banking sector.

This is their social mission. Mainstream banks target clients that have collateral. The poor do not have assets to act as collateral, therefore they are ignored by the formal financial sector. These banks tend to be found in urban centers while the majority of the poor in the developing world live in rural areas, where financial services are not provided. Therefore, if MFIs are to fill this void they must reach the rural poor. However, according to most studies, microfinance is only reaching a small fraction of the estimated demand of the poor for financial services (Littlefield and Rosenberg, 2013).

Microfinance provides a wide range of financial services to low-income clients, including self-employed and low earning individuals who are working in informal sectors. The core objective of microfinance is to create a favorable environment for the low income self employed and near-poor households in which they have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and general banking services. Microfinance provides a comprehensive range of financial services to the "unbanked people" working in informal sectors which best fits their needs and affordability.

The MFI subsequently provides different services to a client, most commonly in the form of a loan. These services lead to the client modifying her/his microenterprise activities which in turn lead to increased or decreased microenterprise income. The change in microenterprise income causes changes in household income which in turn leads to greater or lesser household economic security. The modified level of household economic security leads to changes in the morbidity and mortality of household members, in educational and skill levels and in future economic and social opportunities. Loans are delivered following the minimalist approach where the requirements for loans are not often difficult to meet by customers; little collateral, character and co-signing for loans between members. These loans are usually loans within the savings of the member (Schmidt, 2012).

Collaterals have also been important tools for microfinance lending. Collateral is the method of providing small credits to the poor are most used by microfinance that provides loans without collateral. The interest charge is around not much different from that of commercial banks but far lower than interest charge by individual by money lenders (Natarajan, 2013).

Microfinance institutions also lend to individuals with collateral. Besley and Coate (2011), say despite the advantages of lending to groups, some members of the group may fail to repay their loan. Montgomery (2012) stresses that this method of lending avoids the social costs of repayment pressure that is exerted to some group members.

In lending process, additional forms of security which can be used to assure a lender that you have a second source of loan repayment. Assets such as equipment, buildings, accounts receivable, and (in some cases) inventory are considered possible sources of repayment if they can be sold by the bank for cash.

2.3 Development of Small and Medium Enterprises

In Asian countries, it is between 30 and 100, while in the United States it is any number below 500. A medium scale enterprise is a privately owned and operated business characterized by a medium number of employees and low turnover. In Uganda there is no proper agreement the definition medium scale enterprises how ever in African nation a business is considered to be medium scale enterprise if it employs 30 to 50. (Edgcomb & Klein, 2005). The Small and Medium Enterprises (SME) in Uganda constitute the large part of the private sector with specific reference to their numbers and employment figures. Most of these enterprises are indigenously owned and family run, less than five years old and rarely grow beyond medium scale level due to lack of access to markets and finance, limited skills and enterprise -to-enterprise linkages that would provide opportunities for development . The accessibility to microfinance services could be considered difficult to small businesses due to the heavy collateral requirement that MFIs may impose.

Small and medium business development refers to the extent to which an SME generates significant positive cash flows or earnings, which increase at significantly faster rates (Nieman *et al*, 2015). There are several indicators of SME development such as profitability, sales development , development in number of customers, increase in number of workers employed and so on. Profitability is one of the important measures of development that must be considered as it is unlikely that firm development can be sustained without profits being available for reinvestment in the firm. Development along this dimension can be considered in terms of net

profit margins or return on assets. If we take the definition of enterprise as the creation of rents through innovation (Stewart, 1991) where rents are defined as above average earnings relative to competitors, then profitability measures are particularly attractive. This also implies that economic success is required by high performance firms.

O' Farrel & Hitchins (2014) analyzed the major problem in evaluation of development of small organization declared that first, there is major inconsistency in defining the small firms .Second there are also inconsistencies in the dimensions of grow; employment, profit, Value added , turnover ,market share are the parameter suggested by theorists. High performing small manufacturing firms emphasizes on new product development, product development, product quality, and customer service and efficient and employee welfare (Kotey & Meredith, 2012).

SME profitability

Most people use profitability as one of the most common indicators of business development . The more profits a business realizes, the more it is assumed to be growing and vice versa. A growing company tends to have very profitable reinvestment opportunities for its own retained earnings. Business development is also defined as the level and extent to which the venture meets the objectives of the owner and expectations of the society of operation (Cohen, 1993). One of the most popular objectives of most firms is profit. Development is thus defined according to individual goals set for a given business. For example, if the business is set to serve ten villages and at the current state it is serving only one or two, it has not grown according to the expectations of the founder or society. Adhikary *et al* (2014) in Nieman *et al* (2015) defined successful enterprises as a business serving for longer than two years, having a staff complement of more than five but less than 30, making a profit and expanding in terms of infrastructure and development .

Development in sales

Trovato (2014) noted that as the deadline for the millennium development goals draws near, the aim of achieving universal and equitable access to quality SME services remains in sharp contrast to the reality of daunting and persistent service gaps across the world. Since the 1980s, a number of international organizations and donors have started to work with the private sector in

developing countries, where the private SME sector comprises all providers who exist outside the public sector, whether their aim is philanthropic or commercial. However, support for the private sector in SMEs remains a much-debated and contentious issue (Kopla, 2014).

