

**MICROFINANCE SERVICES AND ECONOMIC EMPOWERMENT OF
SMALL SCALE BUSINESS**

CASE STUDY OF ST. BALIKUDEMBE MARKET

BY

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DECLARATION

I NAKYANZI DONNA MUTESI, do hereby declare to the best of my knowledge that this dissertation is my original work and has never been submitted to any institution before for any award.

Signature Dated;

NAKYANZI DONNA MUTESI

APPROVAL

I hereby certify that this research report was developed by NAKYANZI DONNA MUTESI under my supervision and it is now ready for submission for examination with my approval.

Signature Dated;

SUPERVISOR: MRS. WALUBE ROBINAH

DEDICATION

This book is dedicated to my parents; father and mother and to all my relatives not living my sisters and brothers not mentioned for their great encouragement throughout my studies. I

thank you for being a good family and encouraging me throughout this study period. May god bless you.

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I also extend my great thanks to my Supervisor for her academic support during the course of the research without him dissertation would have not been done.

May GOD reward him abundantly.

I would like to extend my special thanks to Almighty God for the gift of life He has given me and my parents and my lecturers who taught me, because without them, this dissertation could have not been completed, may Allah bless them.

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ABSTRACT

The study was conducted on the topic entitled micro finance and economic empowerment of smallm scale business a case of st. Balikuddembe market. It was guided by the following

objectives; to assess the roles played by Microfinance Institutions in small business Development, to examine the importance of small business in economic development of the country, to establish the relationship between microfinance services and small business empowerment.

The study was conducted in St. Balikuddembe Market which is located in Centre of Kampala city the capital city of Uganda which is surrounded by Kisenyi area in the south next Ham building and next Nakivubo stadium. St Balikuddembe Market. The study used a total sample of 50 respondents that be selected from vendors of St. Balikuddembe market and staff members of Micro Finances that are located in St. Balikuddembe market.

From the study findings, it was revealed in table 4.5 that majority of the respondents 47(94%) strongly agreed that microfinance institutions provide easy access to credit/loans as finances to small business owners, and 3(6%) of the respondents disagreed. Furthermore, From the study findings, it was revealed in table 4.5 most of the respondents 30(60%) disagreed that microfinances charges low interest rates charges of small business owners accessing loans and 17(34%) of the total respondents strongly agreed

Microfinance institutions provide easy access to credit/loans as finances to small business owners, however, microfinances charges high interest rates charges of small business owners accessing loans

The study recommends that microfinance institutions should repackage their products and services to make them more attractive in other to serve the main purpose for which they had been established - poverty alleviation and women empowerment. This should be done by reducing their interest rates, reducing the requirements for collateral and the mode of paying loans by small businesses. This will enable the working poor secure loans from them to run their businesses rather than SBs seeing them as solely for profit making entities

LIST OF ABBREVIATION

MFI's – Micro Finance Institution

SBs	-	Small Businesses
SMEs	-	Small and Medium Enterprises
NBSSI	-	National Board for Small Scale Industries
GCB	-	Ghana Commercial Bank
NIB	-	National Investment Bank
NSCB	-	National Savings and Credit Bank

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Microfinance services and economic empowerment of small scale business.

Microfinance institutions are defined as organizations that deals in the provision of banking services for the individuals engaged in small businesses and those with small needs.

According to Hermes, (2014), defined micro finance institutions as a source of financial services for entrepreneurs and business firms lacking access to the banking and related services and it is used to describe the supply of financial services to low.

Ledger wood (1999) also explained microfinance as the provision of financial services to low-income earners such as the self-employed and these services are; savings, credits, insurance, payments and social intermediations on them.

Micro Finance Institutions (MFIs) assist small businesses, the poor and households who have no access to more formalized financial institutions in accessing funds (capital) for their businesses. According to Consultative Group to Assist the Poorest (CGAP 1999), typical microfinance clients are the poor and low-income people who do not get access to formal financial institutions loans. These clients are mostly self-employed, household-based vendors who operate small retail shops, street vending, artisanal manufacture and service provision. There had not been any clear definition of small businesses. Microfinance businesses aim to extend microloans and other services to borrowers who typically lack collateral, steady employment and a certifiable credit history (Bureau et al 2012). But many microfinance businesses now function as independent banks and this make their effects diffuse and heterogeneous (Karlan & Zinman 2009). Microfinance is recognized as an effective and common tool for poverty reduction though it had not sufficiently penetrated the poorer strata of society (Morduch & Haley 2002). There is comparatively little convincing evidence in the grand claims about the success effects of microfinance on small businesses because high cost of over 60% Annual interest rate on microloans in developing nations means that high returns to capital is needed to improve on tangible outcomes of such business income (Zinman 2009).

The primary concern of microfinance clients has been the access to microfinance services well-suit with their requirements rather than the cost of such services. This idea had chanced microfinance operators to charge higher interest rates on microloans. This is asserted by World Bank “Strategy for the Financial Sector” (2000), which viewed improving access of low-income producers and the poor to basic financial services as an ingredient and efforts to promote economic growth and reduce poverty. The World Bank’s financial sector priorities for developing microfinance focus on removing legal provisions such as interest ceilings which are inconsistent with micro finance operations.

As a common weapon in the fight to reduce poverty and promote economic growth, Microfinance institutions usually target women operating small-scale businesses and by tradition use group lending mechanisms to grant loans to these small business operators. However since micro lending has expanded and evolved into its “second generation,” microfinance institutions often ends up looking more like traditional retail or small business which deals in lending for profit and extending individual’s credit liability in an increasingly competitive environment (Karlan & Morduch 2009).

Microfinance is a provision of small financial services to the economically poor and the rich class of the society. It makes it possible for the focused poor people to get a small loan to start a business, pay for school fees, procure housing or receive healthcare (Microfinance vital to economic growth, 2005:15). Microfinance has been changing people’s lives and revitalizing communities since the beginning of trade (United Nations, 2005e:1). Services include; microcredit, fund transfer, insurance and others. This means that Micro Finance Institutions (MFIs) are not charitable organizations that provide startup capital for individuals but fund an already existing business (Augsburg B, 2010).

Uganda has several microfinance institutions all over the country that are issuing loans and deposit facilities to the communities. The institutions include Finca, Brac, Faulu (now Opportunity Uganda), Blue, Bayport, Pride Microfinance and other small self-help groups that organize themselves for purposes of accumulating savings and lending to members. In all these microfinance institutions, the women have always taken an active role and keen interest in the services they provide to them given their disadvantaged positions in the commercial banks.

St Balikuddembe market was started in 1971 with 320 vendors who were reallocated by Kampala City Council from Nakasero Market to this site. The City Council named the new market; Municipal Market which was later renamed by vendors to Owino Market after an old man called Owino whom the vendors found on the site roasting maize and sweet potatoes. The market started as a whole sale market for farmers produce with aim of supplying other markets in Kampala and surrounding areas. Over time the market has diversified into other lines of business to include garments, shoes, scrap, cooked food, chicken and meat.

According to Daily Monitor 19th January (2019) Godfrey Kayongo the Chairperson of St. Balikudembe Market Stalls and Lockup Shops Owners Association says that the vendors and traders are in excess of 50,000 vendors, 70% of whom are women. At least 300,000 customers visit the market on a daily basis and the number of customer's increases over the weekend and a few days before a public holiday. When the market started in the 1971 owned and managed by Kampala City Council (KCC) now KCCA. The vendors and traders under St Balikuddembe Market Stalls, Space and Lockup Shops Owners Association Ltd (SSLOA) are in the process of obtaining a sub-lease from Kampala City Capital Authority (KCCA). The commodities and services offered in the market are quite many and include the following among others; Food staff, Clothes, Fruits, Shoes, Bed sheets, Vegetables, Restaurants, Textiles, Bags, Electronics, Repairs, Tailoring and Transport.

