AN ASSESSMENT OF MICROFINANCE INSTITUTION SERVICES AND PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KABALE MUNICIPALITY

BY

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A RESEARCH DISSERTATION SUBMITTED TO THE FACULTY OF ECONOMICS AND MANAGEMENT SCIENCES IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER'S OF BUSINESS ADMINISTRATION OF KABALE UNIVERSITY

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Declaration

I, Elijah Mugarura, hereby declare that this dissertation titled "Assessment of Microfinance Institution Services and Performance of Small and Medium Enterprises in Kabale Municipality" is my original work, and that no part or the entire dissertation has ever been submitted to any other institution for any award.

Signature …………………………..   Date …………………………………….

Elijah Mugarura (Student)

Certification

With my agreement as University research supervisor, I submitted this dissertation titled "Assessment of Microfinance Institution Services and Performance of Small and Medium Enterprises in Kabale Municipality" for examination to the faculty of economics and management sciences at Kabale University.

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Dedication

I would like to dedicate this Research Dissertation to Miss Soyeon Kim for her financial assistance throughout the four semesters of study, as well as to my classmates for their advice and assistance with my studies.

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I appreciate the Almighty God for giving me the strength, wisdom, and providence to carry out this research, both physically and emotionally. I am extremely grateful to my supervisors, Dr. Moses Agaba and Ms. Slyvia Tushabe Byarugaba, who were instrumental in the accomplishment of this project by providing constructive criticism and guidance. The Kabale University Administration for providing a humble learning atmosphere that enabled me to achieve my academic goals.

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List of Abbreviations

GDP:	Gross Domestic Product
MFF	Micro Finance Forum
MFIS	Microfinance Institutions Services
SMEDA	Small and Medium Enterprise Development Authority
SMEs	Small and Medium Enterprises
UIA	Uganda Investment Authority

Abstract

Performance of Small and Medium Enterprises (SMEs) has been recognized as an important contributor to many global economies. The importance of Small and Medium Enterprises as engines of employment creation and economic growth cannot go unrecognized. However, in the recent years most SMEs continue to register failures within the first few months in operation due to financial literacy problems and resource insufficiencies. Microfinance institutional services have thus been established to bridge the resource needs and capital insufficiency gaps that exist among the SMEs. Literature on how Microfinance Institutional Services affect the Performance of Small and Medium Enterprises (SMEs) remains scanty in Kabale district, South Western Uganda. This study assessed Microfinance Institution Services and Performance of Small and Medium Enterprises in Kabale Municipality. The specific objectives were to assess; effect of provision of financial literacy, development of managerial skills, and marketing facilitation through SME clubs, marketing associations on the performance of small and medium enterprises. The study was descriptive in nature employing quantitative approaches for data collection and analysis. Information was gathered from a sample of 71 different SME owners and other key informants using questionnaire. Data was analyzed using Microsoft EXCEL and SPSS Version 22.0 to generate both descriptive and inferential statistics. The study found out that provision of financial literacy had a positive significant effect on the performance of SMEs. Financial literacy programs like savings literacy, debt literacy and investment literacy supported business owners to safely manage income, expenditure and savings, make clear financial decisions, timely pay back loans as well as investment diversification. all of which improved performance of SMEs. The study also found out that development of managerial skills positively affected SMEs performance mainly by improving SME governance, increasing business vision through met objectives and plans as well as motivating employees to work hard for better hence guaranteeing SMEs ability to compete, survival and thrive in a dynamic environment. The study further confirmed that marketing facilitation through SME Clubs, marketing associations positively affected performance of SMEs. SME Clubs and marketing associations offered personal liability protection, business security, access to capital and resources, created a less competitive business environment, contributed to business networking and offered a collective voice for small business owners. In conclusion, the study further confirmed that microfinance institution services (financial literacy, development of managerial skills and marketing facilitation) positively influenced performance of SMEs and recommended that more managerial trainings should be given to the SMEs by the MFI so as to equip them with more knowledge on running their enterprise which would translate into better management of funds and enhance performance in a long run. The study further recommends MFI to lower on their interest rates put on loans they give to SMEs so as not to let loans be too heavy for them to pay back which may hamper their positive contributions on the growth of SMEs. SME owners need more training in programs like budgeting and planning, debt management, record keeping, saving and retirement plans.

Keywords: Microfinance Institution Services, Small and Medium Enterprises, Performance, Kabale, Uganda

CHAPTER ONE:

INTRODUCTION

1.0 Introduction

The goal of the study was to evaluate the effect that microfinance services had on the effectiveness of small and medium-sized businesses in the Kabale Municipality. Microfinance services were the study's independent variable, while small- and medium-sized business performance was its dependent variable. This chapter includes definitions of important words, including independent and dependent variables, study backdrop, problem statement, study purpose, study objectives, research questions, study scope, and study relevance.

A microfinance institution is an institution that provides banking service to the unemployed and low-income people. These provide lending services to clients who intend to start small and medium businesses. Microfinance institutions offer loans and train people in business and financial management skills to empower them in economic development. Micro finance came as an intervention against fighting poverty to low-income earners who could not access financial services due to the bottlenecks at the time.

Microfinance institution services are the things that microfinance institutions do to make sure the funds reach the clients most ethically. Such services include loans, business loans, agriculture loans, money transfers among others.

The term performance refers to how SMEs conclude to accomplish a goal. The word performance is often used to evaluate the work finished by an enterprise and to measure competitiveness. Performance of SMEs was measured by looking at profitability, employment rates in SMEs, SMEs growth and level of sales.

Therefore, when Microfinance institutions offer good services to SMEs, the SMEs will be able to borrow funds which they will use to expand their business, employ more employees and make more profits, which will improve the performance of SMEs.

1.1 Background to the study

The background is addressed in different perspectives that is; historical perspective, theoretical perspective, conceptual perspective, and contextual perspective.

1.1.1Historical perspective

In many nations, enormous efforts are being made to support small and medium-sized firms in developing the necessary job opportunities, revenue, and productive capacity because they have been recognized as major drivers of growth and development throughout the world. Microfinance was created in the early 1700s thanks to the Irish loan fund system, which provided small, unsecured loans to the impoverished in rural areas. Microfinance underwent changes over time, first in Asia, and finally in Africa. The term "microfinancing" first originated in the 1970s, when businesses like the Grameen Bank of Bangladesh, led by microfinance pioneer Mohammed Yunus, began and assisted in the development of the modern microfinancing industry (Mwangi 2011).

