

The other problem stressed by Mr. Ojoke is the lack of enough qualified and experienced staff and handle inventory. He noted that the inventory department has only two people with a degree in inventory, four with diplomas and the rest here S.6 leavers. He said that this makes it hard to deploy factors such as E.O.Q, J.I.T or ABC because the staff cannot adapt to them.

In conversation with one of the users at Embassy supermarket, she said that a lot of goods got stolen by staff or customers and that others got damaged during storage. This problem causes loss to the supermarket as it affects its profitability negatively by increasing operating costs.

Like all other functions in management inventory management faces problems and challenges as seen above, the objective of management in supermarket is to design an inventory management system that minimizes or eliminates such problems if profitability and performance one to be realized

In conclusion chapter 4 has brought out research findings in a bid to answer the research questions and obtain the objectives of the study. The findings were mostly from embassy supermarket but could generally be applied to all other supermarkets since they also operate in similar situations. Some findings, analysis and interpretative or subject to personal opinion and aims of the sources but generally they are reliable facts.

**MIRCO FINANCE INTEREST RATES AND FINANCIAL
PERFORMANCE OF AMALGAMATED MAIZE MILL.
A CASE STUDY OF PRIDE MICRO FINANCE**

**BY
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**DESSERTATION SUBMITTED IN PARTIAL FULFILMENT OF
THE AWARD OF BACHELOR'S DEGREE OF BUSINESS
ADMINISTRATION OF KAMPALA INTERNATIONAL
UNIVERSITY**

SEPTEMBER 2008

DECLARATION

I **WAGALIMA GEORGE**, hereby declare that this is my original work and has never been presented in any university or any other institution of higher learning for any a ward.



WAGALIMA GEORGE

15th/09/2008

DATE

APPROVAL

This is to certify that this research report was carried out under my supervision and is now ready for submission.

MR. RUTEGANDA MICHAEL

Lecturer Department of Business and Management

Sign: 

Date: 15/09/08

DEDICATION

This research report is dedicated to my father Mr. Wagalima Stephen, my mother Ms. Naitego Ann and my brothers and sisters for their rewarded effort of bringing up and bearing the cost of studies that has enabled me to achieve my aspiration of becoming an Accountant.

ACKNOWLEDGEMENT

This research report has been through mercy of the almighty God and through many efforts and encouragement by many people. With this I would like to express my sincere appreciation to the following people who contributed Morally, Economically and Physically to the success of this research report.

First of all I would like to recognize the efforts made by my supervisor Mr. Ruteganda Micheal for giving me all the encouragement and guidance, even outside official hours in spite of his busy time table I am inhibited to him.

My special thanks go to Mr. Ngobi Siragi of Sameer Agriculture and Live stock and Dr. Kalulu Andrew a veterinary officer of Ntungamo district.

Finally, I wish to thank Mr. Barigye Hannnington, my parents Mrs. Wagalima Stephen and Ms. Naitego Ann and my brothers and sisters for their strong heart and dedicated service they rendered to me

May the almighty God reward you all.

ACRONYMS

MFI	Microfinance institutions
PMF	Pride microfinance
MFPED	Ministry of Finance, Planning and Economic Development
NGO	Non Government Organization
MDI	Microfinance Development Institution
UG	Uganda
SACCOS	Savings and Credit Co-operative Societies
SPSS	Statistical Package for Social Scientists
%	Percentage
GGLS	Group Guaranteed Loan Schemes
PML	Pride Microfinance Limited

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CHAPTER ONE

1.0 Introduction

Financial institutions' coverage of the urban areas is relatively sufficient; outreach to the rural areas specifically by Formal institutions is still limited. Much effort has been put under way to encourage rural outreach by the Formal banks, the socio-economic and cultural set ups in the rural areas do not favor the Formal banking system. To this extent, the micro finance institutions law was enacted by parliament in April 2003 to allow soundly managed and well-capitalized micro finance institutions (MFIs) to intermediate resources in the rural areas.

The necessity of such banks was felt because the existing credit institutions for example the Stanbic, Orient, Baroda, Centenary, Barclays, and other banks were unable to fully meet the needs of rural areas. The defined legal status of these (MFIs) now put them into a position that should forge links with the Formal banking system. With the legal status of the microfinance deposit taking institutions now clearly defined, it's expected that the Formal banking sector will increase their transactions with these institutions.

These are expected to act as retail institutions for both deposit taking and credit extension to rural small business entrepreneurs, since they have better information on these people than the formal banks. The role of the banks will be to whole sale both deposits taking and credit extension to the MFIs. Such a linkage further increases the provision of financial services to the rural areas.

1.2 Back Ground of the Study.

Micro finance has grown considerably in recent years in Uganda. A survey by the ministry of finance, planning and economic development (MFPED) in 2002, revealed that of over 1,000 micro finance institutions (MFIs), the MFIs members were just 1 million and the total loan size was Shs. 86.5 billion.

Hence, having the average loan size of 262533. The majority of the loans were to non-agricultural enterprises in urban or pier-urban areas. Micro finance institutions have been supported by a variety of donors and NGOs. Mapping of MFIs has revealed informal institutions even in areas not reached by formally constituted MFIs.

Micro finance institutions fill an important gap in the financial market. International experience shows that many good institutions need support for a sustained period of time before becoming self-sustaining, and that public resources devoted to micro finance have in some countries had higher returns in terms of entrepreneur development than those devoted to other public interventions.

Under micro finance outreach, governments provide capacity building and matching grants that provide incentives for service delivery in rural areas.

Pride micro finance Ltd (MDI) is a financial institution which offers financial services to people operating small scale businesses. It has a head office on plot 8-10 Entebbe road, Kampala.

Pride Microfinance Ltd has been providing credit for more than eleven years. It has 29 branches nationwide, and it is committed to provide all Ugandans with access to safe and reliable financial services.

Pride microfinance Ltd offers individual loans, group guaranteed loans and salary guaranteed loans.

The loan size for individual loans ranges from 500,000 to 100,000,000, and a repayment period of 3 to 24 months. GGLS loan size ranges from 200,000 to 10,000,000 and the repayment periods are in weeks. Salary loan sizes goes up to 10,000,000 and it has a repayment period up to 18 months.

Amalgamated maize mill is a maize grinding factory located on Jinja-Kamuli road at Buwenge (35km off Jinja town); it was established by Hifude Dini in

2000. Hifude basing on this maize mill obtained a loan from pride Micro finance Jinja branch.

1.3 Statement of the Problem

Micro finance institutions offer loans to people with small businesses but their financial performance have been very poor. Basing on that, the researcher was prompted to carry out the study to establish as to why the financial performance of small business entrepreneurs who obtain loans from Pride Micro Finance has been poor.