According to Daily Monitor (online) The DFCU Bank manager for Kampala Metropolitan area, Mr. Mark Ssonko, asked SSLOA officials to live by their word and be transparent if the businesses are to become a success.

I chose St. Balikuddembe market because it has more 50,000 vendors and over 1000 small businesses inside it dealing in different merchandise such as Food staff, Clothes, Fruits, Shoes, Bed sheets, Vegetables, Restaurants, Textiles, Bags, Electronics, Repairs, Tailoring.

The following are objectives of ST. Balikuddembe Market

1. Economically empower the local people
2. To make traders self-reliant
3. To provide employment opportunities to Ugandans
4. To increases taxes collected by the government
5. To acknowledge people of better business
6. To support trader's families and support their needs.

7. Helping clients/customers access different commodities
8. Provision of a wide variety of commodities.

It's from the above objectives of the company, that the researcher chose the three objectives;

1. Economically empower the local people
2. To support trader's families and support their needs
3. To provide employment opportunities to Ugandans

1.2 Statement of the Problem

According to Valentino (2008) inadequate financial management training, high interest rates, short period granted for loan repayments and denial of other business supporting services, microfinance clients mismanage credit supports offered to them, leaving the poor in worse conditions than before they partnered with MFIs for their services. Other writers unveiled that, Microfinance mechanism is shrinking and finally collapsing Small business that take credit facilities from them (Karlan and Zinman 2009). Due to these perceive negative effect, many observers think that Microfinance businesses operate with selfish interest to enrich themselves rather than assisting Small business to grow. Many people working in St. Balikuddembe Market are becoming poorer, to the extent of closing up their businesses and still remain in debt just by accepting Microfinance loans. However, Microfinance institutions keep springing up in Uganda over the preceding two decades at a faster rate.

Therefore, it is from this background that the researcher has decided to take an investigation on the contribution of microfinance institutions on economic empowerment of Small business in Uganda.

1.3 Study Objectives

1. To assess the roles played by Microfinance Institutions in small business Development.
2. To examine the importance of small business in economic development of the country.
3. To establish the relationship between microfinance services and small business empowerment.

1.4 Research Question

- i. What are the roles played by Microfinance Institutions in small business Development?
- ii. What are the importances of small business in economic development of the country?
- iii. What is the relationship between microfinance services and small business empowerment?

1.5 Scope of the study

Content scope

The study sought to investigate the roles played by Microfinance Institutions in SME Development, the importances of small business in economic development of the country, challenges of Small Businesses (SBs) in adopting Microfinance institutions Loans/credit

Geographical scope

The study was conducted in St. Balikuddembe Market which is located in Centre of Kampala city the capital city of Uganda which is surrounded by Kisenyi area in the south next Ham building and next Nakivubo stadium. St Balikuddembe Market is shares a boundary with Nakivubo Stadium and is within working distance of the tax and bus terminals. It is in the centre of the central business of Kampala City

Time scope

The study was conducted with in a period of 6 months that is from the March 2019 to August 2019,

1.6 Significance of the study

1. The findings will enable the stakeholders such as the government and policy makers to come up with a solution on how to boost small business in St. Balikuddembe Market.
2. The study will enable the management to understand the effect of micro-savings offered by microfinance institutions on economic empowerment of small scale business in Uganda.
3. The study findings will also act as a reference to other researchers.

4. The study will help to reveal the forms of credit services offered by microfinance institutions to small scale business growth financially.
5. The study will be beneficial to the business owners to know the factors limiting the growth of small scale business economically/financially

1.7 Structure of the dissertation

Chapter one comprise the introduction which deals with the background of study, problem statement, objectives of the study, research questions, significance of the study, scope and organisation of the study.

Chapter two reveals both the literature survey and empirical literature about the topic.

Chapter three looks at the methodology which is basically the research purpose, design, data collection methods, population, sampling technique for data collection and questionnaire design as well as limitations of the study.

Chapter four presents analysis and discusses the empirical results

Chapter five presents the summary of findings, conclusions as well as recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the literature on micro finance institutions and economic empowerment of small scale businesses that was done by the scholars and therefore will include the relationship between the two variables (microfinance and small business).

2.1 Literature survey

This essentially looks at research works conducted locally in Uganda related to the theme of this study, non-specifically current on microfinance services and its relationship with small business economic empowerment.

According the census of business establishments in the year 2010/2011 showed a growth of 185 percent since 2001/2002. The businesses were in the following sectors; Manufacturing, Tourism/ Hotels, Fisheries, Agro-industry, Floriculture/ Horticulture and Health (Uganda Bureau of Statistics, 2012). The findings are in agreement with (Sebikari, 2014b:14) who found that Uganda's economic success is its small and medium sized enterprises. Within the country, small business enterprises create wealth, employment opportunities, poverty alleviation and stimulate wider prosperity (Mugisha, Wamono & Kikabi, 2012:10). Therefore, provide a means of survival and unlock entrepreneurial potentials (Matovu, 2006; Guha-Khasanobis & Kanbur, 2006). For that reason, the contribution of SMEs globally is huge and extremely important because they create employment and promote entrepreneurial skills (Stefanovic, Milosevic & Miletic, 2009).

Below is summary of characteristics of small businesses in Uganda: they promote entrepreneurial spirit; have limited resources; more flexible thus quick to respond to customer demands and controllable.

Within the Ugandan government, there has also been a realisation and acknowledgement that Small and Medium Enterprises (SME) have a role to play in any economy. Numerous authors have recognized entrepreneurship as important to small business enterprises (Ligthelm, 2008:367; Kongolo, 2010: 2291; Sebikari, 2014b:12). Kongolo (2010:2289) suggested that both small business and entrepreneurship form the hub of economic development by

absorbing productive resources at all levels of the economy. Beyond what has been said, Rafi, Arzu, Khan, ul Haq & Kashif (2013:320) indicate that starting new businesses is the most form of entrepreneurship. According to Walter, Balunywa, Rosa, Sserwanga, Barabas, Namatovu (2004) entrepreneurship focuses on the startup of new firms and ventures. In order for SMEs to thrive and perform to their full potential, various factors have to operate in harmony. Entrepreneurship capital, entrepreneurial knowledge and capacity factors can be major determinants of entrepreneurial performance. Adding further point, the realisation that a sufficient level entrepreneurial activity enhances performance and development has caused many governments to pay special attention to entrepreneurship (International Labour Organisation, 2011)

2.2 Literature review

This involves review of literature relating to the study from other countries other than Uganda on microfinance services and small business economic empowerment.

Small Businesses (SBs) in this study refers to firms managed mainly by their owners, have relatively small capital base, limited by sales and assets value, have comparatively small market share, operates in locally and well specialized niches and is more independent from outside controls and pressure. The National Board for Small Scale Industries (NBSSI 2004) in Ghana classical definition which applies both the “fixed asset and number of employees” criteria in defining small businesses was used for this study. The NBSSI defines a small business as a firm with not more than nine workers, and has plant and machinery. However this study limited small business to firms with not more than nine workers, and has plant and machinery (excluding land, buildings and vehicles) not exceeding one million Ghanaian cedis to make it more centered on small businesses.

2.3 Importance of Microfinance Institutions in Small Scale Business Development

“Finance is the oil for growth. It is indeed the life-blood of the economic system. The financial system is the vessel that carries this life-blood through the economic system. Faulty vessels prevent the life-blood from reaching essential parts of the economic system”. (Sowah N.K., 2003) Gockel and Akonea (2002) offer a historical account of the banking industry in Ghana. They write that Ghana Commercial Bank (GCB) entered the banking market with the purpose of providing credit to large indigenous enterprises since the expatriate banks refused to offer assistance. National Investment Bank (NIB), established in 1963, provided credit

facilities for manufacturing and agro-based industries with Agricultural Development Bank (ADB), which was established in 1976 with the aim of providing financial assistance for the development of agricultural and allied industries. SSB (now SG-SSB) and NSCB (National Savings and

Credit Bank) emphasized not only consumer credit but also finance for small-scale projects. Even though banks were established to cater for all sectors in the economy financing small businesses was still a problem therefore government started rural banking to mobilize funds and channel them to SMEs and other informal activities in their localities.