Small and medium-sized businesses have a long history that begins in the 1850s with the industrial revolution. The majority of SME's began as little industrial workshops (Rothrock, 2013). They faced a number of difficulties, such as a lack of cash or insufficient capital to purchase the stock and equipment necessary for the majority of these sectors. Loans from both financial and non-financial entities had to be obtained, which took time and was frequently simply done on paper. SMEs managed to thrive despite the capital deficit issue (Dedan, 2013).

SMEs initially emerged in the United States in 1782, with the majority of non-manufacturing enterprises having less than 500 employees and less than $7 million in annual revenue. In addition to the number of employees, small enterprises were classified according to their annual sales (turnover), asset value, and net profit (Berger et al., 2019).

In 1920s, SMEs in India were divided into different categories: those that used power and had less than 50 people, and others that did not use power and had more than 50 but fewer than 100 employees. Micro and small businesses provided over 45% of total export revenues in India (Muriithi, 2017).

Small enterprises are crucial to the growth of both employment and revenue in many countries throughout the world. The main criterion for separating small-scale businesses from large and medium-sized industries, on the other hand, has been the capital resources invested in plant and machinery structures. As of 2010, small-scale industries in India were largely plagued by a lack of finance and a failure to develop business strategy (Kalio, 2016).

The need for credit among individuals, small businesses, and medium-sized firms surged towards the beginning of the 1990s as a result of political unrest and the opening up of political space, which prompted widespread recognition of the microfinance institution.

Mohammed Yunus, aimed to support low-income women and men through microenterprises for their economic development in Bangladesh. The persistence of poverty, even in the richest countries, is being faced with growing impatience, which stands out in political agendas all across the world (KogeiJephet, 2015).

Many developing countries' governments and foreign assistance donors have subsidized lending to small farmers in rural areas. Many low-income persons were able to get credit thanks to the donor Non-Governmental Organizations' (NGOs) subsidized credit. People should be able to obtain financial services (Mwangi, 2011).

According to Bajdor et al. (2021), there were over 1,000 microfinance institutions with a minimum of 1,000 members and three years of experience in over 100 countries as of the middle of 1996, according to the Sustainable Banking with the Poor initiative (SBP) of the World Bank.

The majority of the world's poor are believed to reside in third-world countries, which need to improve their microfinance institutions. According to a survey of these institutions conducted in 2006, 73% were NGOs, 13.6 percent were credit unions, 7.8% were banks, and the remaining were savings unions. The majority of the money for rural areas in Africa comes from microfinance, which was originally known as traditional savings in most communities across the continent.

Following the introduction of the Rupee, SMEs were established throughout Africa, notably East Africa, as early as the 1930s. Industries were a significant factor in the region's economic growth by the time of independence in the 1960s, but SMEs were having trouble with managerial tasks.

However, the nature and characteristics of small-scale firms in East Africa differ from those in other countries and industries, just as the legal definition of SMEs does (Rumumba, 2015). Every SME in East Africa today must have a business strategy, but many do not because they lack the entrepreneurial abilities to do so. According to Bongomin et al. (2017), many people think that their businesses can succeed without business planning.

When cooperative societies were established in the 1940s, 1950s, and 1960s, small-scale businesses served as the foundation of Ugandan society. Small and medium-sized businesses (SMEs) and industrial development did not have clear national strategies at the time. Small and Medium Enterprises (SMEs) now account for around 20% of Uganda's GDP (Marus Eton, 2017). They employ less than five people but up to 90% of non-private sector employment. Since then, Uganda's small company population has increased from 800,000 in 1995 to around 2,000,000 in 2002. These serve approximately 6,000,000 persons at the corporate and household levels out of a total population of 26.3 million (Kamukama et al., 2015).

Given that agricultural production accounts for the majority of Uganda's GDP, this figure might be significantly higher. This is primarily done by small holders who may not even qualify as micro and small firms.

The Uganda Investment Authority (2016) reported that the sector provides employment to around 2.6 million people in Uganda. Furthermore, since a significant part of the GDP is not monetized and mostly based on subsistence, the contribution of small-scale businesses may be much higher than the estimated 20%. Small and medium-sized enterprises (SMEs) account for over 80% of Uganda's manufacturing output, as per MFPED (2018). In Kabale Municipality, SMEs engage in various businesses such as purchasing and selling products, catering and confectionery, running shops, selling second-hand clothing, providing health and herbal services, secretarial and telephone services, crafting, transportation, mechanics, welding, automobile repair, and many more. Most of these businesses are established before acquiring licenses and are run by families, making them small-scale. These businesses require a lot of labor, and skills are generally acquired on the job by using adapted technology.

According to Peter et al. (2018), more than 50% of them struggle right away and fail within the first five years. One of the main causes of this is that they have strict monetary regulations. This predicament occurs regularly in Uganda because the majority of small businesses there never recognize their first anniversary. Due to a lack of business management skills and inadequate business planning, the majority of Uganda's small enterprises are dying (Wakaba, 2014).

Small and medium-sized enterprises (SMEs) are a crucial component of Uganda's business sector, supporting the country's economy during trying periods when all economic sectors were out of balance, according to Mwangi (2012). An SME is defined as an organization or business with fewer than five but up to fifty employees, assets worth at less than fifty million shillings (US$30,000), and an annual income turnover of between ten and fifty million shillings (US$6,000-$30,000), according to the Uganda National Bureau of Statistics (2017). According to the same survey, a midsize business has between 50 and 100 employees.

According to Wakaba's (2014) review of the African experience, Microfinance Institutions (MFIs) have utilized existing informal sector processes to build efficient routes for capital infusions from formal sector banks, donors, and governments. As a result, formal non-bank financial institutions, including full-fledged commercial banks and other non-bank financial institutions, have built stronger relationships with formal and informal microfinance groups as well as those that provide simply loans. Due to their drastically distinct clientele bases, banks and MFIs work best together. While MFIs assist underprivileged and rural households as well as small entrepreneurs in the informal sector to begin small businesses, banks lend and accept deposits mostly from Africa's small formal private sector and from the government.

Due to a gap in provision of financial services in rural and urban regions, a lack of industrial coordination, and other problems, Uganda's micro finance industry began to thrive in the early 1990s, following the closure of failed commercial banks and co-operative banks. This compelled microfinance practitioners to organize a microfinance committee in 1997, with the MFPED guiding them. The committee was later renamed the Micro Finance Forum (MFF).

In general, the committee's goal is to provide coordination and mechanisms for the professionalization of microfinance institutions in the country (Easther; 2019). Microfinance institutions in Uganda presently work under a shared vision to develop the industry, which was created at a general meeting in 2000 where microfinance stakeholders met to discuss industry development plans. Users (the "demand community"), service providers (the "supply community"), and the environment are the three pillars of their vision. The establishment of small and medium-sized businesses and first-hand knowledge of the needs and interests of the poor are two areas where microfinance institutions (MFIs) are recognized by international organizations as legitimate and effective means of ensuring program implementation effectiveness (Cresswell & Plano Clark, 2011).