Development in number of customers

The number of direct client contacts is always specified in the output measures. In the SME sector, the development in number of customers can also be indicated by clients directly advised in the business centre, either on a day by day basis or weekly or monthly or annually and also the number of clients who have been exactly serviced through the provision of various business services. Some customers also come not for direct services but to get some guidance or information either by a personal visit, by telephone or visiting the enterprise websites for four minutes or more. We can also count the number of people who have entered the business premises each hour of the day, those who have reached the reception desk, those who have consulted the sales staff/specialists and so on (Zachary, 2010).

2.4 Relationship between Microfinance Services and the Development for SMEs

Development is sometimes regarded as the most important, reliable and easily accessible measure of a firm's performance. Small and Medium Enterprises (SMEs) by virtue of their size, location, capital investment and their capacity to generate greater employment have proved their paramount effect on rapid economic development. The rapid development of global markets observed over the last decade has stimulated competition in both developed and developing countries, forcing entrepreneurs and policy makers to adopt market-oriented policies. The fact that the share of SMEs has increased in these countries suggests that efficient SMEs have actually been able to deploy new strategies in order to maintain, or even enhance, their competitiveness in a globalised economy. Many different theories have attempted to identify the main factors underlying firm development. They can be divided into two main schools: the first addresses the influence of firm size, profitability and age on development, while the second deals with the influence of variables such as strategy, organization and the characteristics of the firm's owners/managers (Heshmati, 2014).

Profits are necessary for survival in the long run in a competitive environment, but SME management may choose not to grow. Long-term profitability derives from the relations between cost and revenue; it is a necessary but not sufficient condition for development . Revenues may be held up by entry barriers and costs pushed down by management ingenuity. A low-profit firm will lack the finance for expansion, but a high-profit business may conclude the risk and rewards of expansion are inadequate. In a 'life style' SME, an owner may trade profitability today against profitability tomorrow. Dynamic pricing or sequential investment projects may require initially lower profits in order to obtain higher future pay-offs from greater market penetration. An SME manager's time preference is likely to determine the inter-temporal profit trade-off (Becchetti, 2014).

In fact, a huge number of studies have been devoted to examining the relationship between development and the firm's size and age. For-example, Evans (1987) examined the effects of firm size and age on development using data on business firms in the United States. Although several previous studies had supported Gibrat's law that hypothesizes that development is independent of size, Evans (1987) found that firm development decreases with firm size and age. However, the empirical literature has suggested that firm development is determined not only by the traditional characteristics of size and age but also by other firm-specific characteristics. For example, Heshmati (2014) found that the degree of indebtedness positively affects sales development using data on Swedish micro and small firms, while Becchetti (2014) documented the effect of external finance on firm development in the Italian manufacturing industry, apart from the traditional determinants of age and size.

Diagne and Zeller (2014) noted that the main objective of microfinance institutions is to provide a permanent access to appropriate financial services including insurance, savings, and fund transfer. It is rather an important tool for the eradication of poverty. As microfinance becomes more widely accepted and moves into main stream, the supply of services to poor may also increase, improving the efficiency and outreach while lowering the costs. A study of MFIs in seven countries carried out by Mosley and Hulme (2014) concludes that household income tends to increase at a decreasing rate as the income and asset position of the debtors is improved.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter dealt with of the research design, population, sample size, sampling strategies, data collection instruments, validity and reliability of the data collection instruments, data analysis, ethical considerations and limitations of the study.

3.1 Research Design

This study used descriptive research design. The descriptive design was selected in this study because it allowed the researcher to gather numerical and descriptive data to assess the relationship between the variables. Within this design, the researcher described the microfinance services as well as the extent of SME development in the study area. Using the same design, the researcher established the relationship between microfinance services and development among SMEs. This was done through a cross sectional approach of data collection from many owners of SMEs in Makindye division, Kampala district.

3.2 Population of Study

The study was conducted among the selected Small and Medium Enterprises in Kampala which is one of the fastest developing districts in Uganda with an increasing number of small scale business enterprises. The researcher selected ten Small and Medium Enterprises. These enterprises were selected because they are among the few that access financial services from microfinance institutions (Uganda Private Sector Foundation Report, 2015). In this regard, it was worthy to consider them in this study so as to find out how such services helped them to grow in the area. The total research population from the ten SMEs was therefore 220 and this involved SME owners, their employees and staffs the selected Institutions in Makindye division, Kampala district.

3.3 Sample size

Since the estimated research population is 220, the sample size was determined by the use of Slovene's formula as indicated below:

$$n = \frac{N}{1 + N(e^2)}$$

Where; n = the sample size; N = the population size; and e = the level of significance, which is = 0.05. This can further be illustrated as below:

$$n = \frac{220}{1 + 220(0.05^2)} \qquad n= 142$$

Thus, using the above formula, the sample size in this study was 142 and this was divided as below.

Table 1: Population Size and Sample Size

Category	Population	Sample size	Sampling techniques
Business owners	10	10	Purposive sampling
Employees	190	112	Systematic random sampling
Microfinance staff	20	20	Purposive sampling
Total	220	142	

Source: Primary data, 2018

Based on the distribution of sample size in Table 1, two (2) respondents were selected from every small SME while three (3) of them were selected from the medium ones. This proportionate selection of respondents from various SMEs was done so as to find out diversified information regarding microfinance services and the development of SMEs in Makindye division, Kampala district.