1.4 Objectives of the Study

- ✦ To ascertain whether micro finance interest rates contribute to the financial performance of small business enterprises.
- ✦ To ascertain whether the repayment period of micro finance loans contribute to the financial performance of small business enterprises.
- ✦ To identify the importance of micro finance institutions to small business enterprises.
- ✦ To come up with recommendations.

1.5 Research Questions

- Has the interest rates of pride micro finance affected the financial performance of small business ventures?
- Has micro finance loans contributed to the financial performance of small business enterprises?
- Has the repayment period for micro finance institutions' loans benefited small scale businesses?
- What is the way forward?

1.6 Justification of the Study

To explore the impact of micro finances' loans on the improvement of the financial performance of small scale business ventures.

To educate clients about the importance of micro financial services.

To serve as appoint reference or the criteria and conditions for access to micro finance credits.

To add fund of knowledge in world of academics.

1.7 Scope of the Study

The study focused on Pride Micro Finance (Jinja Branch) and the proprietor of Amalgamated maize mill a client of pride micro finance and other clients of Pride Bank.

The researcher used Bank officials and clients of pride micro finance as the respondents.

1.8 Conceptual Framework

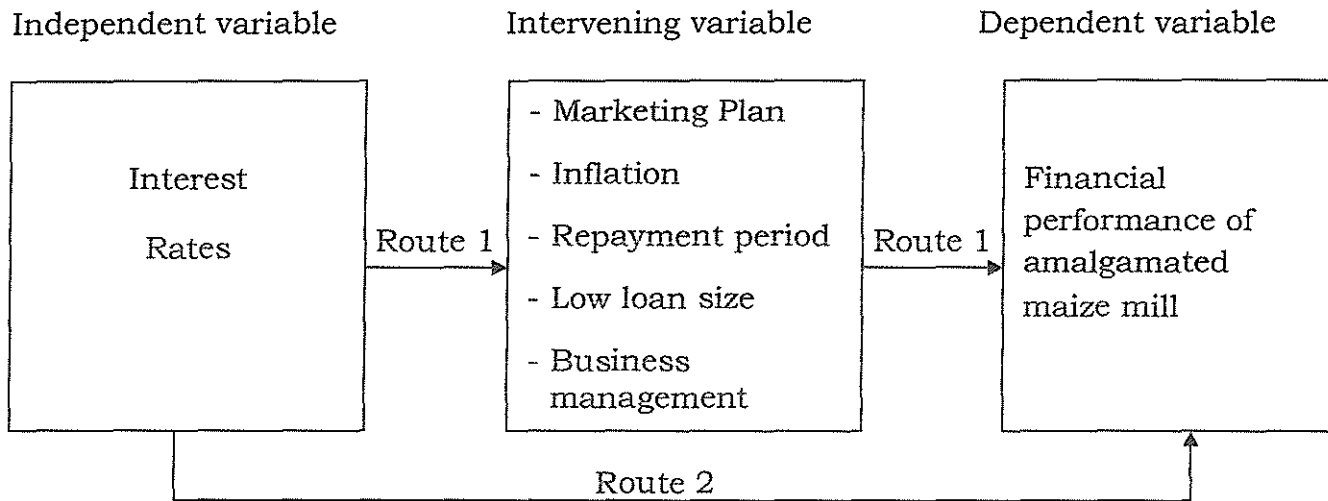
This defines the topic of the research through the explanation of the variables within the topic. We have dependent, independent and intervening variables.

The independent variables determine, predict, control and influence the dependent variables.

The intervening variables work hand in hand with the independent variables. For the purpose of this research, the independent variables would be interest rates and dependent variables would be the financial performance of amalgamated maize mill. The intervening variables may include; marketing plan, inflation, low loan size, repayment period and business management.

This could be illustrated in the model below:

Conceptual model:



Route 1: the interest rates can influence the financial performance of amalgamated maize mill with other intervening factors such as marketing plan, inflation, repayment period, low loan size and business management.

Route 2: the independent variable can directly influence the financial performance of amalgamated maize mill.

1.9 Limitation of the study

Any researcher may have his own inherent problems and limitations depending on nature settings of inquiry. These include;

- Time was a limited factor because over allocation was limited to allow exhaustive investigation.
- Heavy costs were encountered in many aspects.
- The researcher faced unsteady flow of funds to facilitate the research.
- Low response from known leaders to disclose their information was also another limitation.
- Lastly, the researcher faced a problem with the respondents who were unwilling to fill the questionnaire or even give biased answers.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section shows all the literature that was used in the study. This helped the researcher in data compilation and making the analysis in the research report. In this literature review, several materials for example, text books, magazines, pamphlets, newspapers, journals and internet were consulted.

2.1 Origin of banking and borrowing

In the middle ages, gold and silver were used as money in most European nations and for international trade. To avoid the inconvenience of carrying around a wheel barrow full of gold and coins, most merchants preferred to keep it in a safe place. They usually left it with gold smiths or money changers who first placed it on benches so that it could be examined and weighed. This practice evolved into what is now known as “banking”. The Word Bank is driven from the Italian word for bench, which is Banco.

The gold smiths of medieval England and the money changers of medieval Italy assessed the purity of the gold or coins before issuing deposits. The depositors paid a fee for storage service just as we pay for checking the account and other services at the bank. The deposit receipts soon began as a medium of exchange, which reduced the transaction costs by avoiding the inconvenience and risk of physically transporting gold in payment for goods and services. The holders of the receipts could at any time go to the gold smiths and redeem the receipts for the stored gold. In effect, the receipts for the gold became paper currency.

At first, these early banker issued no more receipts than the gold they had in the vault. If they had 10,000 ounces stored, the total receipts in circulation

were for no more than 10,000 ounces. However, some of the more astute gold smiths observed each day for redemption of gold, new deposits of gold offset the decline from the outflow and resulted in issuance of new receipts.

This meant that gold smiths could either loan out a portion of the gold on deposit for the use of others or issue more receipts than the actual gold available in the vault. Since then the system of banking continued to advance.

In Rome, the bankers received deposits and lent money. Loan banks started to exist. And from these loan banks, poor citizens received loans without paying interest. They lent money for a period of 3-5 years on the security of land. True banking in those days meant money lending.

2.2 Definition of Micro Finance.

Micro finance, according to Ottero, is "the provision of financial services to low-income poor and very poor self-employed people". Financial services according to ledger wood are the savings, credits, insurance and payment services.

Schreiner and Colombet, defined micro finance as "the attempt to improve access to small deposits and small loans to the poor households neglected by commercial banks."

Therefore, micro finance involves the provision of financial services such as savings, loans, and insurance to the poor living in both urban and rural areas and is to obtain such services from the Formal financial sector.