As time progressed, Ghana's monetary system went from the best in Sub-Saharan Africa to the worst. According to Steel (1998), this was affected by the deteriorating economy and high inflation rates. The financial sector was fragmented with different institutions using different lending technologies to serve clients, which resulted in funds not flowing from one segment of the financial system to the other. This resulted in the implementation of two major financial liberalization programs, ERP and FINSAP.

ERP led to the liberalization of financial markets, removal of restrictions and the deregulation of interest rates but it had a minute effect on the conditions that inhibit banks from financing SMEs leaving their demand for credit unsatisfied (Aryeety et al., 1994). In 1988, FINSAP was embarked upon with the main objectives to restructure financially distressed banks, improve savings mobilization and enhance credit allocation especially to SMEs, enhance soundness in the banking sector by promoting competitive banking practices, develop money and capital markets and establish NPART(non-performing assets recovery trust). In a study conducted by Galindo et al., (2002), financial liberalization leads to improvement in the efficiency with which investment funds have been allocated. Antwi-Asare and Addison (2000) state that FINSAP sought to ensure that businesses have access to institutional credits and deposit mobilization. Unfortunately, Gokel and Akonea (2002) state that SMEs have rather been marginalized from the credit market after financial liberalization and therefore they are still suffering from credit scarcity.

Llewellyn (1997) argues that financial system play a crucial role in development through the reduction of information and transactions cost and its efficiency in reducing those cost influences savings rates, investment decisions, technological innovation and long run growth rates. Patrick (1966) stated in his work that financial institutions play a major role in

promoting economic growth by ensuring the availability of cash flow cost credit to potential investors. Likewise, King and Levine (1993) agree with the above that countries with better financial systems have superior economic growth while Arestis and Demetriades (1996) add that this varies across countries. Goldsmith (1969) and Gerschenkron (1962) argued that in the early stages of economic development suppressed interest rates, credit policies and institution building provided the financial impetus necessary for economic development. It is in the interest of financial institutions to ensure that the economy is growing efficiently by playing an intermediary role between suppliers and lenders of funds in any economy by gathering surplus funds in the economy and then lending these funds to those who need them. According to Mishkin (2001), banks are the most important source of external funds.

2.4 The benefits Small Business obtain from Microfinance Institutions services

Daryl and Morduch (2009) opined that microfinance loans help the low income borrowers to gradually step out from complete poverty and deal fairly with their economic circumstances by assisting them to be engaged in economic activities even though it does not help them to totally escape poverty. Daryl and Morduch also gave more credit to microfinance institutions because they seem more reliable, flexible and convenience to the borrowers than all other tools they can access to manage their daily cash flow, both in business and at home. They explained that even though most borrowers go back for microfinance loans and most inconveniently, repay the loans at exceedingly high rates, it still remain the only sector that pay more attention to small businesses growth. Borrowers rush to repay the loan when the main motive for prompt repayment is not lenders pressure or business success, but rather the desire to maintain future access to such helpful service. Another advantage of microfinance is that, it enables households and individuals and small businesses that would not nor could not raise capital to honour payment of their fixed – acquiring assets to start business to do so through borrowing to become entrepreneurs.

2.5 Theories on Micro Finance and Small Scale Business

The classical school theory

The classical school have extended analysis of the decision to start a business to that of the decision to grow the business. According to Davidson (1989, 1991), firm growth is an indication of continued entrepreneurship. Davidson notes that economic theories take the

willingness to grow a business for granted, by assuming profit maximization. However, empirical evidence suggests that small business owners are reluctant to grow even if there is room for profitable expansion and that profitable firms of different sizes co-exist within industries.

According to Papadaki and Chami (2002), theories on small business growth and development view business growth from an organizational life cycle perspective, which sees growth as a natural phenomenon in the evolution of the firm, other perspective sees growth as a consequence of strategic choice. It is obvious that attributes of the business owner, organizational resources and environmental opportunities are crucial in expanding the firm and in overcoming the barriers to the evolution of the firm from one stage to the next. Sexton and Smilor (1997), and Carland et al., (1984) distinguished between a business owner and an entrepreneur. According to them, an entrepreneur is committed to the growth of the business. Growth is the very essence of entrepreneurship," and commitment to growth is what primarily distinguishes small business owners and entrepreneurs.

Enforcement theory

From an economic perspective, regulators aim to "maximise welfare" (i.e. they try to minimise the costs to society) when enforcing a regulation and therefore aim to balance administrative and compliance costs with the environmental benefits from reduced pollution. In practice, however, enforcers are often subject to political pressures, or they may just follow different strategies, such as trying to maximise compliance with environmental legislation.

Looking at the compliance issue from the regulator's aspect one can identify two distinctive reasons for why firms may not comply with a regulation:

- The enforcement authority may be unable to prevent non-compliance because of lack of power and limited resources; or
- The authority may not want to force all firms into compliance, for efficiency, political, or other reasons.

Under both settings the regulators will allocate their enforcement budgets to perform a limited number of enforcement activities. How they do this will be crucial to environmental and compliance outcomes and to the efficiency of the enforcement overall. Much of the normative economics literature on monitoring and enforcement assumes that the regulator can be described as a "benevolent welfare maximiser" in the sense that his objective is to minimise the overall costs for society. However, the established political economy and public choice literature considers that this assumption may need to be adjusted to understand empirically found enforcement behaviour and actual political outcomes. This assumption considers political and administrative actors as individuals making rational, self-interested decisions, and that the influence of interest groups is allowed. Therefore, possible regulator behaviour is classified below according to alternative objective functions and their relevance in practice. Furthermore, in light of these discussions and those in Session 1, the present session aims at determining the necessary characteristics for (efficient) regulation that is required to further compliance and innovation.

The enforcer characterised as a "benevolent maximiser of welfare" can serve as the benchmark case for evaluating the economic efficiency of enforcement patterns. This type of "enforcer" will balance the costs of compliance against the benefits of compliance so as to reach the maximum environmental benefit at minimum overall cost. In practice, this could result in a pattern where enforcement resources are allocated to those plants that have low marginal abatement costs or that cause high environmental damage. Provided the enforcer is not subject to any constraints (e.g. availability of information on pollution), the resulting compliance outcome would be economically efficient. This does not necessarily imply that all firms comply. Rather, compliance would occur at the level where overall compliance costs and benefits are equalised.

Critical Social Theory (CST)

The Critical Social Theory (CST) was developed by Jurgen Habermas (1972), a German sociologist and social philosopher. The CST is a theory of society rationalization, which explains the evolution of capitalist (modern) society out of pre modern traditional societies as a process of rationalization. Rationalization in this research refers to a process in which society becomes increasingly capable of appropriating nature to meet its expanding needs and interests. In his CST, Habermas argued that human knowledge was governed by cognitive interests, each with its in-built theory that establishes the type of knowledge it produces.

Habermas believed that actors acquire Knowledge through instrumental, communicative and emancipatory disciplines. Though, Habermas says nothing about gender aspects (Nancy, 1985) and Komunte Mobile Technology Usage among Women Entrepreneurs in Uganda.

Habermas does not tell the public what emancipation will look like for them. Habermas further argued that actors are primarily speaking and interacting creatures. Habermas suggested that communication is a central life activity of CST. Actors use language to perform speech acts It is the language that is used to present facts about the environment, facts that can either be true or false. Actors use language to promise, ask, order, request and others for goods and services. In his critical theory, communicative action is ultimately aimed at reaching an understanding between linguistic participants, which is a method of social interaction guided by society norms featuring agreement or consensus (Habermas, 1992). Therefore, actors coordinate their actions with one another in and through language.