3.4 Sampling strategies

The sampling techniques that were used in this study are included systematic random and purposive sampling techniques. Systematic random sampling was employed because it is simple and avoids cases of biasness in sampling. In using systematic random sampling, list of names of different categories of employees from the selected SMEs was obtained from the SME owners. A required number per each SME was selected from them. This was done by computing a systematic random number which is two, such that when two employees in each SME were selected, the third was left out and then the fifth and sixth was chosen until a sample size was reached.

3.5 Data Collection Instruments

This study employed the following instruments in the collection of data; a questionnaire survey and interview survey. In this study, the researcher used questionnaires and interviews as primary sources of gathering data and documentary analysis as secondary method. The first two tools were preferred because they were the best in determining the affective domain of the respondents. As noted by Amin (2005), they are the best tools for getting views, perceptions, feeling and attitudes of respondents.

3.5.1 Research Questionnaire

The study employed a questionnaire Survey. The questionnaire used in this study was constituted by the quantitative data. The questionnaires were self-administered since respondents who participated in this study read and wrote. The scoring system of the questionnaire was four scales or Likert type scale of rating involving: 1=strongly disagree (meaning disagreeing with no doubt at all); 2=disagree (meaning disagreeing with some doubt); 3=agree (meaning agreeing with some doubt); 4=strongly agree (meaning that agreeing with no doubt at all). The questionnaires basically targeted at all employees from the selected SMEs.

3.5.2 Interview Guide

The researcher used interview guide as a tool to obtain firsthand information from the key informants on the services they get from Microfinance institutions. Responses were compared with those from questionnaires. The method has a number of advantages. It ensured interaction and social situation at motivational to both the interviewer and the interviewee. It gave chance for getting highly personalized data, eases probing and gave a good return rate. This study concentrated on face to face interviews. Those interviewed included employees from selected microfinances.

3.6 Validity and Reliability of the instruments

3.6.1 Testing the validity of the research instrument

The questionnaire was given to the supervisor to judge the validity of questions according to the objectives. After the assessment of the questionnaire, the necessary adjustments were made

bearing in mind the objectives of the study. Then a content validity index (CVI) of 0.81 was obtained by using the following formula,

$$CVI = \frac{\text{Number of items rated as relevant}}{\text{Total number of items rated in the questionnaire}}$$

$$CVI = \frac{21}{26} = 0.81$$

Thus, if the CVI computed is above 0.7, the standard cronbach alpha, the instruments was considered valid. This is also in line with Amin (2005) who noted that the overall CVI for the instrument should be calculated by computing the average of the instrument and for the instrument to be accepted as valid the average index should be 0.70 or above.

3.6.2 Reliability of the instrument

According to Amin (2005), reliability of an instrument refers to the extent to which the research instruments are without bias thus, presenting consistent measurements especially in data collection process. To ensure reliability for interview guides, recorded interviews, extensive interview notes and field notes was ensured so as determine reliability. These processes highlight potential problems and areas that may be omitted. The pre-test was employed to contribute to the credibility, dependability and trustworthiness of a questionnaire. The findings from the test-retest was coded in the SPSS, a computer package to test for reliability at the Cronbanch's alpha coefficient of 0.7 so as to assess the internal consistency and the findings regarding these are presented was computed.

3.7 Data gathering procedures

After authorization from Kampala International University the researcher took the questionnaires to the respondents for answering the set questions. These two to three weeks and then the researcher sat down for tabulation of data to get out the useful information to answer the set questions. During the research, the researcher employed different methods for data collection during the study. Other methods such as questionnaires, interviews, observation and documentary analysis were also used.

3.8 Data Analysis

Data on profile of respondents was analyzed using simple frequency counts and percentage distributions. Means and rank were used to determine the microfinance services and development of Small and Medium Enterprises. The following numerical values and response modes was used to interpret the means;

<i>Mean range</i>	<i>Response range</i>	<i>Interpretation</i>
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

The Pearson’s Linear Correlation Coefficient (PLCC) and linear regression was used to determine the relationship between microfinance services and SME development in Makindye division.

3.9 Ethical Considerations

In the course of this research, the principle of anonymity was respected and the researcher helped respondent with negligence to fill the questionnaires form by motivating them. The respondents and entities were coded instead of reflecting their names. Permission to collect data was solicited through a written request to the concerned officials of Microfinance institutions and SMEs included in the study. The researcher requested the respondents to sign in the Informed Consent Form. All the authors were quoted or whose ideas are used in this study was fully acknowledged through proper citations and referencing. Finally the findings were presented in a generalized manner.

3.10 Limitations of the study

The research dealt with research assistants in the administration of the questionnaires in terms of time of administration, understanding of the items in the questionnaires and explanations given to the respondents. Not all questionnaires may be returned as neither completely answered nor even retrieved back due to circumstances on the part of the respondents such as travel, sickness, hospitalization and refusal/withdrawal to participate. In anticipation to this, the researcher reserved more respondents by exceeding the minimum sample size. The respondents were requested not to leave any item in the questionnaires unanswered and was closely followed up as to the date of retrieval.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.0 Introduction

This chapter dealt with presentation, analysis and interpretation of results based on the objectives

4.1 Profile of respondents

Table 3: Profile of Respondents

Category	Frequency	Percent
Gender		
Male	90	67
Female	45	33
Total	135	100
Age		
20-29 years	18	13.3
30-39years	37	27.3
40-49 years	51	38
50 years	29	21.4
Total	135	100
Educational qualification		
Certificate	70	52
Diploma	41	31
Bachelors degree	14	10
Master degree	10	7
Total	135	100
Number of years experience		
Below 2 years	43	32
3-5years	59	44
6 years and above	33	24
Total	135	100

Source: Primary data, 2018

Table 3 revealed that majority of the respondents in this sample were male 90(67%) as compared to 45 (33%) who were female, hence observing a big gender gap among the small and medium business owners in this sample.