Small and medium-sized businesses (SMEs) have proven to be valuable contributors to the economies of many nations, and both local and foreign markets are now offering them new opportunities. Over 90% of African company activities are SMEs, and they account for over 50% of both the continent's employment and GDP (Kaminsky et al., 2019). This makes it obvious how important they are to the economy. Africa's entrepreneurial culture focuses on the region's resources, which significantly contributes to the development of the continent. They are regarded as the engine of contemporary economies, generating many more jobs than do huge corporations.

The importance of SMEs for their potential to create jobs and distribute income, which has a multiplier effect on the social economic activities of a nation, is confirmed by Pulka et al. (2018). They occasionally work as subcontractors for the big businesses in a system where the goal is a fair distribution of wealth. Small and medium-sized businesses (SMEs) have maintained their crucial position in Uganda's economy, according to UBOS (2017).

From 13.8% in 1993 to around 20% in 2007, the sector's contribution to the GDP increased. According to the economic survey of 2007, the (SME) or informal sector produced more than 57% of the new jobs created in 2005/2006 and provided 78% of all employment. According to the Economic Survey from 2012, this industry currently contributes more than 25% of the GDP. As a result, the industry is crucial to the development of the labor force, the generation of income, and the future industrialization of the nation. Over 2.2 million micro, small, and medium-sized businesses exist, and 88% of them are unregistered. The following criteria set MFIs apart:

Loan terms are often less than a year and are usually for working capital with immediate recurring weekly or monthly installments. They are also quickly disbursed after approval, which is crucial for people seeking a second loan. A system of collective guarantee is typically used to substitute the traditional lender's demand for tangible security, such as property, where members are each jointly responsible for seeing that their loans are repaid (Khan, 2008).

1.1.2Theoretical perspective

This research based on microfinance game theory. John Von Neumann, a mathematician, and Oskar Morgenstern, an economist, were important game theory pioneers in the 1940s. The actions and choices of all participants, according to game theory, influence the outcomes of each.

It is expected that participants in the game are logical and will aim to maximize their winnings. The development of microfinance game theory placed greater emphasis on small business lending capabilities.

The concept behind this theory is rooted in the Gramen lending model of microfinance, which extends loans to small groups comprising four to seven individuals. This theory presents a cooperative financial model for small and medium-sized enterprises. Drawing from the Gramen loan model, the game theory of microfinance nurtures group financing capabilities, which are offered to individual groups of up to seven individuals who are affiliated with each other (Ledgerwood, 1999). The provision of secure loan recovery and payment systems is facilitated by individual financing groups. The microfinance model, which is also known as this technique, was utilized by Gramen Bank in Bangladesh to channel financial requirements to microfinance institutions. The application of this theory in the present study involves encouraging financial sector participants to engage in financial services with the objective of realizing sustainable growth for themselves and their clients. However, this approach necessitates the integration of social networks into the funding system (Naomi, 2016). This theory underscores the importance of urging strong financial sectors, small financial sectors, non-governmental organizations, and lending groups to offer financing services, which, in turn, leads to the development of business owners and the country.

1.1.3Conceptual perspective

Marus (2017) defines a SME as a business with 1to 50 employees. An SME, according to the Bank of Uganda, is a previously registered company with annual revenues between 1 and 100 million Ugandan Shillings, assets worth at least 4 million Ugandan Shillings, and a staff of 5 to 150 people.

Microfinance, according to Kyakulumbye and Pather (2021), is the provision of loans, savings accounts, and other essential financial services to the underprivileged. This study claims that microfinance is a service that enables motivated, disadvantaged individuals to get a small loan to establish their own businesses.

A microfinance institution is a financial institution that offers banking services to unemployed and low-income individuals. These offer loan services to clients who want to build small enterprises.

Microfinance institution services are the activities that microfinance institutions engage in to ensure that funds reach clients in the most ethical manner possible. Microfinance institutions, for example, provide group and individual loans, insurance, money transfers, agricultural and energy loans, and savings account services.

According to James (2014), performance measurement is the analysis of how actions made by the organization's members and the management of its resources affect the outcomes of the organization.

Measurement for performance among smaller organizations has been a problematic area for researchers. For this research it was based on two means to measure performance and these include the financial performance and the organizational performance.

Loan provision: It is referred to as lending in the context of finance when money is given by one individual, group, or entity to another.

According to Musie (2015), a loan is a type of financial transaction in which one party, the lender, agrees to give another party, the borrower, money in exchange for an agreed-upon repayment schedule. A loan typically has terms attached to it as well as a specified repayment period. James (2014) says a loan involves the lender and borrower temporarily reallocating the subject assets.

This variable offers quantitative data on how MFI loans affect small- and medium-sized business growth.

Market facilitation is a strategy for promoting systemic change that extends beyond individual participants and is relevant to the larger environment, influencing many. Organizations must act as facilitators in the development of market systems.

Savings mobilization pertains to the act of preserving funds for future use in personal finance. Business owners, as per Modigliani and Franco (1988), usually keep money for future needs in a bank account that earns interest. This variable aims to provide measurable data on the savings made by microbusinesses through MFIs and the impact of their income source.

Financial Skills Training:

Financial skills training refers to the knowledge and skills that individuals require to make prudent business decisions. This variable aimed to produce quantitative data that would examine how financial training provided by MFIs affects the growth of small and medium-sized enterprises.

Managerial skills refer to the abilities and knowledge of individuals in positions of authority to fulfil their managerial responsibilities.

SME growth: As per Tuyisenge et al. (2015), expansion is an integral part of a company's progression. The SME growth variable seeks to explore the growth of small and medium-sized firms.

The five stages of development identified by the author are existence, survival, success, takeoff, and resource maturity. At every stage of development, the survival and success of the company depend on a variety of different things. There could be growth thresholds that act as barriers to progressing to the next level.

Profitability: Profitability is one of the most popular metrics for measuring company development, according to Cohen (1993). A corporation is more likely to expand the more profitable it is, and vice versa. A growing company typically has a wide range of profitable investment options for its own 19 retained earnings. The degree to which a business meets its owner's objectives and the expectations of the community in which it operates is another way to define business development.

Employment creation: Cherugong (2015) cites a large amount of research suggesting that the expansion of the manufacturing and service sectors has a particularly favorable effect on employment. Small and medium-sized businesses unquestionably generate new jobs, but their greater failure rates also give rise to job losses. Because more job creation occurs when an economy is growing, this study also considered employment creation by SMEs to be a measure of growth.