2.3 The Pioneers of Modern-day Micro Finance

The concept of micro loans took a big leap in the 1960s and 1970s, when groups such as ACCION International in Venezuela and Yunus' Grameen Bank

in Bangladesh began to institutionalize the process by formalizing and expanding the basic concept of sharing programmes.

These micro finance institutions helped to build capital for small business rather than just loaning for basic necessities such as food, water, and clothing.

Yunus first came across the idea of micro credit while studying the lives of poor entrepreneurs in Bangladesh during the famine of 1954.

He began by loaning to groups. His programme proved that small loans do not only quicken the improvement of people's lives but could also be paid back with an interest and on time.

The next step was setting up a consistent on the ground programme. This made a successful institution and he therefore sent a representative or a "friend manager to the prospective region to educate and advise and to oversee the loans locally. After ten members of the group were accepted for a loan, the rest had to wait for that initial loan to be repaid before they could obtain their own loans. "Peer pressure" erupted from other members of the group to repay initial loan helped to set the bar high.

In 1961, another early pioneer, ACCION, opened its doors in Caracas, Venezuela, when law student Joseph Blatchford raised \$90,000 to start a community development programme to help the poor jump start their own businesses. Over the next two decades, ACCION set up scores of independent. Micro finance institutions expanded across Latin America. Like the founders of ACCION, Yunus realized that if individuals who wanted to start their own businesses could not free themselves from start up debt, they would never be able to grow. Since the Grameen Bank was founded, it has paid out more than \$5.7 billions in loans, and more than \$5.1 billions of the loans have been repaid, a recovery rate of approximately 98.9 percent. It has made more than 950,000 loans and has 6.7 million members.

The Norwegian Nobel committee discussed about Yunus and his work. Yunus' long-term vision is to eliminate poverty in the world. The committee said that the vision cannot be realized by means of micro credit alone.

Yunus and Grameen Bank proposed that in the continuing efforts to achieve development in small businesses, micro credit must play a big role. Following the success of these early institutions, other micro finance organization began to launch through out the developing world.

2.4 Micro Finance and Small Business Enterprises.

People with small enterprises do not have access to the basic financial services which are essential for their development.

Small business entrepreneurs are excluded from opportunities of financial services. Micro finance therefore was specifically introduced to cater for people who were not been catered for by the big financial institutions like the commercial banks.

According to Hyuha (2000), the slow progress of micro finance enterprises in creating new businesses is not entirely due to lack of ideas and plans but lack of finance. He further said that small scale enterprises in Uganda suffer wide range of genuine problems compared to large one in seeking finances from financial institutions.

According to Hulme (2000), most institutions regard small business entrepreneurs as "too poor to save". Therefore, in order for these small enterprises to generate more incomes, saving and investments must be increased. Therefore, there is need to inject capital inform of micro finance to these small enterprises. Capital is the only ingredient in the mix factors necessary for a successful enterprise. However, small enterprises require entrepreneur skills and sufficient markets for successful development.

According to Sentamu and Obwona (1997), they pointed out that due to high interest rates, short repayment period and high transaction costs, commercial banks continue to be generally less important as sources of loans being used by the poor. This implies efforts aimed at providing loans to the poor should not be channeled through formal banks instead informal sources of credit should be promoted and encouraged.

According to Roth (2001), credits are the only ingredients in the mix factors necessary for a successful enterprise. Their promotional activity gives rise to worrying spectra of a return to a "blueprint", implicit in the new micro finance approach to development. Responding to a potential demand for a good or service, a rural micro-entrepreneur may need access to one or more of the following; transport, communications, power, water, storage facilities, legal system for enforcing contracts and settling disputes, and the market size.

Micro finance also needs to know the skills of the entrepreneur. Roth sites Weber who argues that hard work, skills and enthusiasm are essential ingredients for an enterprise to be successful. Non-numerate people struggle to start enterprises by themselves but it is difficult for them to keep track of their flows of income in their enterprises.

According to Ledger wood (1997), he observed that financial services help people meet their house hold and business goals. Access to financial services gives people the ability to expand their options and thereby increase productivity of their resources. Savings allow depositors to store incomes as assets for future use, while credits allow clients to invest or consume now and draw on expected future income. He also argues that with out access to financial services, individuals face more limited options.

2.5 Micro Finance Lending Methodology.

Mugisha (2000) points out that MFIs use a number of lending methodologies, but the most commonly used are group lending and individual lending methodology.

2.5.1 Group lending methodology

Group based micro finance lending method usually favours the very poor people who do not have collateral securities. They make groups of about 20 people and organize themselves for a joint loan. Group members have a joint liability for the loan.

2.5.2 Individual lending methodology

Individuals apply for a loan with collateral securities for example land agreement. Individual loans are flexible, loan sizes and tenors are negotiable and tailored to the borrower's activity. Loan amounts and periods increase as the borrower demonstrates prompt repayment.

It has been argued that group credit arrangement tend to deteriorate over time while individual lending can go from strength to strength provided good institutions are in place to provide incentives for repayment.

2.6 Government and Micro Finance

The government is aware of the growing Micro Finance institutions in the country. These micro finance institutions are due to the lack of saving, mobilization and credits needed to cater for small business enterprise in rural areas. The poor savings and low development of small business enterprises in rural areas indicate that there are limits beyond which the banking system has not been able to address. In Uganda the government has in the past relied on state owned banks to extend rural credits and micro finance services, for example, rural farmers scheme was run by the former Uganda commercial

bank. It has argued that the government failed to realize its objectives because loan disbursements were made to the politician instead of the poor and in the consequence the scheme collapsed. In 1996, the government came with a programme of “entandikwa” (start up capita), and it injected 9 billions UG shillings. The administration of the programme failed because the loans were given to the rich people in the village and to the local politicians. The government failed to recover the loans because the money had been given to politicians.

In 2006, the government also came up with another strategy “Bonna bagaggawale” (prosperity for all). Here, the Government was to give money to people organized in SACCOS but the implementation of the programme has not yet started.

2.7 Impact of Micro Finance Institutions.

Micro finance institutions have helped small business to diversify and increase their sources of income. The extension of financial services to the rural areas created chances to people with small business to obtain credits. The availability of credits to small businesses helped entrepreneurs of these enterprises to utilize all the business opportunities. The national income increased and the standard of living of people improved. Loans, saving and insurance have helped to smooth out income fluctuations and to maintain consumption levels even during the lean periods. The availability of financial services acts as a better for business risks and other emergencies

2.8 Determinants of Interest Rates

Fluctuations in interest rates gave crucial impact on the banking business. Interest rates on loans are limited by regulations. The interest rates that bank charge are determined by several factors;

2.8.1 Supply and demand of loan funds

Interest rate is determined by the intersection of demand and supply of loan funds. The demand for loan funds is created if the investments are more than the savings and the supply of loan funds is obtained from the difference between income and expenditure, the excess income becomes the loan funds.