Concerning age, results in table 3 indicated that majority of respondents in this sample ranged between 40-49 years of age, this also implied that majority of small and medium business owners in this sample were in their middle adulthood age and constituted 38%, these were followed by those between 30-39 years of age constituting 27.3%, hence indicating that these were in their early adulthood, 13.3% were between 20-29 years and yet 50 years and above were 21.4%.

With respect to education qualification; the study further showed that certificate holders (52%) dominated the study, diploma holders (31%) and these were followed by bachelor's degree holders (10%) and those with masters' degree were only 7%, hence observing that majority of small and medium business owners in Makindye Division are not highly qualified in academics.

Concerning number of years working experience, results in table 3 indicated that majority of workers in this sample had an experience of 3-5years (44%), these were followed by those below 2 years (32%), hence implying that the small and medium business owners had spent a relatively enough experience doing their businesses.

4.2 Microfinance services

The independent variable in this study was microfinance services and was broken into three parts namely; Savings services (with four questions) and Small loans (with five questions). Each of these questions was based on the four point Likert scale where by respondents were asked to rate the microfinance services by indicating the extent to which they agree or disagree with each question and their responses were analyzed using SPSS and summarized using means and rank as indicated in table 4;

Table 4: Microfinance services

Items on Microfinance services	Mean	Interpretation	Rank
Savings services			
SMEs always save their money in microfinance institutions such as banks and money lenders	3.27	Very satisfactory	1
SMEs always think on how to open and close their savings account	2.88	Satisfactory	2
SMEs always fear a breakage charge when they move money from the fixed rate account during the fixed term	2.59	Satisfactory	3
The microfinance allows unlimited deposits and withdraws of SMEs' savings	2.37	Unsatisfactory	4
Average mean	2.78	Satisfactory	
Small loans			
The loan SMEs always obtain has made it easy to put my financial plan in action	3.38	Very satisfactory	1
There is repayment penalty always attached to the small loan obtained from Bank	2.89	Satisfactory	2
SMEs always decide on when and how much to borrow up to approved credit limit	2.74	Satisfactory	3
The credit line is always approved without collateral	2.66	Satisfactory	4
With no collateral required, SMEs can now borrow a specific amount of money and pay back through regular monthly payments	2.32	Unsatisfactory	5
Average mean	2.80	Satisfactory	
Overall mean	2.85	Satisfactory	

Source: Primary data, 2018

Mean range	Response range	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

Results in table 4 revealed that the extent of microfinance services is generally satisfactory (overall mean=2.85) and this implies that the microfinance institutions provide financial services in terms savings services and small loan services which help in the development of small and medium enterprises in Makindye Division.

Savings services; this variable was measured by four items and respondents were asked whether they agreed with the statements under investigation. Responses revealed that savings services was rated satisfactory on average (mean=2.78), implying that small and medium enterprise owners always save money from microfinance institutions such banks and money lenders.

Small loans- five items were used to measure this variable and respondents were asked whether they agreed with the statements. Responses indicated that small loans was rated satisfactory on average (mean=2.80), implying that the small and medium enterprise owners always obtain small loans from microfinance institutions such banks and money lenders and this has helped them to put their financial plans and other business activities in action. Apart from the above findings based on questionnaires, oral interviews were also used by the researcher in order to seek for further clarification to the respondents' views on how they would respond to the question on the microfinance services to SMEs in Kampala Capital City Authority.

The researcher discovered that the views of the key informants in this regard were similar to those that were revealed through questionnaires as over 80 % of the key informants interviewed admitted that microfinance institution services have greatly helped SMEs in the area as regards offering saving facilities and micro loans.

4.3 Level of Development of small and medium enterprises

The dependent variable in this study was the development of small and medium enterprises, this variable was broken into three constructs (profitability with 6 questions, Development in sales with 5 questions, and development in number of customers with 6 questions), for which respondents were required to ascertain the extent to which they agree or disagree with the items or statements by indicating the number which best describes their perceptions. This variable was

measured using questions with response rate ranging between 1=strongly agree, 2=agree, 3=Disagree and 4=strongly disagree. The responses were analyzed and described using means as summarized below in table 5;