In addition, the CST suggests an ideal, with which to organize human relationships. It seeks to both understand social behavior and to evaluate it and the circumstances from which it arose (Ngwenyama and Lee, 1997). The rationale of the CST is to help human beings emancipate themselves from all forms of domination transpiring from such sources as misinformation, economic or physical oppression and ideology (Ngwenyama and Lee, 1997). Habermas concern in the CST was the individual and how each actor can deal with the situations around him so as to achieve emancipation from structures of subordination. According to Habermas's CST, the actor has five major forms of social action. These are strategic, instrumental, communicative, discursive and dramaturgical. He asserted that in every circumstance, the actor is anticipated to use these actions in proper ways that are confined in an organizational environment (Habermas, 1984). More so, the actor is empowered with knowledge through communicative action.

The quality of communication among actors is a major issue for Habermas. The usage of the mobile phone is a significant social and cultural phenomenon and the fundamental concern of sociology is the process of change. Srivastara (2005) affirmed that the mobile phone had shifted from being a technology object to a key social-economic object as communication with partners had become the main purpose for buying a mobile phone. Communicative action is the manifestation of everyday existence in the modern society and language is the most elementary form of social action in a capitalistic society (Habermas, 1984). Communicative action in this research will refer to that type of social interaction in which the

plans of action of different actors are coordinated through an exchange of communicative acts (Habermas, 1984).

Habermas (1984) suggested two levels of social interactions namely; the level of speech or linguistic acts and the level of social actions. The speech acts corresponds to mobile phone services which is part of mobile human interaction. That is, through the use of mobile phone services (language), actors aim towards reaching understanding in business processes. More so, it is the language that determines whether communication actions in the life world or knowledge society are generating good results or not or whether the communications done by actors are fully achieving their goals or not. Forexample by calling, sending SMS or emails, an actor aims to achieve an objective or to perform an action. As interactions via mobile communication exclude body language, the meaning of actions is derived from mobile phone services.

Austrian school

According to the Austrian school, people have certain characteristics that are associated with the productivity for entrepreneurship. Individuals who have more of these characteristics are more likely to become entrepreneurs than those who have fewer. An individual chooses to create a new business so as to maximize his expected utility. This utility is a function of entrepreneurial activity or wage income, and of attitudes that affect the utility that the person derives from entrepreneurial activity, such as one's taste toward work effort, risk, independence, working close to customers, etc. Income, in turn, depends on the individual's ability to generate profit, such as managerial abilities to raise capital, and abilities to perceive new market opportunities and to innovate (Papadaki and Chami, 2002).

2.6 Challenges of Small Businesses (SBs) in adopting MFIs Loans (credit)

Small Businesses face many challenges in undertaking their businesses operations than large organizations. The greatest among the difficulties is access to funds in financing start-up or for expansion of existing business. Lending to small businesses or entrepreneurs stay restricted because formal financial institutions feel reluctant to offer credit to the sector due to their high risk nature, small portfolios and high transaction cost of processing small loans (Schaffer and Weder 1991, Cuevas et al., 1993).

Another challenge SBs face is that people who cannot manage savings and loans facilities and products have engaged themselves in microfinance service, deceiving their client at the end. Aryeetey et al., (1993) also shares the view that lenders face information asymmetry problem on borrowers and this increases transaction cost and interest rates since the probability of default is presumed to be high and provisions had to be made to combat it.

This is because many studies had shown that many small businesses operate in the informal sector of the economy and operates in businesses that are mostly not registered. (Schneider 2005; Portes & Haller, 2005; Webb, Tihanyi, Ireland, and Sirmon 2009). As a result, lenders avoid lending to smaller or lesser known clients. Research had again shown that to do loan screening, credit analysis, making decision, supervising and enforcing loan contract with small businesses take longer days and cost higher than with larger businesses. Apart from lack of access to credit to SBs, the transaction cost and risk involved in running small businesses is also very high. The successes of small firms often depend deeply on the sole ability of the entrepreneurs who at the same time the managers of their businesses, hence the probability of failure for new or an existing small business is measured to be very high (Ackah and Vuvor 2011). Cuevas et al (1993) additionally indicated another challenge of many SBs as the bad habit of using saved money as a guarantee for credits or to defray their loan accounts, but not rather using it to reinvest in their business. Changing the nature or location of small business after securing MFI credits by SBs also creates difficulties for microfinance institutions in dealing with small businesses.

Cuevas et al. (1993) indicates that access to bank credit by SMEs has been an issue repeatedly raised by numerous studies as a major constraint to industrial growth. A common explanation for the alleged lack of access to bank loan by SMEs is their inability to pledge acceptable collateral. In their view the current system of land ownership and transfer regulations clearly retards and to some extent limits access to formal credit. First, due to lack of clear title to much usable land in Ghana, there is a limited amount of real property that can be put up as collateral.

Second, a Government embargo on transfer of stool and family land has further restricted land availability for collateral. Finally, where title or lease is clear and alienable, transfer regulation needlessly delay the finalization of mortgages and consequently access to borrowed capital (p.24). Aryeetey et al., (1993) supported the view of Cuevas et al. (1993)

that from the view point of private sector, problems related to finance dominate all other constraint to expansion.

They claimed that the available of collateral plays a significant role in the readiness of banks to meet the demand of the private sector. Collateral provides an incentive to repay and offset losses in case of default. Thus collateral was required of nearly 75 percent of sample firms that need loans under a study, which they conducted on the demand supply of finance for small enterprises in Ghana (p 19). The study also indicated that 65 percent of the total sample firm had at various times applied for bank loans for their business. Nevertheless a large proportion of the firm had their application rejected by banks. For firms that put in loans napplications there was almost 2:1 probability that the application would be rejected. Firms receive loans for much less than they requested for. Among firms that had their applications rejected, lack of adequate collateral (usually in the form of landed property) was the main reason given by banks. Aryeetey et al. (1994) suggest that banks can offer alternative to property as collateral such as guarantors, sales contract and liens on equipment financed.

The above was also corroborated by Dr. Kwadwo Ansah Ofei (JEL: G21, I30, N27). In his view small and medium enterprises are unable to assess loans because of the conditions attached to the banking methodologies. This he grouped into two: Formal bank methodologies: These consist of several techniques to pre-screen clients and concentrate on relatively few large transactions. They include; feasibility studies, collateral, track record and minimum deposits. Informal banking methodologies include: personal relations family connections and knowledge business relations. Also it is contained in Dr. Ansah Ofei's Journal that the fear of risk, especially the loss of their (SME operators) wealth prevented them from pursuing a loan. SMEs face more challenges in doing business than large enterprises because of the difficulties in financing start-up and expansion. Schiffer and Weder (1991) found that small firms tend to experience more difficulties than medium-sized firms, which also experience more difficulties than large firms. In most countries, especially developing nations, lending to small businesses and entrepreneurs remain limited.

According to Cuevas et al. (1993) cost of transaction contributes to the inability of the SMEs to access finance. They are of the opinion that "if transaction cost of lending are high the net margin banks expect from loans operation do not compare favourably against safe investment represented by treasury bonds" (p 30). Aryeetey et al. (1993) also shares the same view that if a lender face information asymmetry, the issue often becomes somewhat persuasive authority

he or she holds in ensuring repayment. These push up transaction cost as the probability of default is assumed to be high and has to be contained. Thus lenders may avoid lending to smaller or lesser known clients or impose strict collateral requirements when they do. They may perceive clients in ways that would overcome the latter own perception of the difficulty in obtaining formal finance. In investigating “whether lending to SMEs in Ghana was more expensive than lending to larger enterprise in terms of loan screening, loan monitoring and contract enforcement, banks estimate that screening to gather information about the applicant and project, review the feasibility study, do the credit analysis and make a decision, an average of 16 man days for large scale applicant and that of small scale applicants takes 24 man days. Similar results obtained for loan monitoring and contract enforcement suggest that the transaction cost of SME lending were higher than those for large enterprise per loan though a similar study undertaken in 1992 by Aryeetey and Seini on the transaction cost of lending covering sixty bank branches in Ghana suggested that there was no statistically significant difference in the cost of administering loans to smaller and larger enterprises”. They further state that the internal organization of most banks is such that SMEs applying for loans deal with branch staffs that have little say in the decision, whereas major decisions are taken at the head office of official who know little about the enterprise. This arrangement ensures that many potential SME borrowers do not have the chance to interact with the few trained project personnel before applications are made..