Although most donor organizations place a high priority on the creation of employment in developing nations, there are divergent opinions on how to do so. Low-skilled individuals can obtain productive occupations at scale in labor-intensive light manufacturing industries backed by SMEs (Refera et al., 2016). SMEs make up a sizable portion of the labor force in developing nations, but because so many of them fail, their net job creation rate is probably comparable to that of major corporations. Small businesses that expand can help SMEs develop more; therefore, development organizations that focus on job creation through SMEs should target them.

Increased sales: The perceptions of senior managers are significantly influenced by sales growth ambitions. Sales is the most frequently expressed objective by senior managers, according to polls (Menike, 2019). The findings of a journal study by Muraga and John (2015) demonstrated the obvious correlation between cash flow and sales growth and the performance of businesses. This variable was utilized as a performance (growth) indicator for SMEs as a result. Give SMEs' pricing strategies extra consideration if the good or service is price-sensitive (Cherugong, 2015).

In order to better align our rates with the objectives of the company, we should research what the competition is charging. Increasing revenues can help offset declining margins by lowering pricing. In addition to increasing profits, raising prices by 20% can make consumers see products as having more value. Raising the price can boost profits even if sales remain flat (Rungani, 2011).

Increasing marketing is an obvious strategy to promote sales. Since quantity does not always equate to quality, rigorous planning, test-marketing, and outcomes monitoring are necessary to maximize sales. Find out which messages resonate with the target market by conducting market research. Using electronic codes, vouchers, or website visitor information as a monitoring tool for marketing communications can help SMEs flourish.

Climatic conditions: This depicts the annual average or normal meteorological conditions of a location in terms of temperature, air pressure, humidity, precipitation, sunlight, cloudiness, and winds.

This directly impacts SMEs as physical damage from floods or bushfires, or forced closures. Such conditions will force prices of commodities to hike among others.

Financial regulations: To ensure the stability and soundness of the financial system, certain standards, limits, and regulations are imposed on financial institutions through supervision or regulation. This responsibility can be undertaken by either government or non-governmental organizations. Financial regulation plays a crucial role in reducing risks for both consumers and financial institutions, as well as promoting wise behavior by financial institutions to safeguard the broader financial systems. Furthermore, it serves as a preventative measure against terrorism financing and money laundering.

Financial literacy: is the possession of the combination of abilities and information that enables a person to utilize all of their financial resources to make wise and effective decisions. It is the capacity to comprehend how money functions, including how it is made, managed, invested, and used (especially when donated to charity) to benefit others.

Financial literacy programs; these are programs aimed at improving client's knowledge and skills on loan management. These programs mainly include; savings and credit management, financial planning, loan administration, investment decisions, book keeping, budgeting.

Microfinance Institutions services

When informal money lenders took over for modern financial institutions in the 19th century, the concept of microfinance was initially proposed. Examples of informal financial institutions include village banks, cooperative credit unions, state-owned banks, and social venture capital funds for the poor. These businesses provide loans and savings services to small and medium-sized businesses (Abiodun, 2016).

They mobilize rural savings and have straightforward, easy-to-understand practices that come from local cultures.

Loan provision and growth of Small medium enterprises

The capacity of an enterprise is impacted by funding availability in a variety of ways, particularly in the choice of technology, access to markets, and access to essential resources, all of which have a substantial impact on the viability and success of an organization (Kyale, 2015). Wole continues by stating that obtaining finance for a new or existing firm is one of the main problems that any entrepreneur has, particularly those operating in the SMEs sector. Lack of capital is one of the key factors preventing the establishment and growth of SMEs' businesses.

Businesses may not be able to investigate growth opportunities if their financial needs exceed their internal resources, according to a 2017 study by Zhou et al. Therefore, a lack of internally generated liquidity is one of the factors that is frequently cited as the cause of small and medium enterprises failing in developing countries. From this vantage point, lending to small and medium-sized businesses is seen as being best accomplished through microfinance institutions.

Idowu (2014) conducted a study analyzing the loan data of 253 small- and medium-sized borrowers from an Indian bank, both before and after they became eligible for a subsidized interest rate program. The program’s size criteria were modified in 1998, allowing a new group of medium-sized businesses to access loans at lower interest rates. These businesses not only switched to this program from the subsidized credit they were previously receiving but also grew their sales to match the additional financing, indicating that they had been constrained by credit availability before.

Agyei's (2014) research focused on the impact of microcredit on poverty in Zambia. Although not specifically targeting the poorest business owners, one-third of the program’s clients were found to be below the poverty line. Clients who transitioned from their first to second loan saw a significant increase in profits and household income compared to other business owners in similar circumstances. In addition, borrowers experienced a boost in business activity growth. However, some borrowers fared worse than others, particularly those who dropped out of the program after obtaining just one loan, accounting for approximately 50% of the borrowers.

1.1.4 Contextual perspective

Kabale Municipality served as the study's location. The Municipality is situated in western Uganda and serves as the region's primary hub. Most residents of the area are reported to be underfunded and uninformed about their enterprises, necessitating the need of microfinance services. The majority of them, meanwhile, lack literacy and are unable to use microfinance services, which contributes to the district's MFIs' subpar performance.

The SMEs in Kabale Municipality have faced challenges with the services offered by the micro finance institutions. That is to say the micro finance institutions offer services at a higher interest rate compared to banks, they ask for huge collateral security, and are not human enough to be patient with the business owners, they confiscate property even if a person was remaining with 1% amount of the principal borrowed to be repaid.

Small and medium-sized enterprises (SMEs) have historically performed poorly, especially in third-world nations like Uganda, where they account for a large portion of the economy. In Kabale Municipality, in particular, only barely 5% to 10% of SMEs survive and reach maturity. This problem is primarily caused by the difficulty in obtaining quality MFI services (Nyiratebuka, 2021).