Table 5: Level of Development of small and medium enterprises

Items on Development of small and medium enterprises	Mean	Interpretation	Rank
Profitability			
There is a high return on SMEs' investment	3.31	Very high	1
Shareholders of SMEs' receive relatively high returns	3.28	Very high	2
SMEs business assets give them enough profits	3.21	High	3
SMEs expect profits to remain high in future	2.83	High	4
SMEs' revenue always exceeds the expenditure	2.75	High	5
SMEs' net profit margins are high	2.37	Low	6
Average mean	2.96	High	
Development in sales			
SME's sales volume always increase year after year	3.29	Very High	1
Selling new and high quality products can attract a large number of customers from different parts of Uganda	3.27	Very High	2
SMEs' always sell large quantities of goods to their customers	2.82	High	3
SMEs' always offer a variety of quality services to customers	2.64	High	4
SMEs' always carry out sales forecasting every month	2.44	Low	5
Average mean	2.89	High	
Development in number of customers			
SMEs' products and services always provide high degree of convenience to customers	3.33	Very High	1
SMEs have always maintained a rigorous customer focus	3.14	High	2
SMEs frequently segment the existing customer groups basing on newly discovered needs and buying patterns	2.73	High	3
SMEs have always responded to customers' changing needs	2.63	High	4
SMEs always use phone calls, e-mails, and personnel visits to communicate with customers about their products	2.55	Low	5
SMEs' services and products are reliable to all groups of customers	2.35	Low	6
Average mean	2.85	High	
Overall mean	2.88	High	

Source: Primary data, 2018

Mean range	Response range	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

Results in Table 5 revealed that the development of small and medium enterprises in Makindye Division is generally high (overall mean=2.88), hence implying that the small and medium enterprises in Makindye Division perform well in relation to profitability, sales volume and development in number of customers through offering a variety of quality services to their customers.

The dependent variables represent the perceptions of the respondents regarding these concepts:-
Profitability– This variable was measured by three items and respondents were asked whether they agreed or disagreed with the statements under investigation. Responses revealed that profitability was rated satisfactory (mean=2.96), implying that the small and medium enterprises always get a high return on investment and their business assets help them give them enough profits.

Development in sales–five items measured this variable and respondents were asked whether they agreed with the statements therein and responses indicated that development in sales was rated satisfactory on average (mean=2.89), implying that the sales volume for small and medium enterprises always increase year after year through new and high quality products which have attracted large number of customers different parts of Uganda.

Development in number of customers- six items were used to measure this variable and respondents were asked to measure the development in number of customers which they agreed with the statements. Responses indicated that development in number of customers was rated satisfactory on average (mean=2.85), implying that the small and medium enterprises' products and services always provide high degree of convenience to customers and have always maintained a rigorous customer focus.

In addition to the above findings based on questionnaires, oral interviews were also used by the researcher in order to seek for further clarification to the respondents' views on how they would respond to the development of SMEs in Kampala Capital City Authority, Uganda. The researcher discovered that the views of respondents in this regard were similar to those that were revealed through questionnaires as about 70 % of the key informants interviewed revealed that the development of SMEs in the area in the last few years tremendous.

On the number of branches being opened, it was found out that Omar and Mohamed Ilkweyn Wholesale Companies one of the selected SMEs had opened up 4 branches in the city since 2010; Raliya and Shafia Wholesale Companies had opened up 3 branches in the city since 2011 and had already established plans to open up more; Indho Derro Wholesale Company had opened up 2 branches in the city since 2011. These findings indicate that the SMEs in the area have been able to expand their businesses operation in the last few years.

Regarding the profit levels of the selected wholesale companies, this study found out that the selected SMEs had better profit levels than it was in the last three years. Although none of the selected wholesale company could reveal the exact rate of increase in their profit levels, many of the SMEs ranged the improvement in their profit levels from 5 % to 10 % in the last four years. Many of the respondents attributed the improvement in profit level to having opened up man branches.

4.4 Relationship between microfinance services and development of small and medium enterprises

The last objective in this study was to establish whether there is a relationship between microfinance services and development of small and medium enterprises in Makindye Division, Kampala district. On this, the researcher stated a null hypothesis that there is a relationship between microfinance services and development of small and medium enterprises in Kampala in Uganda. To achieve this last objective and to test this null hypothesis, the researcher correlated the overall mean on microfinance services and that on development of small and medium enterprises using the Pearson's Linear Correlation Coefficient, as indicated in table 6;

Table 6: Pearson correlation between microfinance services and development of small and medium enterprises

		Microfinance services	Development of SMEs
Microfinance services	Pearson Correlation	1	.393**
	Sig. (2-tailed)		.000
	N	135	135
Development of SMEs	Pearson Correlation	.393**	1
	Sig. (2-tailed)	.000	
	N	135	135
**. Correlation is significant at the 0.05 level (2-tailed).			

Source: Primary data, 2018

Results in Table 6 indicated a positive relationship between microfinance services and development of small and medium enterprises in Makindye Division, since the sig. value (.000) was far less than 0.05, which is the maximum level of significance, required declaring a significant relationship in social sciences. This therefore implies that access to microfinance services increases the development of small and medium enterprises in Makindye Division, Kampala district and failure to access microfinance services reduces development of small and medium enterprises in Makindye Division, Kampala district.

CHAPTER FIVE

DISCUSSIONS OF THE FINDINGS

5.0 Introduction

This chapter presented the discussions on findings.

5.1 Discussions

This study was set to find out the relationship between microfinance services and development of small and medium enterprises in Makindye Division, Kampala district; three specific objectives guided this study and these were (i) To examine the level of microfinance services performed by the small and medium enterprises owners in Makindye division, Kampala district; (ii) To determine the level of development of small and medium enterprises in Makindye division, Kampala district and (iii) to establish the relationship between microfinance services and development of small and medium enterprise in Makindye division, Kampala district.