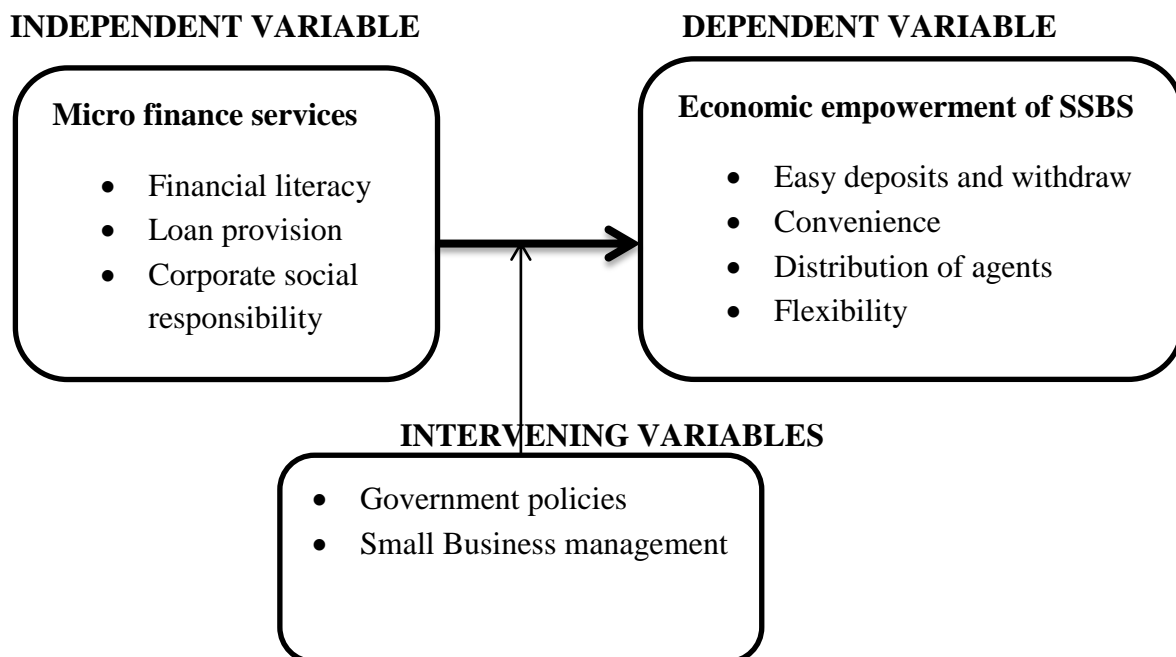
Despite SMEs strong interest in credit, commercial banks profits orientation may deter them from supplying credit to SMEs because of the higher transaction cost and risk involved. First, SMEs loan requirement are small so the cost of processing the loan tend to be high relative to the loan amounts. Second, it is difficult for financial institutions to obtain the information necessary to assess the risk of new unproven ventures especially because of the success of small firms often depends heavily on the ability of the entrepreneur. Third, the probability of failure for new small ventures is considered to be high (Ibid pp 24-27)

Cuevas et al (1993) however indicates that other alternatives to loans secured by real and movable property have practical constraints. For example, it is possible to take security interest in liquid assets, the foreclosure upon which is much quicker than that for real and movable property. However many debtors especially traders are not in the habit of saving money in liquid accounts, rather they turn to either move it into the informal economy or reinvest in their business. Another alternative would be for the banks to accept the

assignment of contractual benefits from borrowers. Though this arrangement is known in Ghana, it is not chosen by banks as they prefer to stay out of other contracts Cuevas et al., (1993).

2.7 Conceptual framework

Conceptual framework shows the conceptual framework drafted for this study based on the literature surveyed and relevant theories and concepts that provide a clear understanding of the research problem.



Source; Adopted from literature and modified by the researcher.

Figure1; Conceptual Framework

The independent variable mainly focused on micro finance services and their direct effect among these we look at financial literacy, Loan provision, and corporate social responsibility. However, the direct effects have had the ability to economically empower small business in the way that; it is easy to deposit and withdraw at cheaper rates, convenience is paramount, it is flexible in the sense that you withdraw at any time and from any branch and increased branches around the market. In case of difficulties at times in operations, there is need to improve on; government policies, small business management as well as record keeping.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter explains details of how the study was conducted. It presents the research design, study population, sampling procedures and sample size, data collection methods and instruments, data analysis and processing, and the limitations of the study.

3.1 Research Design

Creswell (2003) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. The study was therefore use descriptive research design when collecting data and information from the respondents because it helped to describe the characteristics of population, the study also adopted a correlation research design which is defined as the type of non-experimental research where the researcher employs the data derived from pre-existing variables, this was used since the study involves to investigate the relationship between microfinance and economic empowerment of small scale business (Simon & Jim Goes, 2011).

3.2 Study Population

A population is a complete set of individuals, cases or objects sharing some common characteristics from which a study sample is taken for the purpose of data collection (Mugenda, 1999).

In this research, the total population of the study used a total population of 50,000 vendors as per Godfrey Kayongo the Chairperson of St. Balikudembe Market Stalls and Lockup Shops Owners Association, working in over 1000 small businesses and the study will consider the staff members of micro Finances currently working with vendors in St. Balikuddembe market.

3.3 Sample Size

The study used a total sample of 50 respondents that be selected from vendors of St. Balikuddembe market and staff members of Micro Finances that are located in St. Balikuddembe market.

3.4 Sampling Technique

According to Matthew (2012), sampling is the process of selecting a number of people or objects from a population such that the selected group contains elements representative of the characteristics found in the entire group. Stratified random sampling method is defined as a method of sampling that involves the division of the population into smaller sub groups known as strata, it was used to obtain appropriate data for the research, respondents were grouped into strata that were later randomly selected to get sample size; this ensured that each and every member of the population under consideration has an equal chance of being selected. The method rules out bias, is simple to use, cheap and flexible to the researcher and does not have bias. The study also used simple random sampling.

3.5 Data sources

Data was got from both primary and secondary sources.

Primary Data

According to Drew (1980) Primary data is defined as information collected by researcher specifically for research assignment. Primary data involved direct extraction of information from the respondents using self-administered questionnaires.

Secondary Data

According to Oschman (2009) Secondary data is defined as data collected by a party not related to the research study that collected these data for some other purpose and at different time in the past, Secondary data was collected from journals, text books, management reports, previous dissertations and internet. These sources helped derive meaningful interpretation of findings.

3.6 Data Collection Instruments

Self-Administered Questionnaires

A questionnaire is a research instrument consisting of a series of questions and other prompts for gathering information from respondents Abuja (2001). This technique helped to collect primary data through setting a number of questions, which give to a cross section of respondents. The questions were open ended and closed ended questions with the

questionnaire mainly based on predetermined and standardized questions. Self-administered questionnaires were used by the researcher because they are cheap to distribute and process. They were more flexible and help to save time.

Interview Guide

According to Boyce (2006) this is the type of method where the researcher asks questions face to face the respondents. This method was employed to find information necessary information from the group more quickly just to allow individual self-expression.