1.2 Problem statement

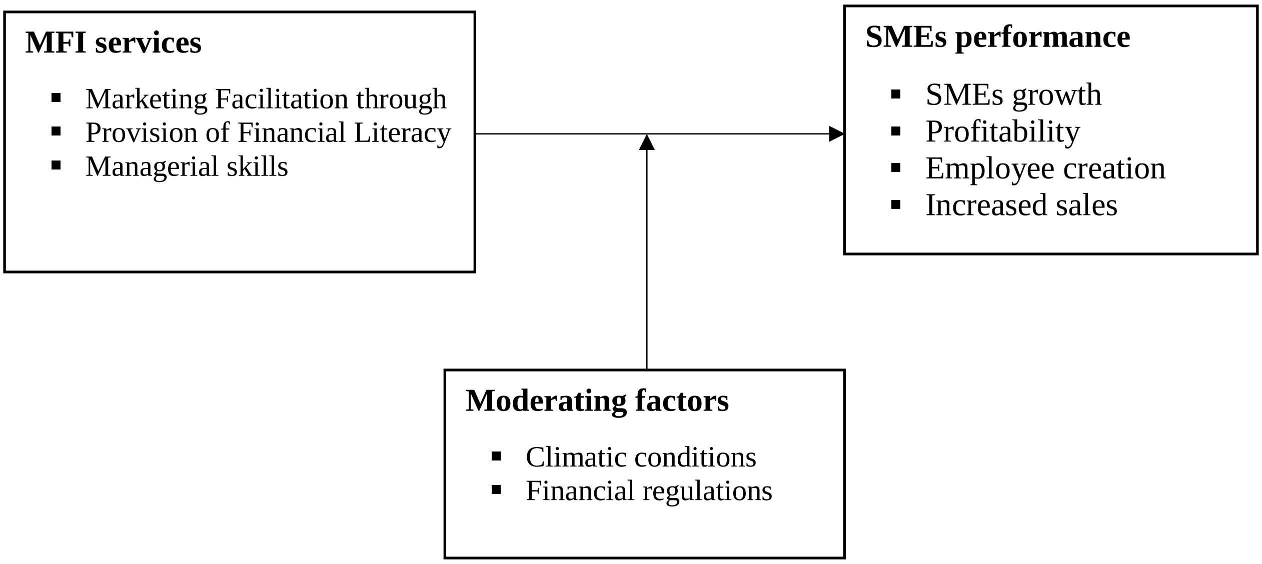
In Kabale Municipality, the performance of SMEs in terms of profitability, sales, and employee turnover has become a source of worry. Despite the availability of MFI services such as loans, marketing assistance, savings mobilization, financial literacy, and managerial skills, among others, many SME owners continue to report low profits, low sales, and high employee turnover (Nyiratebuka, 2021). These SMEs' poor performance puts them at risk of closure in the foreseeable future. According to the Private Sector Foundation Uganda (2016), despite the availability of MFI services, barely 5% to 10% of SMEs survive and reach maturity. An example is Malembe Millers and some SACCOs that failed due to inappropriate management and lack of adequate capital to support operations. Many research has been undertaken to link microfinance institution services such as loans, marketing facilitation, savings mobilization, financial literacy, and managerial skill development to good SMEs performance. For instance, Mutai (2019) found that improving the skills of managers and staff increased competency and the capacity to make wise business decisions, leading to good performance. The situation in Kabale district remains concerning, given that no empirical investigation has been done to evaluate the relationship between MFI services and the performance of SMEs in the area. The purpose of this research was to close the gap by examining the influence of microfinance institution services on the performance of small and medium-sized businesses in Kabale District.

1.3 Conceptual Framework and measurement of variables

A conceptual framework depicts what you hope to discover during your investigation. According to Chepkemoi (2017), a conceptual framework is a structure that depicts the relationships between the primary constructs in a specific study. A conceptual framework, according to Cherugong (2015), lays out the major factors, constructions, or variables and assumes links between them. According to Guliman (2015), a conceptual framework explains how the researcher understands the link between variables deemed relevant in a study. Such variable relationships are described more below.

Figure 1.1: Conceptual framework indicating the relationship between microfinance institution services and performance of small and medium enterprise

Independent variables **Dependent variables**



Source: Robert and Jonathan, (2017) modified by the researcher

1.4General objective

The study's primary goal was to determine how microfinance institution services affected the performance of small and medium-sized businesses.

1.5Specific objectives

1. To determine the effect of Provision of Financial Literacy on the performance of small and medium enterprises in Kabale District.
2. To examine the effect of Development of Managerial Skills on the performance of small and medium enterprises in Kabale District.
3. To assess the effect of Marketing Facilitation through SME Clubs, marketing associations on the performance of small and medium enterprises in Kabale District.

1.6 Study hypothesis

Ho: Financial literacy has no significant association with employee creation and SME growth

Ho: Development of managerial skills has no significant association with employee creation and SME growth

Ho: Marketing facilitation through SME Clubs and marketing associations does not increase SME sales and profitability

1.7 Scope the study

The scope of the study was categorized into geographical, content and time as discussed below.

1.7.1 Geographical scope

The study was conducted in Kabale municipality and focused mostly on MFIs and SMEs. The study targeted 71 MFIs and SMEs, including 15 retail shop owners, 5 Sacco owners, 10 school owners, 5 drug store owners, 6 restaurant owners, and 30 salon company owners participating. This allowed the researcher to receive positive comments, which gave information for the research.

1.7.2 Content scope

The study focused on the performance of small and medium-sized businesses as the dependent variable and the services provided by microfinance institutions as the independent variable. It was restricted to the relationship between the performance of small and medium enterprises as measured by the chosen parameters, such as growth, profitability, employee creation, and increased sales, and the services provided by microfinance institutions (such as financial literacy, managerial skills, and marketing facilitation).

1.7.3 Time scope

This research lasted 20 months, from July 2021 to March 2023. It examined 9 years of literature. This time span was sufficient for the researcher to collect current literature on the phenomenon under inquiry.

1.8 Significance of the study

Small and medium-sized enterprises (SMEs) play an essential role in economic development and poverty alleviation. The research may identify the practical role of perceived solutions offered by Microfinance institutions and how it may affect the growth of SMEs in the study. The study's findings could be used to provide feedback to MFIs that provide financial solutions to SMEs. This may result in the identification and creation of potential solutions based on the needs of SMEs rather than general perceptions of what SMEs require. The study could also attempt to raise awareness among SMEs owners and managers who may be unaware of the services and products offered by microfinance institutions.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The effectiveness of SMEs as a result of microfinance services was the subject of a literature review in this chapter. It includes a theoretical investigation as well as a survey of the pertinent literature about microfinance services and the effectiveness of small and medium-sized businesses. In the literature, it was examined how small and medium businesses performed when financial literacy was provided, managerial skills were developed, and marketing facilitation was facilitated through SME Clubs and marketing associations.

2.1 Theoretical review

The microfinance game theory was developed to highlight financial options for small businesses. The Gramen microfinance lending model, which lends to small groups of four to seven people, is where the theory was developed. For small and medium-sized firms, this approach suggests a cooperative form of financing. The game theory of microfinance, which is based on the Gramen loan model, promotes the ability of individual groups of up to seven affiliates to receive group financing (Ledgerwood, 1999).

The strength of game theory as a mathematical tool for decision makers is the technique it gives for structuring and analyzing strategic choice situations. One of the theory's most fundamental flaws is that each player must be aware of the cost functions of the other players.