5.1.1 Level of microfinance services performed by the small and medium enterprises owners in Makindye division, Kampala district

On the microfinance services accessed by SMEs in Kampala Capital City Authority, data analysis using means indicated that microfinance services was rated satisfactory on average (overall mean=2.85), hence implying that the microfinance institutions provide financial services in terms savings services and small loans services which help in the development of small and medium enterprises in Makindye Division.

This finding is also in line with Schmidt (1997) who noted that MFI subsequently provide different services to a client, most commonly in the form of a loan. These services lead to the client modifying her/his microenterprise activities which in turn lead to increased or decreased microenterprise income. The change in microenterprise income causes changes in household income which in turn leads to greater or lesser household economic security. The modified level of household economic security leads to changes in the morbidity and mortality of household members, in educational and skill levels and in future economic and social opportunities. Loans are delivered following the minimalist approach where the requirements for loans are not often

difficult to meet by customers; little collateral, character and co-signing for loans between members. These loans are usually loans within the savings of the member (Schmidt, 1997).

Littlefield and Rosenberg (2004) lamented that one of the key roles microfinance has to play in development is in bringing access to financial services to the poor, to those who are neglected by the formal banking sector and this is their social mission. Mainstream banks target clients that have collateral and the poor do not have assets to act as collateral, therefore they are ignored by the formal financial sector. These banks tend to be found in urban centers while the majority of the poor in the developing world live in rural areas, where financial services are not provided. Therefore, if MFIs are to fill this void they must reach the rural poor. However, according to most studies, microfinance is only reaching a small fraction of the estimated demand of the poor for financial services (Littlefield and Rosenberg, 2004).

This study found out that savings services as the first construct on the independent variable (IV) was rated satisfactory on average (mean=2.78), therefore implying that small and medium enterprise owners always save money from microfinance institutions such as banks and money lenders, this also agrees with Schreiner and Colombet (2001, p.339) who noted that microfinance attempts to improve access to small deposits and small loans for poor households neglected by banks, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

The study found out that small loans was rated satisfactory on average (mean=2.80), hence confirming that the small and medium enterprise owners always obtain small loans from microfinance institutions such banks and money lenders and this has helped them to put their financial plans and other business activities in action, this finding is also in line with Yasin (2013) who in his study of microfinance lending relevance to the SMEs development in Makindye Division, Kampala district noted that small businesses in Kampala are facing challenges to access loan from MFIs and this results many small business to demise soon or may not be started due to lack of ability to overcome the challenges. The finding showed how SMEs in Makindye Division face some requirements to have an access to borrow money from Microfinance institutions. Also the findings revealed that the requirements hinder the possibility of borrowing money from microfinance institutions so as to start, run or expand small

businesses. It is because of the fact that the SMEs owners cannot meet the requirements set by the Microfinance institutions.

5.1.2 Level of development of small and medium enterprises in Makindye division, Kampala district

Regarding the development of SMEs in Kampala Capital City Authority, the findings indicated that the development of small and medium enterprises in Makindye Division, Kampala district (dependent variable) was generally high and this was indicated by the overall mean of 2.88, hence confirming that the small and medium enterprises in Makindye Division perform well in relation to profitability, sales volume and development in number of customers through offering a variety of quality services to their customers, this is in line with Gaskill (1993) who noted that development of small and medium enterprises also depends on changing industry patterns and management, new product development, expansion into new international markets and expansions into new European markets are the major development strategies adopted by them.

Profitability– this variable was rated satisfactory (mean=2.96), hence implying that the small and medium enterprises always get a high return on investment and their business assets help them give them enough profits, this is in line with Nieman (2003) who argued that the more profits a business realizes, the more it is assumed to be growing and vice versa. A growing company tends to have very profitable reinvestment opportunities for its own retained earnings.

Development in sales–this variable was rated satisfactory on average (mean=2.89) and this implied that the sales volume for small and medium enterprises always increase year after year through new and high quality products which have attracted large number of customers different parts of Uganda. This is in line with (Baron & Markman (2003) who argued that that various factors interact to bring about enterprise development ; for example personal perceptions, sales levels, market forces, environmental conditions, industry trends and dynamics. Many researchers have identified various indicators of venture development ; for example Hisrich (2000) looked at increase in sales, income, employment and satisfaction; but Newton (2001) considered increased productivity, competitiveness, market share, profit and opening branches.

Development in number of customers- this variable was rated satisfactory on average (mean=2.85), hence confirming that the small and medium enterprises' products and services

always provide high degree of convenience to customers and have always maintained a rigorous customer focus. This is in line with Zachary (2010) who noted that in the SME sector, the development in number of customers can also be indicated by clients directly advised in the business centre, either on a day by day basis or weekly or monthly or annually and also the number of clients who have been exactly serviced through the provision of various business services. Some customers also come not for direct services but to get some guidance or information either by a personal visit, by telephone or visiting the enterprise websites for four minutes or more (Zachary, 2010).