3.7 Data collection instruments

Self-Administered Questionnaires

This technique helped to collect primary data through a number of questions, which were given to a cross section of respondents. The questions were close ended with the questionnaire mainly based on predetermined and standardized questions. They focused on the impact of micro finance services on economic empowerment of small businesses.

Interview Guide

Structured interview guide was designed to be used to collect data from market vendors and staff of some micro finance institutions located in St. Balikuddembe market. This allowed face to face interaction and to solicit pertinent information from the respondent.

Observation checklist

The researcher used observation checklist to enable her to collect data from the field without necessarily questioning.

3.8 Data processing, presentation and analysis

Data processing

Data processing included coding and editing all the responses collected from the field which was edited with the view of completeness and accuracy to ensure that data is accurate and consistent Coding was done after editing which was done manually and by the use of computer through word processing and Excel.

Data Analysis

According to Bailey (1994) data analysis is generally used to show how significant the data collected was analyzed using different tables. The researcher used qualitative methods by summarizing the responses from the key information into tables, percentages and others with the help of Microsoft excel spread sheets and SPSS (Special package for social scientists), the Microsoft excel sheet enable the researcher to derive table and charts whereas SPSS might specifically be used for data analysis. This was done manually because of varying responses whereas editing refers to the process of correcting errors from the respondents collected. Editing was done by checking in the questionnaires to eliminate errors and detect omissions to all the questionnaires the researcher focused on the information in the frequency tables to analyze and interpret the data.

3.9 Reliability and Validity of Data

The researcher used both Reliability and validity methods of data collection during the research.

Reliability

Joppe (2000) defines reliability as:...The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable This helped to check the reliability of the questionnaire. Following these consultations; the researcher made the necessary adjustments to ensure that the questionnaire were reliable. That's, questions were made clear, relevant, specific and logically arranged.

Validity

Winter, (2000) stated that the traditional criteria for validity find their roots in a positivist tradition, and to an extent, positivism has been defined by a systematic theory of validity. Within the positivist terminology, validity resided amongst, and was the result and culmination of other empirical conceptions: universal laws, evidence, objectivity, truth, actuality, deduction, reason, fact and mathematical data to name just a few. Validity determines whether the research truly measures that which it was intended to measure or how

truthful the research results are. This was obtained by drawing up the objectives which guided the construction of the questions.

3.10 Limitation of the Study

Limited time: Time scope was limited because the researcher had to attend lectures, do test and coursework and prepare for end of semester exam. To solve the limitation of time the researcher had to program herself within the time frame available and avoid procrastination so that all was done in time.

Financial constraints: The research requires substantial amount of money for travelling, printing questionnaires among others. To solve this problem the researcher solicited funds from family members and friends and also looked for cheaper service providers.

Language barrier: The researcher coincidentally met people who do not understand English. The researcher had to look for an interpreter for effective gathering of information.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents the background information focusing on the gender of respondents, age bracket, period of work and types of business owned in the market. The study constituted of 50 respondents. These were adults from the selected case study of St. Balikuddembe market in Kampala recently known as Owino.

4.1 Background information of respondents

The researcher used the help of respondents during the study who gave relevant information. The background information of these respondents was considered and this comprised of their gender, age group, period of work and types of business owned in the market. Responses on these were as shown in tables below;

4.1.1 Gender Distribution of the Respondents

The study sought to ascertain the gender of the respondents that participated in the study and results obtained are summarized in table 4.1 below;

Table 4.1 Gender

Gender	Frequency	Percentage (%)
Male	27	54
Female	23	46
Total	50	100

Source: Primary Data, 2019

Table 4.1 above shows that out of the total respondents who participated in the study, 27(54%) of them were male respondents and other 23(46%) were female. This could be interpreted to mean that there was equal number of respondents who participated during the study.

Age bracket

The sought to ascertain the age of the respondents that participated in the study and results obtained are summarized in table 4.2 below:

Table 4.2 age bracket

Age bracket	Frequency	Percentage (%)
18-30 yrs	13	26
31-45yrs	27	54
Above 45 yrs	10	20
Total	50	100

Source: Primary Data, 2019

Table 4.2 above shows that, only 13(26%) were between 18-30 years, 27(54%) of the respondents were between 31-45 years, and 10(20%) were above 45 years. This means that most of the respondents were mature and old implying that they have stayed in St. Balikuddembe for a long period as seen in table 4.3.

Work experience

The study also further sought to ascertain the number of years respondents have been working with or in St. Balikuddembe market and results obtained are summarized in table 4.3.

Table 4.3 Work experience

Work experience	Frequency	Percentage (%)
0-2yrs	-	-
3-5yrs	10	20
6-10yrs	15	30
10-20yrs	20	40
Above 20yrs	5	10
Total	50	100

Source: Primary Data, 2019

Table 4.3 above shows the number of years respondents have spent working in St. Balikuddembe market. Results obtained show that 10(20%) of them had worked for 0-2 years, majority 20(40%) of them have worked in St. Balikuddembe market for a period 10-20 years, 5(10%) of them have worked for a period above 20 years, 15(30%) of the respondents had served for a period of 6-10 years. This means that most of respondents had stayed for long period in St. Balikuddembe market.

Type of business respondents deals in

The study also further sought to ascertain the type of business the respondent were dealing in St. Balikuddembe market and results obtained are summarized in table 4.4.

Table 4.4 Type of business respondents deals in

Type of business	Frequency	Percentage (%)
Restaurant, food stuff, and fruits	2	4
Shoes and bags	13	26
Tailoring, clothes and bed sheets	17	34
Vegetables	3	6
Electronics and repairs	2	4
Maize milling	13	26
Total	50	100

Source: Primary Data, 2019

Table 4.4 above shows the type of business respondents were dealing in St. Balikuddembe market. Results obtained show that 2(4%) of them were dealing in Restaurant, food stuff, and fruits, 13(26%) of the respondents were dealing shoes and bags, 17(34%) were dealing in Tailoring, clothes and bed sheets, 3(6%) were selling vegetables, 2(4%) were selling electronics and repairs and lastly 13(26%) were dealing in maize milling. This means that most the businesses in St. Balikuddembe market were covered which makes the findings to be relied on.

4.2 Roles played by microfinance institutions in small scale business development

This section provides information on the roles played by microfinance in small scale business development and the results are summarized in table 4.5 below;

Table 4.5 Roles played by microfinance institutions in small scale business development

Statement	Strongly agree	Agree	Not Sure	Disagree	Strongly disagree	Total
Microfinance institutions provide easy access to credit/loans as finances to small business owners.	35(70%)	12(24%)	-	3(6%)	-	50(100%)
Microfinances charges low interest rates charges of small business owners accessing loans	12(24%)	5(10%)	3(6%)	20(40%)	10(20%)	50(100%)
Management of micro finance institutions provides financial literacy programs on how to keep records among others to local traders in market.	33(66%)	15(30%)	-	2(4%)	-	50(100%)
Micro finance institutions mobilize and encourage savings among small business owners in the market.	45(90%)	2(4%)	-	-	3(6%)	50(100%)
Micro finance institutions sensitize traders on the importance of insurance to their businesses.	14(28%)	30(60%)	2(4%)	4(8%)	-	50(100%)

Source; Primary Data, 2019

It was established in table 4.5 that majority of the respondents 35(70%) strongly agreed that microfinance institutions provide easy access to credit/loans as finances to small business owners, 12(24%) agreed and 3(6%) of the respondents disagreed, this implies that microfinance institutions provide easy access to credit/loans as finances to small business owners. Results obtained imply that almost all respondents agreed; this implied that microfinance institutions provide easy access to credit/loans as finances to small business owners

It was established in table 4.5 that 12(24%) of the total respondents strongly agreed that microfinances charges low interest rates charges of small business owners accessing loans, 5(10%) of the total respondents agreed, 3(6%) of the total respondents were not sure, 20(40%) of the total respondents disagreed, 10(20%) of the total respondents strongly disagreed. This implies that microfinances charges low interest rates charges of small business owners accessing loans. Results obtained imply that most of the respondents disagreed; this implied that microfinances do not charge low interest rates charges on small business owners accessing loans.