2.8.2 Default risk

Lenders of funds carry with them certain risks of default. Default is a breach of contractual agreement between the lender and the one who acquires the loan. Small businesses which are not well established have larger default risks. Business enterprises with high default risks are given loans at high interest rates and those with low default risks are given loans at low interest rates. Small businesses are given loans at high interest rates because they have high chances of failing to pay off the loan in the period given.

2.8.3 Loan period

Interest rates on loans differ according to how long one would stay with loan. Short-term loans are obtained at high interest rates while long-term loans are obtained at low interest rates. Short-term loans are obtained for activities which yield high profits in a short period. Long-term loans are obtained for business activities which yield profits in future date.

2.9 Interest Rate Power Parity

Interest rates help the economy allocate saving among alternative uses. For savers, the interest rate is a reward for abstaining from consumption and waiting to consume at some future time. The higher the interest rate, the greater the incentive to save. For borrowers, the interest rate is the cost of borrowing funds to invest or buy consumption goods. At higher interest rates

people will borrow few funds and purchase fewer goods. Thus if the desire to borrow exceeds the willing to save sufficient funds, the interest rate tends to rise.

Business borrowers have to decide how much loan to obtain from financial institutions depending on the capability of their business to payoff the loan and its interest.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

In this context the researcher describes the methods used to arrive at answers and the empirical material based on interviews and questionnaires administered that was conducted to access the performance of micro finance institutions in development of small business enterprises. This chapter focused on the methods and means used by the researcher in carrying out the research.

3.1 Research Design

The study concentrated on amalgamated maize mill located at Buwenge on Jinja –Kamuli road and pride micro finance (Jinja branch). In order to collect as much data as possible, the researcher basing on the results from interviews, questionnaires and observations used descriptive and cross sectional analytical research design. The study analyzed the impact of micro finance institutions and its interest rates on small business enterprises.

3.2 Population of the Study

The population under study constituted of the entrepreneur of amalgamated maize mill, Bank Officials and other clients of Pride Micro Finance

3.3 Sample Method

The researcher used stratified sampling to enable both sexes to adequately give their response. The researcher also used quota sampling method to enable him carry in depth interview.

3.4 Tools of Data Collection

The research used both qualitative and quantitative methods of data collection. Primary data was collected by questionnaires, interviews and observation methods. Secondary data was obtained from documents such as financial statements of Pride Micro Finance.

3.4.1 Interviews

Respondents who could not interpret questionnaires were interviewed by face to face; they were given explanations about the importance of the interview. The questions asked were simple but helped to know the impact of micro finances' loans on small scale business ventures.

3.4.2 Questionnaires

Well-typed questions with a brief introduction which familiarizes the respondent to fill the questions posed by the researcher were given to relevant people with a request to answer the questions. The questions were simple to answer but helped us to know how micro finance institutions have benefited people with small business enterprises.

3.4.3 Observation

The researcher visited amalgamated maize mill in Buwenge and pride micro finance Jinja branch and observed the management and distribution of loans by pride micro finance and the management of amalgamated maize mill.

3.5 Procedure of Data Collection

The researcher first got an official introductory letter from Kampala International University. It was presented to all categories of respondents; that is Bank officials and clients of Pride Micro Finance.

The researcher administered questionnaires and conducted interviews in order to collect reliable data from the respondents.

3.6 Data Analysis and Interpretation

Data collected from targeted population was analyzed and interpreted.

The researcher to ensure completeness, accuracy, consistency used SPSS and Excel computer packages. Analysis of data was by statistical descriptive of the coded and distributed data in the univariate frequency tables.

Conclusions were drawn using frequency, percentages and pie charts.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS OF THE FINDINGS.

4.0 Introduction

This chapter is about data presentation and analysis. It provides the results of the study which have been analyzed by the researcher from secondary and primary source documents. The researcher obtained data from a sample size of (40) targeted respondents with some administered questionnaires. The findings of the study were presented according to the research objectives on which research also obtained data related to microfinance interest rates and the financial performance of amalgamated maize mill a client of pride microfinance.

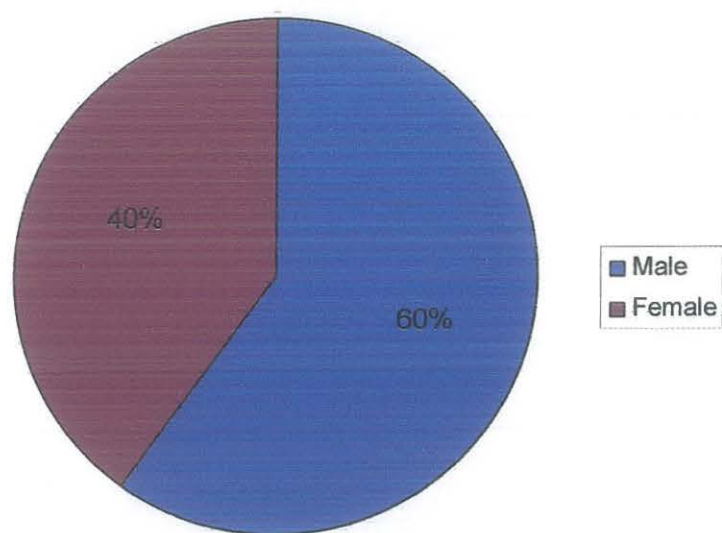
4.1 Characteristics of respondents by sex.

Table 4:1 showing the characteristics of the respondents by sex.

Sex	Frequency	Percentage (%)
Male	24	60
Female	16	40
Total	40	100

Source: primacy data.

Figure 4.1 Showing the number of respondent by sex.



Source: primary data.