5.1.3 Relationship between Microfinance Services and the Development of SMEs in Kampala Capital City Authority

Regarding the relationship between microfinance services and the development of SMEs in Kampala Capital City Authority, the findings also indicated a positive and significant relationship between microfinance services and development of small and medium enterprises in Makindye Division, Kampala district, this is because the sig-value was less than 0.05 (Sig=0.000), hence implying that improvement in access of microfinance services increases the level of development of small and medium enterprises in Makindye Division, Kampala district and failure to access microfinance services reduces development of small and medium enterprises in Makindye Division, Kampala district. This finding is also in line with Nieman et al (2003) who noted that the small and medium business development includes the extent to which SME generates significant positive cash flows or earnings, which increase at significantly faster rates. There are several indicators of SME development such as profitability, sales development, development in number of customers, increase in number of workers employed and so on and all these can be affected by microfinance services. Profitability is one of the important measures of development that must be considered as it is unlikely that firm development can be sustained without profits being available for reinvestment in the firm. Development along this dimension can be considered in terms of net profit margins or return on assets. If we take the definition of enterprise as the creation of rents through innovation (Stewart, 1991) where rents are defined as above average earnings relative to competitors, then profitability measures are particularly attractive. This also implies that economic success is required by high performance firms.

CHAPTER SIX:

CONCLUSIONS AND RECOMMENDATIONS

6.0 Introduction

This part dealt with the conclusions, recommendations and suggested areas that need further research following the study objectives and study hypothesis.

6.1 Conclusions

From the findings of the study, the researcher concluded the extent of microfinance services was rated satisfactory on average (overall mean=2.90), hence concluding that the microfinance institutions provide financial services in terms savings services, small loans services and insurance services which help in the development of small and medium enterprises in Makindye Division.

The development of small and medium enterprises in Makindye Division was found to be satisfactory and this was indicated by the average mean (mean=2.88), therefore concluding that the small and medium enterprises in Makindye Division perform well in relation to profitability, sales volume and development in number of customers through offering a variety of quality services to their customers.

There is a positive and significant relationship between microfinance services and development of small and medium enterprises in Makindye Division, this is because the significant value was less than 0.05, hence concluding that improvement in access of microfinance services increases the level of development of small and medium enterprises in Makindye Division and failure to access microfinance services reduces development of small and medium enterprises in Makindye Division, Kampala district.

6.2 Recommendations

From the above findings, the following recommendations were made;

1. The researcher recommends to the management of microfinance institutions in Makindye Division to allow unlimited deposits and withdraws of savings by small and medium enterprises.
2. The researcher recommends to the microfinance institutions in Makindye Division to always allow small and medium enterprises borrow a specific amount of money and pay back through regular monthly payments with no collateral required.
3. The researcher recommends to small and medium enterprises to carry out promotions in order to increase their business net profit margins.
4. The small and medium enterprise owners in Makindye Division should always carry out sales forecasting every month, and this will increase in development of number of customers.
5. The researcher recommends to the small and medium enterprise owners to always use phone calls, e-mails, and personnel visits to communicate with customers about their products, and this will create a friendly relationship with the customers hence increasing in the number of customers.
6. The small and medium enterprise owners in Makindye Division should always make sure that their services and products are reliable to all groups of customers.

6.3 Areas for further research

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

1. Microfinance services and profitability of small and medium enterprises Kampala Central Division, Kampala district.
2. Savings services and development of small and medium enterprises in Rubaga Division, Kampala district.

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APPENDIX I: QUESTIONNAIRE

Dear Respondent, BABIRYE VICTORIA ANNET, pursuing Bachelor's degree of business administration of Kampala international university. i am carrying out research on the effects of microfinance services on the development of small and medium enterprise in Makindye Division, Kampala district. Please kindly spare some of your valuable time and respond to the following questions. The information that you provide was treated with all the confidentiality it deserves and was used for the purpose of this research only. Thank you

SECTION A: RESPONDENTS' DEMOGRAPHIC INFORMATION

Instructions

Kindly tick the appropriate scare in the following questions:

- | | | |
|---------------------|-----------------------|--------------------------|
| 1. Gender | Male | <input type="checkbox"/> |
| | Female | <input type="checkbox"/> |
| 2. Age | 10 – 15 | <input type="checkbox"/> |
| | 18 – 25 | <input type="checkbox"/> |
| | 26 – 35 | <input type="checkbox"/> |
| | 36 – 45 | <input type="checkbox"/> |
| | 46 and above | <input type="checkbox"/> |
| 3. Marital status | Single | <input type="checkbox"/> |
| | Married | <input type="checkbox"/> |
| | Widowed | <input type="checkbox"/> |
| 4. Education levels | Masters' degree | <input type="checkbox"/> |
| | Bachelor's degree | <input type="checkbox"/> |
| | Post graduate Diploma | <input type="checkbox"/> |
| | Diploma | <input type="checkbox"/> |

5. Designation of Respondents

Human Resource Office	[]
Procurement Office	[]
Wetland Office	[]
Asst. Environment Office	[]
Marine Office	[]
Research Coordinator	[]

5. Duration of stay in the school	1 – 3 yrs	[]
	3 – 5 yrs	[]
	5 – 10 yrs	[]
	Over 10 yrs	[]

SECTION B: level of microfinance services performed by the small and medium enterprises owners in Makindye division, Kampala district.