It was established in table 4.5 that 33(66%) of the total respondents strongly agreed that Management of micro finance institutions provides financial literacy programs on how to keep records among others to local traders in market, 15(30%) of the total respondents agreed, 2(4%) of the total respondents disagreed. Results obtained imply that almost all respondents agreed; this implied that management of micro finance institutions provides financial literacy programs on how to keep records among others to local traders in market.

It was established in table 4.5 that 45(90%) of the total respondents strongly agreed that Micro finance institutions mobilize and encourage savings among small business owners in the market, 2(4%) of the total respondents agreed, 3(6%) of the total respondents strongly disagreed. Results obtained imply that almost all respondents agreed; this implied that micro finance institutions mobilize and encourage savings among small business owners in the market.

It was established in table 4.5 that 14(28%) of the total respondents strongly agreed that micro finance institutions sensitize traders on the importance of insurance to their businesses, 30(60%) of the total respondents agreed, 2(4%) of the total respondents were not sure, 4(8%) of the total respondents disagreed, Results obtained imply that almost all respondents agreed;

this implied that micro finance institutions sensitize traders on the importance of insurance to their businesses.

4.3 Importance of small scale business in economic development of the country

This section provides information on the importance of small scale business in economic development of the country and the results are summarized in table 4.6 below;

Table 4.6 Importance of small scale business in economic development of the country

Statement	Strongly agree	Agree	Not Sure	Disagree	Strongly disagree	Total
Small businesses has reduced unemployment in Uganda	45(90%)	5(10%)	-	-	-	50(100%)
Small businesses increase the tax revenue collected by the government	15(30%)	35(70%)	-	-	-	50(100%)
Small scale business increases resource utilization	16(32%)	28(56%)	4(8%)	2(4%)	-	50(100%)
Small business widens tax base and leads to industrial growth	14(28%)	33(66%)	3(6%)	-	-	50(100%)

Source; Primary Data, 2019

It was established in table 4.6 that 45(90%) of the total respondents strongly agreed that Small businesses has reduced unemployment in Uganda, 5(10%) of the total respondents agreed, Results obtained imply that all respondents agreed; this implied that small businesses has reduced unemployment in Uganda

It was established in table 4.6 that 15(30%) of the total respondents strongly agreed that Small businesses increase the tax revenue collected by the government, 35(70%) of the total respondents agreed, Results obtained imply that all respondents agreed; this implied that Small businesses increase the tax revenue collected by the government

It was established in table 4.6 that 16(32%) of the total respondents strongly agreed that small scale business increases resource utilization, 28(56%) of the total respondents agreed, 4(8%) of the total respondents were not sure, 2(4%) of the total respondents disagreed, Results obtained imply that all respondents agreed; this implied that Small scale business increases resource utilization

It was established in table 4.6 that 14(28%) of the total respondents strongly agreed that Small business widens tax base and leads to industrial growth, 33(66%) of the total respondents agreed, 3(6%) of the total respondents were not sure. Results obtained imply that all respondents agreed; this implied that small business widens tax base and leads to industrial growth.

4.4 Relationship between microfinance services and small scale business empowerment

This section provides information on the relationship between microfinance services and Small Scale Business empowerment and the results are summarized in table 4.7 below;

Table 4.7 Relationship between microfinance services and small scale business empowerment

Statement	Strongly agree	Agree	Not Sure	Disagree	Strongly disagree	Total
Microfinance has strengthened small business survival in St. Balikuddembe market	16(32%)	28(56%)	2(4%)	4(8%)	-	50(100%)
Microfinance has increased small business sales volume of St. Balikuddembe market	1(2%)	10(20%)	18(36%)	10(20%)	11(22%)	50(100%)
Microfinance has increased small business outlets in St. Balikuddembe market	18(36%)	30(60%)	2(4%)	-	-	50(100%)

Microfinance has improved small business management of St. Balikuddembe market.	42(84%)	8(16%)	-	-	-	50(100%)
Microfinance has increased capital size Of Market Vendors in St. Balikuddembe market	18(36%)	32(64%)	-	-	-	50(100%)

Source; Primary Data, 2019

It was established in table 4.7 that 16(32%) of the total respondents strongly agreed that microfinance has strengthened small business survival in St. Balikuddembe market, 28(56%) of the total respondents agreed, 2(4%) of the total respondents were not sure, 4(8%) of the total respondents disagreed, Results obtained imply that all respondents agreed; this implied that microfinance has strengthened small business survival in St. Balikuddembe market.

It was established in table 4.7 that 1(2%) of the total respondents strongly agreed that microfinance has increased small business sales volume of St. Balikuddembe market, 10(20%) of the total respondents agreed, 18(36%) of the total respondents were not sure, 10(20%) of the total respondents disagreed, 11(22%) of the total respondents strongly disagreed, Results obtained imply that all respondents agreed; this implied that microfinance has increased small business sales volume of St. Balikuddembe market.

It was established in table 4.7 that 18(36%) of the total respondents strongly agreed that microfinance has increased small business outlets in St. Balikuddembe market, 30(60%) of the total respondents agreed, 2(4%) of the total respondents were not sure, Results obtained imply that all respondents agreed; this implied that microfinance has increased small business outlets in St. Balikuddembe market.

It was established in table 4.7 that 42(84%) of the total respondents strongly agreed that microfinance has improved small business management of St. Balikuddembe market, 8(16%) of the total respondents agreed, Results obtained imply that all respondents agreed; this implied that microfinance has improved small business management of St. Balikuddembe market.

It was established in table 4.7 that 18(36%) of the total respondents strongly agreed that microfinance has increased capital size Of Market Vendors in St. Balikuddembe market, 32(64%) of the total respondents agreed, Results obtained imply that all respondents agreed; this implied that microfinance has increased capital size Of Market Vendors in St. Balikuddembe market.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of findings

From the study findings, it was revealed in table 4.5 that majority of the respondents 47(94%) strongly agreed that microfinance institutions provide easy access to credit/loans as finances to small business owners, and 3(6%) of the respondents disagreed. Furthermore, From the study findings, it was revealed in table 4.5 most of the respondents 30(60%) disagreed that microfinances charges low interest rates charges of small business owners accessing loans and 17(34%) of the total respondents strongly agreed.

From the study findings, It was revealed in table 4.5 that 33(66%) of the total respondents strongly agreed that Management of micro finance institutions provides financial literacy programs on how to keep records among others to local traders in market, 15(30%) of the total respondents agreed, 2(4%) of the total respondents disagreed.

From the study findings, It was revealed in table 4.5 that 45(90%) of the total respondents strongly agreed that Micro finance institutions mobilize and encourage savings among small business owners in the market, 3(6%) of the total respondents strongly disagreed.

From the study findings, It was revealed in table 4.5 that 14(28%) of the total respondents strongly agreed that micro finance institutions sensitize traders on the importance of insurance to their businesses, 30(60%) of the total respondents agreed, 2(4%) of the total respondents were not sure, 4(8%) of the total respondents disagreed. From the study findings, It was established in table 4.6 that 45(90%) of the total respondents strongly agreed that Small businesses has reduced unemployment in Uganda, 5(10%) of the total respondents agreed.

From the study findings, It was revealed in table 4.6 that 15(30%) of the total respondents strongly agreed that Small businesses increase the tax revenue collected by the government, 35(70%) of the total respondents agreed.

From the study findings, It was revealed in table 4.6 that 16(32%) of the total respondents strongly agreed that small scale business increases resource utilization, 28(56%) of the total

respondents agreed, 4(8%) of the total respondents were not sure, 2(4%) of the total respondents disagreed.