Secure loan recovery and payment mechanisms are offered by individual financing groups. This strategy, often referred to as the microfinance model, was used by Gramen Bank (Bangladesh) to steer people in need of financial assistance into microfinance organizations. In order to achieve long-term development for themselves and their clients, the idea is applied to the current study by enticing individuals in the financial industry to engage in financial services. But this will bring a social network into the realm of finance (Grubes, 2005).

This theory implies that strong financial sectors, small financial sectors, non-governmental organizations, and lending groups should all be encouraged to provide financing services. Thus, this will fully realize the development of the business owners and the nation.

2.2 Financial Literacy on the performance of small and medium enterprises

Understanding financial literacy is crucial because it enables SMEs' owners to set and achieve financial goals, plan ahead and make wise decisions about future spending and saving, especially in anticipation of times of low or irregular income, develop strategies to manage risks, and responsibly manage debt. The Ministry of Finance (2013) states this.

Financial literacy is crucial for SME owners, according to numerous researchers. Financial literacy is the mastering of a particular set of skills, values, and behaviors. According to Nkundabanyanga and Kasozi (2014), it refers to a person's capacity for wise judgment and effective decision-making about the use and administration of money. They added that this individual has a positive outlook on the efficient and accountable handling of financial affairs. That is, the capacity to comprehend, assess, control, and explain aspects of one's own financial situation that have an impact on one's wellbeing, as well as the capacity to recognize the differences between different financial possibilities and openly discuss money and financial challenges (Chepkemoi, 2017).

In today's complicated and changing market, financial literacy is critical for handling SME business operations. Mutai (2019) said that governments all over the world are looking for effective ways to improve financial literacy in their communities by implementing financial education plans with the goal of providing a variety of learning opportunities (Cherugong, 2015).

Financial literacy, according to Menike (2019), is the "teaching of the knowledge, skills, and attitudes required to adopt good money management practices for earning, spending, saving, borrowing, and investing." Individuals and groups may make wise financial decisions, such as how to control family spending and conserve money, by having a basic understanding of finance.

Mallinguh et al. (2020) discovered in their study that financial literacy programs assist clients in comprehending basic financial concepts, as well as the capacity and discipline to use knowledge to make sensible personal and financial decisions. According to Muthoka (2017), clients require financial literacy classes to get an awareness and the ability to apply the acquired knowledge in order to manage their money and make smart financial decisions. Financial literacy programs teach customers emotional management skills and prepare them to detect psychological aspects that influence financial decision making (Menike, 2019). Microfinance institutions' core customer financial literacy programs include savings and credit management, financial planning, loan administration, investment decisions, bookkeeping, budgeting, and financial negotiation.

2.2.1 Effects of Training Services on the Performance of SMEs

The performance of businesses is improved by business skill training services, according to the Asian Development Bank (2020).

He came to the conclusion that the most important factors for entrepreneurs' business success were: a successful track record of prior employment; strong analytical skills acquired through a broad humanistic education; early investment in one's reputation and broad biographical experience outside of the profession; early socialization experiences serving as biographical resources in the discovery of successful business ideas; and training in communication skills.

In order to raise awareness and develop the ability of SMEs, Hartarska (2015) found that the Small and Medium Enterprise Development Authority (SMEDA) provides training programs, seminars, workshops, and conferences of short duration in key cities around the nation. These need-based training initiatives are reasonable, sensible, and creative.

These courses are intended to assist participants advance their technical, marketing, financial, compliance, regulatory, legal, and commercial knowledge, skills, and abilities. They support the enhancement of key performance indicators like sustainability, competitiveness, productivity, and quality, among others.

Thus, the training supports the growth of areas like export potential, investment promotion, corporate transparency, human resource development, management capacity building, and other similar areas. These initiatives help to reduce SME mortality and increase productivity. According to Osoro and Muturi (2014), the training that DTMs offer to SMEs is essential for the growth of these companies. In the study, factors affecting business success are divided into two categories: management competency and environmental conditions.

2.2.2 Financial knowledge training and SMEs performance

Regardless of the subject area, financial knowledge is an essential part of any decision-making process and is believed to produce a more successful conclusion (Naomi, 2016). Important outcomes like borrowing, saving, investing, and even long-term planning for retirement income are impacted by it (Hartarska, 2015). According to Hartarska, acquiring a certain level of financial competence—including an understanding of the financial markets and the capacity to manage one's finances—requires financial literacy. A few scholars have made an effort to prove the link between financial skill and increased firm size and profitability.

Swain et al. (2018) conducted numerous financial literacy surveys and developed a collection of questions that are routinely used to assess financial understanding. They investigated the effects of financial literacy on economic decision-making in the United States and worldwide.

2.2.3 Financial behavior and SMEs performance

The owners' financial choices, which vary from borrowing to managing working capital and saving, have a significant impact on the profitability of micro and small firms. Lack of financial knowledge or poor financial behavior may have a detrimental effect on the future of the firm given that micro and small enterprises have a significant impact on economic activity in most countries (Mwangi, 2012). In a global economy, sound financial practices increase competitiveness, whereas poor financial habits cause businesses to close. A strong financial foundation of the business owners is a critical predictor of the performance and growth of the enterprises in a competitive market, according to Swain et al. (2018).

2.2.4 Financial attitude and SMEs performance

A company's profitability may be enhanced by financial attitudes including risk aversion, time orientation, social context, and training. Owners of businesses can also gain from their eagerness to learn more about financial management because it enables them to put the financial concepts they have learned to use. Information that is accurate can be acquired to help business owners become more financially savvy. Research suggests that fostering the proper financial attitude in terms of risk appetite, education, and time orientation, to mention a few, can help people become more financially literate.

2.2.5 Financial skills training and growth of small and medium enterprises

In many cases, microloans should be combined with basic business skill training, according to Marus (2017), to improve the poor's capacity to manage money. The majority of micro enterprise investment training is concentrated on risk management, general business management, and capital investment decisions. Making the greatest capital investment choices will assure the highest possible return on the limited capital resources available to small and medium-sized businesses. Therefore, a poor choice could have long-term effects on the enterprise's survival in addition to its earnings.

2.2.6 Savings mobilization and growth of small and medium enterprise

Saving refers to the act of setting aside a portion of current income for future use or investment, which can be done by keeping the money at home, depositing it in a savings account, or investing it in various ways. For business owners, savings is a vital service that offers secure and convenient deposit options with quick access to funds and easy transactions (Musie, 2015).

Microfinance institutions provide a range of savings products to their clients, as identified by Hartarska (2015), including profit savings, entrepreneur savings, current savings, demand deposits, special regime demand savings, term savings, linked or joint savings, voluntary blocked savings, deposit savings, high-yield savings, mandatory savings, forced savings with loans, and others. However, the effectiveness of these products for clients depends on their ability to access and use them in their business activities.