Response Mode	Rating	Description	Legend
Strongly Agree	4	You agree with no doubt at all.	SA
Agree	3	You agree with some doubt	A
Disagree	2	You disagree with some doubt	D
Strongly Disagree	1	You disagrees with no doubt at all.	SD

Microfinance services	1	2	3	4
Savings services				
SMEs always save their money in microfinance institutions such as banks and money lenders in Makindye division, Kampala district.	1	2	3	4
SMEs always think on how to open and close their savings account in Makindye division, Kampala district.	1	2	3	4
SMEs always fear a breakage charge when they move money from the fixed rate account during the fixed term in Makindye division, Kampala district.	1	2	3	4
The microfinance allows unlimited deposits and withdraws of SMEs' savings in Makindye division, Kampala district.	1	2	3	4
Small loans				
The loan SMEs always obtain has made it easy to put my financial plan in action in Makindye division, Kampala district.	1	2	3	4
There is repayment penalty always attached to the small loan obtained from Bank in Makindye division, Kampala district.	1	2	3	4
SMEs always decide on when and how much to borrow up to approved credit limit in Makindye division, Kampala district.	1	2	3	4
The credit line is always approved without collateral in Makindye division, Kampala district.	1	2	3	4
With no collateral required, SMEs can now borrow a specific amount of money and pay back through regular monthly payments	1	2	3	4

SECTION C: The level of development of small and medium enterprises in Makindye division, Kampala district.

Direction: Please write your preferred option on the space provided before each item. Kindly use the rating guide below:

Response Mode	Rating	Description	Legend
Strongly Agree	4	You agree with no doubt at all.	SA
Agree	3	You agree with some doubt	+ A
Disagree	2	You disagree with some doubt	D
Strongly Disagree	1	You disagrees with no doubt at all.	SD

Growth of SMEs	1	2	3	4
Profitability				
There is a high return on SMEs’ investment in Makindye division, Kampala district.	1	2	3	4
Shareholders of SMEs’ receive relatively high returns in Makindye division, Kampala district.	1	2	3	4
SMEs business assets give them enough profits in Makindye division, Kampala district.	1	2	3	4
SMEs expect profits to remain high in future in Makindye division, Kampala district.	1	2	3	4
SMEs’ revenue always exceeds the expenditure in Makindye division, Kampala district.	1	2	3	4
SMEs’ net profit margins are high in Makindye division, Kampala district.	1	2	3	4
Growth in sales				
SME’s sales volume always increase year after year in Makindye division, Kampala district.	1	2	3	4
Selling new and high quality products can attract a large number of customers from different parts of Uganda in Makindye division, Kampala district.	1	2	3	4
SMEs’ always sell large quantities of goods to their customers in Makindye division, Kampala district.	1	2	3	4
SMEs’ always offer a variety of quality services to customers in Makindye division, Kampala district.	1	2	3	4
SMEs’ always carry out sales forecasting every month	1	2	3	4
Growth in number of customers				
SMEs’ products and services always provide high degree of convenience to customers in Makindye division, Kampala district.	1	2	3	4
SMEs have always maintained a rigorous customer focus in Makindye division, Kampala district.	1	2	3	4
SMEs frequently segment the existing customer groups basing on newly discovered needs and buying patterns in Makindye division, Kampala district.	1	2	3	4
SMEs have always responded to customers’ changing needs in Makindye division, Kampala district.	1	2	3	4
SMEs always use phone calls, e-mails, and personnel visits to communicate with customers about their products in Makindye division, Kampala district.	1	2	3	4
SMEs’ services and products are reliable to all groups of customers in Makindye division, Kampala district.	1	2	3	4

APPENDIX II: TIME FRAME

Schedules	Feb. 18	March	April	May	June	July	August	Sept.
Starting writing the report								
Doing library research								
and report writing								
Data collection								
Data analysis and interpretation								
Editing the report work								
Handing in of the final report								



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**COLLEGE OF ECONOMICS AND MANAGEMENT
DEPARTMENT OF ACCOUNTING AND FINANCE**

September, 25th 2018

To whom it may concern

Dear Sir/Madam,

**RE: INTRODUCTORY LETTER FOR BABIRYE VICTORIA ANNET REG NO
BBA/46283/151/DU**

This is to introduce to you the above named student, who is a bonafide student of Kampala International University pursuing a Bachelor's Degree in Business Administration, Third year Second semester.

The purpose of this letter is to request you avail her with all the necessary assistance regarding her research.

**Topic: - MICRO FINANCE SERVICES AND DEVELOPMENT OF
SMALL AND MEDIUM ENTERPRISES**

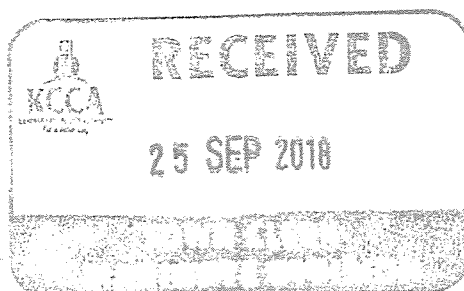
CASE STUDY: - MAKINDYE DIVISION KAMPALA UGANDA

Any information shared with her from your organization shall be treated with utmost confidentiality.

We shall be grateful for your positive response.

Yours truly,

DR. JOSEPH B. KIRABO
HOD - ACCOUNTING AND FINANCE
0772323344



MKD/KCCA/201/17

25th September 2018

.....
Makindye Division


INTRODUCING MS. BABIRYE VICTORIA ANNET

This is to introduce to you the above named student of Kampala International University, currently pursuing a Bachelor's Degree in Business Administration.

She is carrying out a research project, as partial fulfillment of the requirements for the study program, and would request to get information from your area.

The purpose of this letter is to request you help her get the information she requires.

Any assistance rendered to the student is highly appreciated.


**Godfrey B. Kisekka
TOWN CLERK**