From the study findings, It was revealed in table 4.6 that 14(28%) of the total respondents strongly agreed that Small business widens tax base and leads to industrial growth, 33(66%) of the total respondents agreed, 3(6%) of the total respondents were not sure.

From the study findings, It was revealed in table 4.7 that 16(32%) of the total respondents strongly agreed that microfinance has strengthened small business survival in St. Balikuddembe market, 28(56%) of the total respondents agreed, 2(4%) of the total respondents were not sure, 4(8%) of the total respondents disagreed. It also was revealed in table 4.7 that 1(2%) of the total respondents strongly agreed that microfinance has increased small business sales volume of St. Balikuddembe market, 10(20%) of the total respondents agreed, 18(36%) of the total respondents were not sure, 10(20%) of the total respondents disagreed, 11(22%) of the total respondents strongly disagreed.

It was revealed in table 4.7 that 18(36%) of the total respondents strongly agreed that microfinance has increased small business outlets in St. Balikuddembe market, 30(60%) of the total respondents agreed, 2(4%) of the total respondents were not sure. It was revealed in table 4.7 that 42(84%) of the total respondents strongly agreed that microfinance has improved small business management of St. Balikuddembe market, 8(16%) of the total respondents agreed.

It was established in table 4.7 that 18(36%) of the total respondents strongly agreed that microfinance has increased capital size Of Market Vendors in St. Balikuddembe market, 32(64%) of the total respondents agreed.

5.2 Conclusion

Microfinance institutions provide easy access to credit/loans as finances to small business owners, however, microfinances charges high interest rates charges of small business owners accessing loans. Management of micro finance institutions provides financial literacy programs on how to keep records among others to local traders in market, Micro finance institutions mobilize and encourage savings among small business owners in the market

It was observed that micro finance institutions sensitize traders on the importance of insurance to their businesses, it was seen that Small businesses has reduced unemployment in Uganda, Small businesses increase the tax revenue collected by the government and small scale business increases resource utilization, Small business widens tax base and leads to industrial growth

Furthermore, Microfinance has strengthened small business survival in St. Balikuddembe market, they have also increased small business sales volume of St. Balikuddembe market, and microfinance has increased small business outlets in St. Balikuddembe market, microfinance has improved small business management of St. Balikuddembe market and microfinance has increased capital size Of Market Vendors in St. Balikuddembe market

5.3 Recommendations

The study recommends that microfinance institutions should repackage their products and services to make them more attractive in other to serve the main purpose for which they had been established - poverty alleviation and women empowerment. This should be done by reducing their interest rates, reducing the requirements for collateral and the mode of paying loans by small businesses. This will enable the working poor secure loans from them to run their businesses rather than SBs seeing them as solely for profit making entities.

The study again recommends that MFIs should provide more short term loans to meet emergencies of SBs, provide insurance on loans and businesses and also provide interest on the savings of small businesses. The value of the loan should also be adequate enough to meet the capital requirements of the SBs. The study further recommends that, microfinance institutions should assist SBs to assess their small businesses so that they attest whether their businesses are growing or not this will lure them to become permanent members and also advice other small businesses to partner with microfinance institutions to grow their businesses.

The study recommends that, the problems SBs faced in repayment of microfinance loans such as; short duration for repayment, daily/weekly/monthly repayments, high interest rate, demand of collateral for high amounts, and denial of auxiliary services and their effect on the growth of their small businesses should be looked at, especially those factors which negatively affects the growth of small businesses.

It is also recommended that, operators of MFIs should have separate managers/business advisors to small businesses, to give the proper business advice as how to manage their businesses, the need to separate their business funds from personal money, proper ways of pricing and marketing of products, goods and services. It was also recommended that, SBs should recruit qualified personnel to help manage their businesses.

The study also revealed that MFIs should employ more qualified persons to ensure regular monitoring on the progress of small businesses so that loans collected are put to rightful use and they should offered proper business advice so that their businesses will flourish thereby enabling them to pay loans secured and also improve upon their living conditions. It is also recommended that MFIs should develop proper mechanisms and tools to assess small business growth which partner with them since the use of physical features such as stock level, savings and loan repayment rate may be deceptive.

Suggestion for Future Research

More research should be conducted on how micro finance institutions can reduce their administrative costs in order to reduce interest rates on loans to small businesses.

APPENDIX I: SELF-ADMINISTERED QUESTIONNAIRE

NKUMBA UNIVERSITY
P.O Box 237
Entebbe
Date.....

Dear respondent,

I Donna Mutesi a student of Nkumba University finalizing my course in human resource management, researching on micro finance services and economic empowerment of small businesses in Kampala.

I am now on my field part of collecting information for this dissertation and you are being requested to the various questions in the questionnaire attached. Your responses will be strictly used for academic purposes and will be treated with utmost secrecy. I shall be grateful for your cooperation in the matter.

YOURS

NANYANZI DONNA MUTESI

Student

SECTION A; BACKGROUND INFORMATION

Please tick the appropriate box where applicable

1. **Gender** (i) Male (ii) Female

2. **Age bracket;** (i) 18-30 Year (ii) 31-45 years (iii) Above 45 years

Others (please specify)

3. **Work experience;** (i) 0-2yrs (ii) 3-5yrs (iii) 6-10yrs (iv) 10-20yrs

(v) above 20 years

4. Types of business your dealing in

- a) Restaurants, Food staff and Fruits
- b) Shoes and bags
- c) Tailoring, Clothes and Bed sheets
- d) Vegetables
- e) Electronics and Repairs
- f) Maize milling

Others (please specify)

You are required to respond to each item in subsequent sections using the following scale by ticking the appropriate option. SA- Strongly Agree, A-Agree, NS- Not Sure, DA-Disagree, SDA-Strongly Disagree.

SECTION B; ROLES PLAYED BY MICROFINANCE INSTITUTIONS IN SMALL BUSINESS DEVELOPMENT.

No	Statement	SD	A	NS	DA	SDA
5	Microfinance institutions provide easy access to credit/loans as finances to small business owners.					
6	Microfinances charges low interest rates charges of small business owners accessing loans					
7	Management of micro finance institutions provides financial literacy programs on how to keep records among others to local traders in market.					
8	Micro finance institutions mobilize and encourage savings among small business owners in the market.					
9	Micro finance institutions sensitize traders on the importance of insurance to their businesses.					

SECTION C; IMPORTANCE OF SMALL BUSINESS IN ECONOMIC DEVELOPMENT OF THE COUNTRY

NO.	Statement	SD	A	NS	DA	SDA
10	Small businesses has reduced unemployment in Uganda					
11	Small businesses increase the tax revenue collected by the government					
11	Small scale business increases resource utilization					
13	Small business widens tax base and leads to industrial growth					

SECTION D; RELATIONSHIP BETWEEN MICROFINANCE SERVICES AND SMALL BUSINESS EMPOWERMENT

NO.	Statement	SD	A	NS	DA	SDA
14	Microfinance has strengthened small business survival in St. Balikuddembe market					
15	Microfinance has increased small business sales volume of St. Balikuddembe market					
16	Microfinance has increased small business outlets in St. Balikuddembe market					
17	Microfinance has improved small business management of St. Balikuddembe market.					
18	Microfinance has increased capital size Of Market Vendors in St. Balikuddembe market					

.....**THE END**.....

THANK YOU

APPENDIX B:

INTERVIEW GUIDE

1. What are the roles played by microfinance institutions in small business development?
2. Do microfinance institutions provide easy access to credit/loans as finances to small business owners?
3. Do microfinances charge low interest rates charges of small business owners accessing loans?
4. What is the importance of small business in economic development of the country?
5. Do small scale businesses increase resource utilization?
6. Has small scale businesses reduced unemployment in Uganda?
7. What is the relationship between microfinance services and small business empowerment?

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