2.2.7 Effects of Savings Services on the Performance of SMEs

In order to reduce risks, moderate income fluctuations, deal with unforeseen expenses and crises, and gradually build up a small asset base, impoverished individuals may find it extremely helpful to have access to safe and flexible savings services, according to Tuyisenge et al. (2015). This is especially important for the really poor who reside in rural areas, where they do not have access to safe places to store their valuables or opportunities for investment.

Most poor families save in non-financial methods since they often do not have access to appropriate formal savings facilities. These in-kind savings are susceptible to changes in commodity prices, pest, fire, and theft, or damage, as well as price fluctuations in the commodities themselves. Despite the fact that microfinance organizations offer both strong loan services and effective voluntary savings services, evidence from throughout the world reveals that saves are typically more in demand than loans. Increased access to secure savings options enhances self-financing capacity and lessens the need for borrowing, which has risks of its own. Thus, saving rather than taking on debt with a set repayment schedule is a less risky way to acquire investing capital (Muraga & John, 2015).

Cherugong (2015) claims that traditional microfinance has resorted to forcing people to save money through the use of group or private lending strategies. In order to guarantee collective debt repayment, a portion of the loan amount is typically imposed as forced savings. Additionally, mandatory savings was seen as a way to teach lower-income people good saving practices. Forced saving, on the other hand, serves as one of the requirements for getting loans but, as experience has shown, does not promote consumers' saving habits.

The mobilization of voluntary savings, as well as the assurance of safety, flexibility, and accessibility, can have the greatest impact on the performance of SMEs. All microfinance development projects should prioritize the availability of secure and accessible savings services for small and medium-sized businesses. Mobile banking, microfinance staff visiting rural areas on market days, and facilitating groups in collecting and depositing individual voluntary savings are all possible approaches for microfinance companies to make the service more affordable (Menike, 2019).

According to Nanyama (2014), microfinance institutions that are allowed to mobilize small-scale enterprise savings must unequivocally show that they have the ability to do so securely because doing so involves risk. They must therefore demonstrate strong governance and professional management, strength and dependability, adequate internal controls, financial management, information systems, the guarantee that deposits and savings will not be used to cover operating expenses, and a history of strong loan portfolio quality management.

2.2.8 Entrepreneurship programs

Cherugong (2015) carried out research to examine the impact of small business owners and managers taking part in entrepreneurship programs on the productivity and expansion of small businesses in Nigeria. The study was a cross-sectional analysis of how exposure affected the operational effectiveness and growth rate of small business managers and owners. Both primary and secondary sources were used to compile the data. Both descriptive and inferential statistics were used in the analysis. The research showed that small businesses with owners and managers who had participated in entrepreneurship programs demonstrated superior managerial practice and had a higher gross margin rate of expansion than small businesses with owners and managers who had not engaged in superior experimental learning. This has the practical implication that entrepreneurship programs should be made available to small business managers and owners in order to enhance their performance and motivate them to transition to medium- and large-sized companies.

2.3 Effect of Development of Managerial Skills on the performance of small and medium enterprises

Current research of Conceptual skills are typical instances of the numerous studies on managerial talents as quantified in conceptual skills that have emerged and been reviewed as business literature in relation to SMEs’ growth. These studies defined conceptual skills as an efficient organizational business resource that positively influences and is associated with the growth of SMEs and has the capacity to manage looming challenges, the development of organizational planning, and the firm's operations to achieve development objectives.

A study on the impact of managerial abilities on the expansion of SMEs in Pakistan was undertaken by Agyapong and Attram in 2019. Using a stratified probability sample, 256 SMEs were selected. The study finds that having strong conceptual abilities is essential for the development of SMEs in order to more effectively implement strategic planning, as the absence of strong conceptual abilities makes it challenging to achieve sustainability and growth. The results revealed that conceptual abilities had a rather positive impact on the expansion of SMEs. He consequently claimed that the relationship between conceptual talents and the expansion of SMEs is mediated by strategic planning.

Conceptual managing skills are a crucial field of knowledge for financial management, according to Menike (2019), who examined numerous talents and the expansion of medium-sized firms in Punjab, Pakistan. This implies that own-managers require financial expertise to assist the business with accounting, maintenance, budgeting, and managing financial resources from a variety of business areas, all of which they exhaustively listed. As a result, it provides a rigorous empirical analysis of the relationships between managerial conceptual expertise and the growth of SMEs.

Mutai (2019) claimed in a study on managerial perspectives on the issues relating to the barriers to the growth of Pakistan's SME sector that businesses with strong and multiple conceptual skills can use their capital efficiently by incurring minimal costs and helps to incentivize financial growth, resulting in the consistent accumulation of multiple resources and utilization of the resources as a result of sustainable growth and profitability.

Idowu (2014) claims that conceptual managerial skills with various measures of analytical and administrative skills contributed to the firm's performance, resulting in significant growth. However, the skills required vary depending on the stage of the firm's operations, aiding in the growth and sustainability of the competitive market. It makes sense that limiting development and impeding SMEs' expansion means failing to take into account the dimensions on which management conceptual talents are deployed.

Management competence is influenced by a combination of functional knowledge, management abilities, and managerial behavior. training is needed, for example, in marketing, money management, and networking (Kyale, 2015). According to Idowu (2014), untrained workers provide goods and services of a far lower caliber than trained workers. This is evident from the fact that the majority of Ugandan businesspeople have grown up through apprenticeship and, as a result, lack the necessary technical training, knowledge, and abilities to operate in today's highly competitive markets.

Abiodun (2016) asserts that management is in charge of setting up the proper financial controls within the company in order to maintain all pertinent financial records. The entrepreneur must make judgments on the type and style of marketing, the marketing budget, the content and timing of advertisements, pricing strategy, staffing, and employee development. As a result, managers in manufacturing SMEs must receive training.

Kalio (2016) claims that managers can increase business profitability and provide value by lowering inventory, shortening the cash conversion cycle, and minimizing the number of days their accounts are past due.

2.4 Effect of Marketing Facilitation through SME Clubs, marketing associations on the performance of small and medium enterprises

According to Berger et al. (2019), marketing facilitation is a strategy for systemic change that affects many people and transcends individual participants. It is relevant to the larger environment. Organizations must play a supporting role in the development of market systems. Facilitators improve the efficiency of the market system by interacting with its various participants from outside the system. Their primary function is active and catalytic, encouraging improvements in a market system without participating in it by enabling others to do rather than doing it themselves. Market facilitation analyzes the main obstacles that SME owners encounter from a broad systemic perspective and strives to link and relink market participants in a lasting fashion so that everyone benefits from these connections, not just the facilitators (Kalio, 2016). Additionally, marketing facilitation enables organizations to update the entire chain of linkages, benefiting not just a businessman but all other stakeholders as well, rather than providing short-term services to one business or one community.