From the data analysis, it was revealed that the number of male clients who got loans from pride micro finance were more than the females. This was evidenced in the table 4.1. The reason for this high number was that, males had assets which pride micro-finance bank based on granting loans. Females rarely had assets which micro finance institution based when granting loans. Therefore the number of females who got individual loans was few. Females applied for group loans because group loans are not offered basing on assets of the clients. Another cause for the low number of female was that they lack entrepreneurial skills yet micro finance mostly gave loans to business people. This is much supported in table 4.2

4.2 Distribution of the respondents by sources of their income.

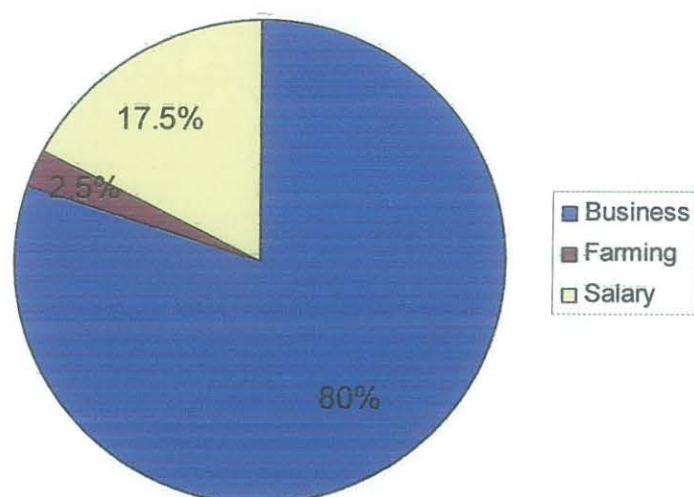
The source of income of a client determines the loan to be offered to him/ her. Pride Microfinance was reluctant in granting loans to farmers. This was illustrated as below

Table 4:2 Showing the number of respondents by their sources of income

Source of income	Frequency	Percentage (%)
Business	32	80
Farming	1	2.5
Salary	7	17.5
Total	40	100

Source: Primary data.

Figure 4.2 Showing the number of respondents according to their sources of income.



Source: Primary data.

From the stable above, it was found out that the majority of the people who got loans from pride micro finance bank (Jinja branch) were business men and ladies. They constituted 80%, 17.15% were salary earners and 2.5% were farmers. This showed that pride micro finance loans are mainly given to business people. They involved farmers and salary earners because they

wanted people from rural areas to know the importance of Microfinance Institutions.

This there fore proves that pride micro finance achieves its main objective of providing credits to small sale entrepreneurs

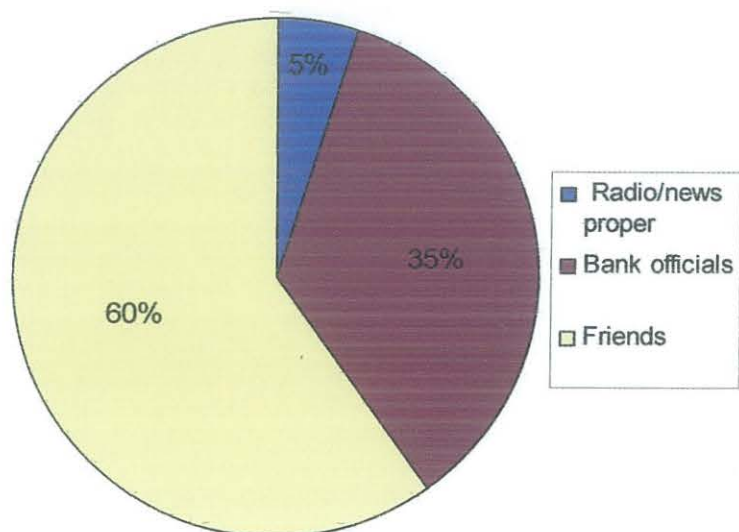
4.3 Sensitization of Micro finance services.

Table 4:3 showing how clients became aware about micro finance services.

Media	Frequency	Percentage (%)	Degrees
Radio/news proper	2	5	18°
Bank officials	14	35	12.6°
Friends	24	60	216°

Source: Primary data.

Figure 4: 3 Showing the media through which clients became aware about micro finance services.



Source: primary data

From the table and Pie Chart above, it was indicated that the majority of the clients of Pride Microfinance becomes a ware of its services by friends. The friends played a big role in informing clients about microfinance services. This further showed that it was not only credit officers who publicized the services of micro finance, the whole community was involved in the system.

This also meant that clients are not given enough training before they are given loans. And according to Hyuha (2001), he said that new businesses are not entirely the capital but also need Ideas and plan. This proves that training of clients is necessary in order to excel in their business.

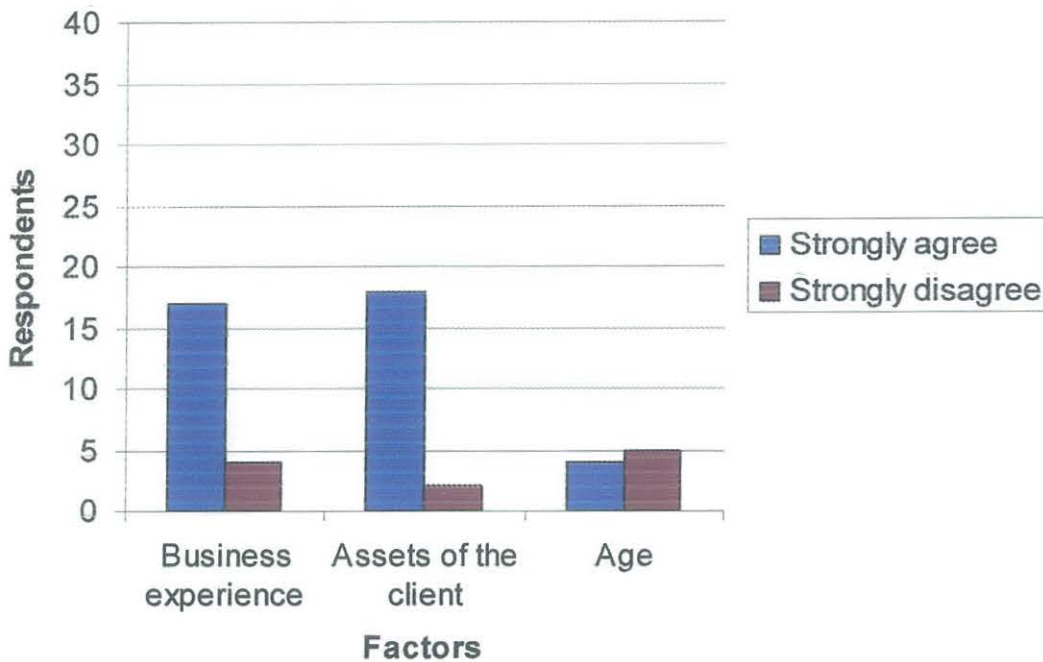
4.4 Factors considered in granting loans.

Table 4.4 showing the factors considered in granting loans.

Factor	Strongly Agree	Percentage (%)	Strongly disagree	Percentage (%)	Total
Business experience	17	17.5	4	10	11
Assets of the client	18	45	2	5	20
Age	4	10	5	12.5	9

Source: Primary data.

Figure 4.4 Showing the factors considered by pride bank in granting loans.



Source: primary data.

From the table and figure above, it was found out that the most important factor that pride microfinance based in granting loans was the availability of the assets of the client. This was evidenced by the highest number of the respondents who strongly agree in their response. This further indicated that clients obtained loans through proper procedure. It also showed that pride microfinance does not give credit to non hard working people.

Pride Microfinance gave loans to people who were capable in achieving their business dreams.

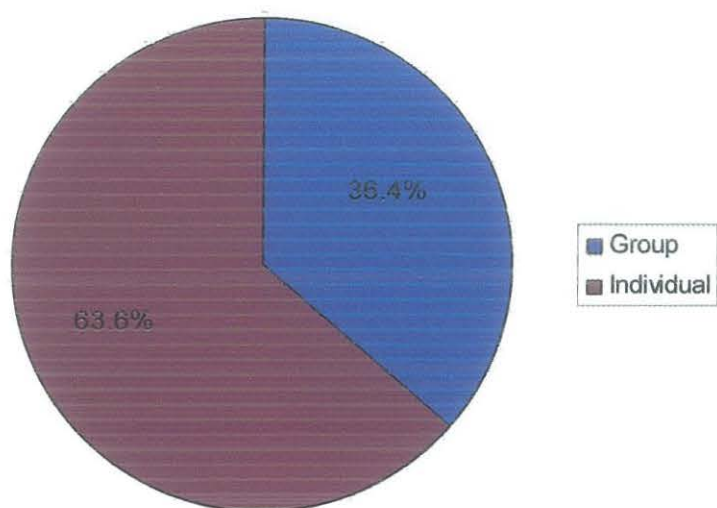
4.5 Types of loans.

Table 4.5 shows the number of clients who obtained different types of loans in 2007

Loan	Number	Percentage (%)	Degree
Group	200	36.4	131 ⁰
Individual	350	63.6	229 ⁰
Total	550	100	360 ⁰

Source: Primary data.

Figure 4.5 Showing the number of clients in their respective loan types



Source: Primary data.

From the research findings, it was discovered that pride micro finance offers two types of loans that is individual and group loans. It was also discovered that individual loans were mostly given to males because they were the one

who had fixed assets. And it was also discovered that most females got loans in groups. This was shown in table 4.6 and 4.7 below.

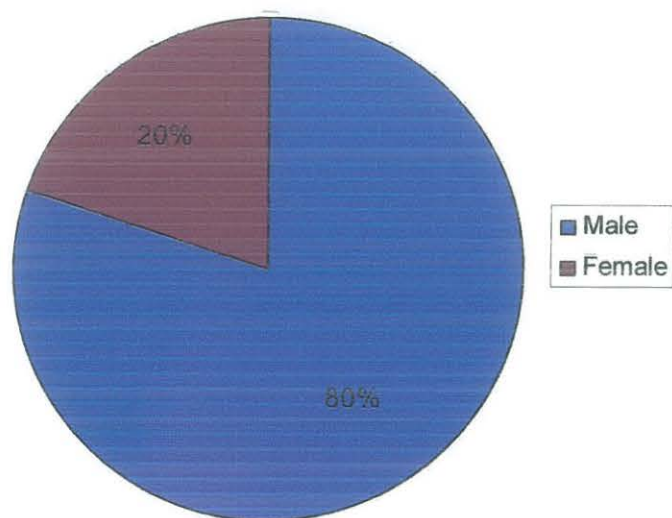
4.6 Distribution of individual loans.

Table 4.6 showing the distribution of individual loans by sex in 2007.

Sex	Number	Percentage (%)	Degree
Male	280	80	288 ⁰
Female	70	20	72 ⁰
Total	380	100	360 ⁰

Source: Primary data.

Figure 4.6 Showing the distribution of individual loans by sex



Source: Primary data.

From the table and figure about, it was revealed that the greatest number of individual loan clients were male. This was because pride micro finance

granted individual loans basing on the assets of the clients; most females did not have fixed assets.

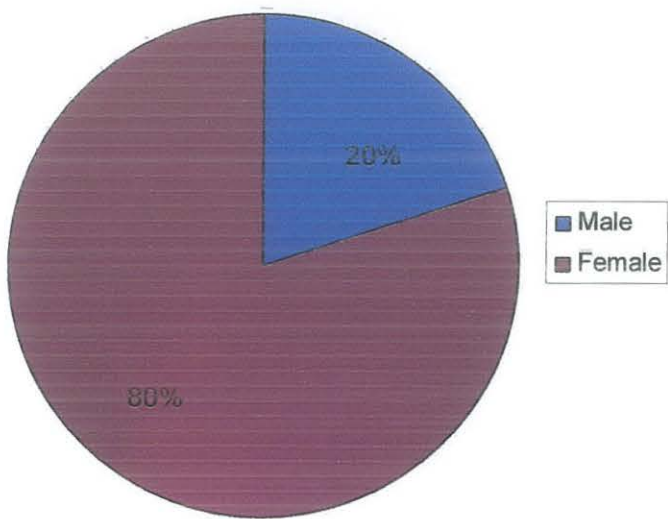
4.7 Distribution of group Loan

Table 4.7 shows the distribution of group loans by sex in 2007.

Sex	Number	Percentage (%)	Degree
Male	40	20	71 ⁰
Female	160	80	289 ⁰
Total	200	100	360 ⁰

Source: Primary data.

Figure 4.7 Showing the distribution of group loans by sex in 2007



Source: Primary data.

From the table and figure above, it was revealed that the greatest number of clients who obtained group loans were female.

This was because group loans were not granted basing on the assets of the clients.

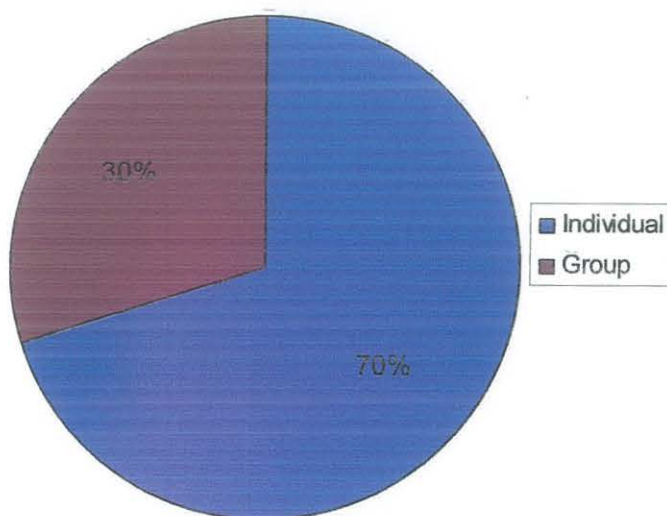
4.8 Disbursement of loans.

Table 4.8 shows the amount disbursed by Pride Microfinance under different types of loans.

Loan	Amount	Percentage (%)	Degree
Individual	700,000,000	70	252°
Group	300,000,000	30	108°
Total	1,000,000,000	100	360°

Source: Primary data.

Figure 4.8 Showing the amount of money disbursed in different loan types.



Source: Primary data.

Information from the table and figure above revealed that 700,000,000 were lent under individual loans while 300,000,000 were lent under group loans. This was because most people were not interested in obtaining group loans.

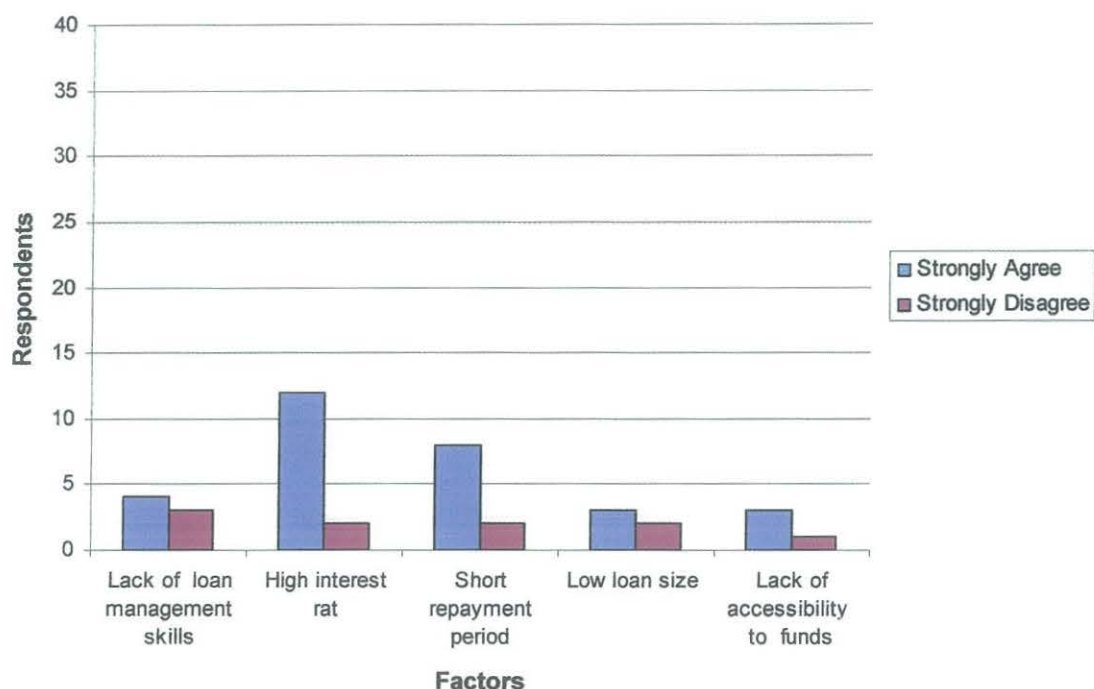
4.9 Factors affecting the financial performance of small scale businesses.

Table 4.9 Showing the factors affecting the financial performance of small scale businesses.

Factors	Strongly agree	Percentage (%)	Strongly Disagree	Percentage (%)	Total
Lack of loan management skills	4	10	3	7.5	7
High interest rat	12	30	2	5	14
Short repayment period	8	20	2	5	10
Low loan size	3	7.5	2	5	5
Lack of accessibility to funds	3	7.5	1	2.5	4

Source: primary data.

Figure 4.9 Showing the factors that affect the financial performance of small scale businesses.



Source: primary data.

From the table and figure above, it was revealed that the main factors that affected clients' financial performance were; high interest rate and short repayment period.

Businesses operating in rural areas where transactions are too low could not afford to pay the loan.

Sentamu and Obwana (1999) also pointed out that due to high interest rates, short repayment period, and high transaction costs, financial institutions continue to be generally less important source of loan being used by the poor.

However, other factors like; low loan size, lack of loan management skills, poor marketing plan, inflation, and changes in climate also limited the financial performance of the clients' businesses.

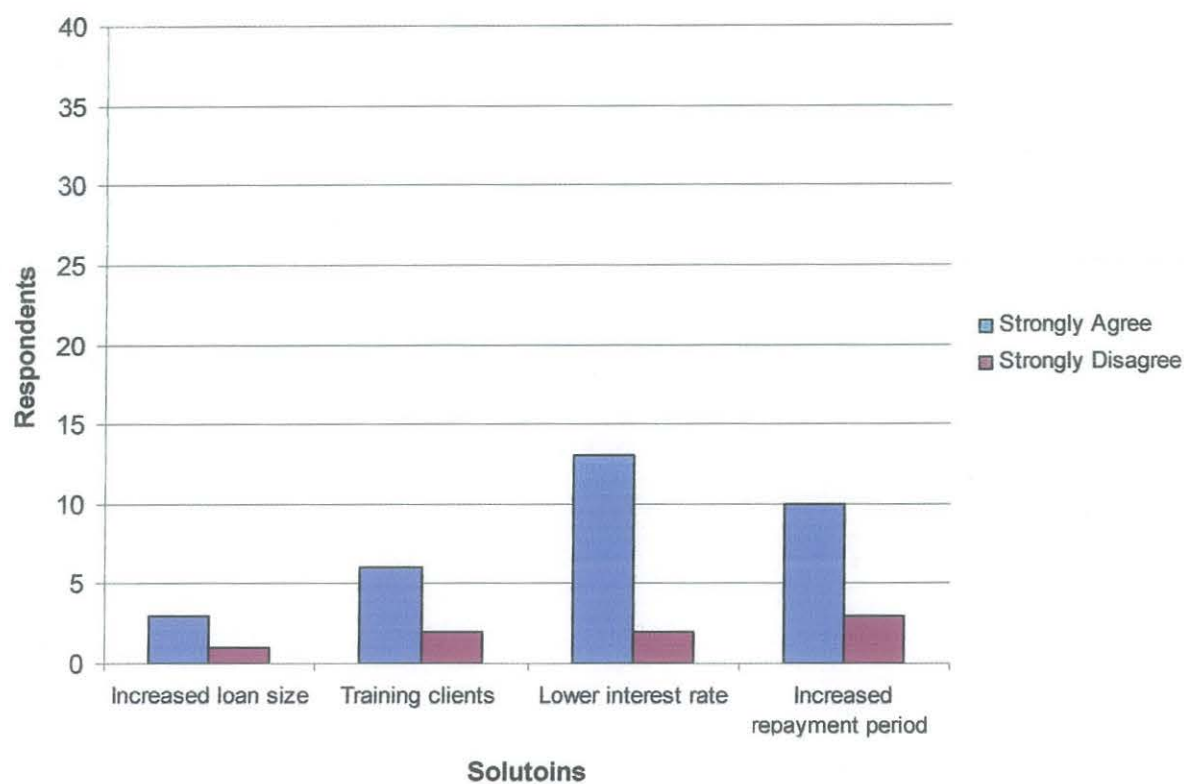
4.10 Suggestions on Pride microfinance.

Table 4.10 Showing suggestion on how pride microfinance can improve the financial performance of its clients' business.

Solution	Strongly agree	Percentage (%)	Strongly disagree	Percentage (%)	Total
Increased loan size	3	7.5	1	2.5	4
Training clients	6	15	2	5	8
Lower interest rate	13	32.5	2	5	15
Increased repayment period	10	25	3	7.5	13

Source: Primary data.

Figure 4.10 Showing the suggestions on how pride micro finance can improve the financial performance of it clients' business.



Source: Primary data.

From the table and figure above, it was observed that in order to improve on the financial performance of the clients' business, the management of pride micro finance should lower the interest rates, increase repayment period, train clients, and increase the loan size.

CHAPTER FIVE

SUMMARY CONCLUSIONS AND RECOMMENDECTIONS.

5.0 Introduction

This chapter gives the summary, conclusions, and recommendations of the study made on micro finance interest rates and the financial performance of amalgamated maize mill a client of pride micro finance.

5.1 Summary

This chapter summarizes the findings of the study carried out on microfinance interests' rate and the financial performance of Amalgamated maize mill a client of Pride microfinance.

Having studied and analyzed the findings of the study. It was found out that Pride microfinance offered individual and group loans. Individual loans were granted basing on the assets of the client.

The financial performance of the businesses of Pride microfinance clients were affected with high interest rates, short repayment period, poor business strategies and inflation.

5.2 Conclusions

The main focus of this study was to explore the role of microfinance interest rates and the financial performance of Amalgamated maize will a client of pride micro finance.

The hypothesis put forward for the test was that; has micro finance interest rates affected the financial performance of small business ventures?

Has the repayment period affected the financial performance of small scale businesses?

According to the research finding, it was discovered that all the research hypothesis were true, high Interest rates and short repayment period of pride microfinance loans affected the financial performance of small business ventures.

It was also discovered that other factors such as; low loan size, lack of training of the clients, inflation rate and poor business strategies of the clients were affecting the financial performance of small scale business entrepreneurs.

5.3 Recommendations

With thoroughly identification of the problems attached to the topic, the researcher come up with the following recommendations.

- There should be enough training of the clients about financial management and income generating activities and give them skills needed to utilize their loans effectively.
- The clients should be encouraged to form groups and get group loans and also to engage in activities like poultry raring, and pig raring which could generate income and improve on their nutrition.
- Micro finance institutions should not be harsh while recovering the loan as it could discourage clients from getting loans.
- Pride micro finance should introduce agriculture loans as most people in rural areas depend on agriculture.
- Pride micro finance should give grace period to their clients. The clients should start paying the loan after 3months.

5.4 Areas for further recommendation.

- There should be further research on programs of institutions that provide financial services in rural areas.
- There should be further research on the loans to be granted to farmers.
- There should further research on procedures taken in granting loans.
- There should be further research on procedures to be undertaken in recovering loans.
- There should further research on loans granted to individuals.
- There should further research on the roles of credit officers.

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APPENDIX I

QUESTIONNAIRE TO BANK OFFICIALS

1). Sex

a) Male ☐ b) Female ☐

2). What is the main objective of pride microfinance

a) Provide financial services ☐

b) Increase client's income ☐

c) Or Both ☐

3). What type of loans do you offer?

a) Individual loans ☐

b) Group loans ☐

c) Or both ☐

4) Do your clients fill loans forms?

Yes ☐ No ☐

5) If Yes, are these forms explained to them?

Yes ☐ No ☐

6) What factors do you consider for a client to qualify for a loan?

a) Assets of the client ☐

b) Business experience ☐

c) Age ☐

7) Do credit officers train clients?

a) Yes ☐ b) No ☐

8) How do your clients fill about the interest rate charged?

Good ☐ Fair ☐ Bad ☐

9) Do your clients have problems in repayment of the loans?

a) Yes ☐ b) No ☐

10) If YES, what might be the major cause?

a) Business Knowledge ☐

b) High interest rate ☐

c) Non of the above ☐

APPENDIX III

CURRICULUM VITAE

PERSONAL DETAILS

Name : Wagalima George
Nationality : Uganda
Sex : Male
Date of Birth : 24th Oct 1980
Marital Status : Single
Address : Kamuli
Mobile : +256 775 205254
Email : wglmge@gmail.com

CAREER OBJECTIVES

- To work in a demanding professional environment with maximum exposure to accounting challenges while making a valuable contribution to over an good.
- To enrich my self with business skills so as to meet the challenges of even evoking trends in business management.

KEY ATTRIBUTES

Have developed and continue to strength, the following vital skills among others.

- Ability to work under pressure, with out supervision, with in tight deadlines.
- A high level of attention to details
- Strong report writing and presentation skills
- Ability to comprehend complex issues
- Critical and analytical thinking

EDUCATION

Year	Institution	Award
2005 – 2008	Kampala International University	Degree
1999 – 2000	Wanale View S.S	U.A.C.E
1994 – 1997	Busoga High School	U.C.E
1987 – 1993	Kidiki Primary School	P.L.E

REFEREES

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Mr. Ngobi Siragi

Field Manager

Sameer Agricultural and Live Stock

Kampala – Uganda

Tel; +256 782 251408

Dr. Kalulu Andrew

Veterinary Officer

Ruhama – Ntungamo

Tel; +256 712 519500

APPENDIX IV

MAP OF JINJA DISTRICT



Key
 ● Pride Microfinance

**OFFICE OF THE DEAN
SCHOOL OF BUSINESS AND MANAGEMENT**Date: 20th August, 2008

THE HUMAN RESOURCE MANAGER,
PRIDE MICRO FINANCE,
JINJA.

Dear Sir/Madam,

RE: WAGALIMA GEORGE REG.NO.BBA/8028/51/DU

This is to confirm and inform you that the above referenced, is a bonafide student of Kampala International University pursuing a Bachelor of Business Administration programme in the School of Business and Management of the University.

His title of the Research project is "MICRO FINANCE INTEREST RATES AND FINANCIAL PERFORMANCE OF AMALGAMATED MAIZE MILL" A CASE STUDY OF PRIDE MICRO FINANCE.

As part of his studies (research work) he has to collect relevant information through questionnaires, interviews and reading materials from your place.

In this regard, I request that you kindly assist him by supplying/furnish him with the required information and data he might need for his research project and also by filling up the questionnaire.

Any assistance rendered to him in this regard will be highly appreciated.

Yours Sincerely,



**MR. SENNOGA EDWARD
ASSOCIATE - DEAN**