Market actors are propelled by market facilitation to make lasting changes that will result in more competitive, inclusive, and resilient market systems. (World Bank, 2018).

According to KogeiJephet (2015), marketing facilitation encourages SME group members to endorse decisions because they have invested in the process. The finest efforts of groups typically provide superior outcomes to those of individuals. The output of the group rises with increased participation.

Members of marketing associations have access to materials and information that they otherwise wouldn't have (Cherugong, 2015). SME owners can network with other marketers through membership in a marketing association, giving them the chance to take advice from them and hone their own skills. Additionally, becoming a member of a marketing association gives members access to ideas and experiences that help them create connections and alliances that are advantageous to their business.

Marketing groups provide networking opportunities for their members so they can meet new potential clients and partners (Muthoka, 2017). Marketing associations also give their members the chance to interact with one another and share ideas and experiences, which helps them develop both personally and professionally.

Menike (2019) asserts that marketing associations give their members a collective voice when debating marketing-related topics and concepts. Associations also give members access to a variety of services, such as networking opportunities, training and education programs, and more. Finally, marketing associations foster deeper bonds among their members, which can be useful when attempting to recruit partners for joint marketing efforts or campaigns (Cherugong, 2015).

Due to the external competency of the target market linkage, entrepreneurs' marketing abilities have a substantial impact on growth (Muraga & John, 2015). Businesses with target market linking abilities can proactively refine, configure, and build harmonious partnerships while anticipating customer wants and preferences. The research of Mallinguh et al. (2020) is consistent with the enterprise behavioral theory and the RBV, which have a major impact on the strategic orientations of competitive resources in SMEs.

According to Muthoka (2017), the SME's ongoing market responsiveness and its capacity to quickly meet the frequently shifting needs of its clients by utilizing effective strategic market resources (market orientation, competitive intensity, and technological dynamics) and equipping are evidence of the SME's competitive growth.

Marketing associations give their members a collective voice and access to pooled resources, which helps to increase the effectiveness of marketing (Guliman, 2015). Associations also give their members the chance to network, which enables them to connect with influential people in their field as well as potential customers. Additionally, marketing associations offer their members options for training and education that enable them to develop their talents and acquire new marketing strategies (Mutai, 2019).

2.5 SME performance

Goals attained, leadership style, employee behavior, customer satisfaction, product and process innovation, level of production, customer base, profitability, productivity, dynamics of revenues, costs, and liquidity, etc., are all examples of quantitative and qualitative metrics that can be used to evaluate the performance of SMEs. Ishengoma (2011) evaluated the performance of SMEs in their study using a total of 14 variables. Clientele, ease of supervision, reputation, productivity, employee contentment, profits, sales, on-time order delivery, sufficient working capital, efficiency in production processes, product quality, target attainment, and product diversity were among these factors.

Research on performance traits is important, but it is also important to highlight studies that focus on the factors that influence how well SMEs perform. Businesses must integrate, employ, and use their organizational, human, and physical resources effectively if they are to survive and prosper in a potentially hostile environment. As a result, they will perform better and develop sustainable competitive advantages (Mallinguh et al., 2020). SME's must develop and employ alternative tactics due to their limited resources in order to increase performance and competitiveness.

The literature frequently mentions a variety of internal environment characteristics that may have an impact on the success of SMEs. Special focus is placed on the following: organizational orientations (market, entrepreneurial, and learning orientations), internationalization, export, market orientation, firm age and size (Menike, 2019), human resources and human resource practices (Naomi, 2016), entrepreneurial networks (Swain et al., 2018), occupational health and safety measures, and product, process, organizational, marketing innovation.

There are several studies that also consider macroeconomic/contextual factors, despite the fact that the majority of published literature concentrates on various specific qualities of the organization's internal and external environment as being essential to its performance. In this regard, Tuyisenge et al.'s (2015) examination of a case in Rwanda focuses on the impact of small- and medium-sized entrepreneurs' financial literacy on loan repayment.

Numerous environmental aspects also interest the researchers. As an illustration, Malaysian SMEs closely examine the outcomes of the state government's strategy for business growth (Wakaba, 2014). Since the innovation strategy has a considerable impact on manufacturing and service SMEs in the UK, researchers there focus on it (Foreman-Peck, 2013). According to research from Brazil (FigalGarone, Maffioli, de Negri, Rodriguez, & Vazquez-Bare, 2015) and Taiwan (Lin and Lin, 2016), the types of network linkages had an effect on the performance of 77 SMEs there.

Studies that advocate a holistic strategy that integrates the effects of the internal and external environments on the success of SMEs are also available. The degree of development and performance of SMEs are influenced by three categories of factors, per Aceleanu, Traşcă, and Erban (2014): (1) the general economic climate, which affects GDP and gross national product (G.N.P.) as well as the capacity to invest; (2) the structural characteristics of the economy, which are reflected in the level of technologies used, public and private R&D and innovation spending, and the deployment of innovative activities; and (3) the environment in which the economy operates.

According to Pinnaiye, Dineen, and Lenihan (2016), both internal (company characteristics and strategy) and external (unemployment rate [UR], inflation rate, national competitiveness, real effective exchange rate, and domestic credit to the private sector) factors have an impact on the performance of SMEs.

A strong positive correlation between entrepreneurial orientation (EO) and firm performance was discovered by Gupta and Batra (2016) in their analysis of survey data from 198 manufacturing Indian SMEs, despite environmental factors (demand growth and competitive intensity) being found to have a moderating effect on the EO-performance relationship.

For instance, Refera et al. (2016) developed a decision model based on the application of a multiple criteria decision aid method, Tuyisenge et al. (2015) developed a structural model based on innovation, Lejárraga and Oberhofer (2015) developed a two-part equation model to investigate the key firm- and industry-specific restrictions to the firm performance.

Last but not least, social responsibility and environmental responsibility (Choongo, 2017; Rekik & Bergeron, 2017) can contribute, through 'green practices', to increased business performance.

2.6 Review of Related Empirical Studies

Muriithi (2017) conducted research on small and medium-sized firms (SMEs) in Africa, analyzing their contributions, challenges, and solutions. The study aimed to investigate the impact of participation in entrepreneurship programs on the operational performance and growth rate of small businesses. The data was collected from both primary and secondary sources and analyzed using descriptive and inferential statistics. The study discovered that SMEs whose owners and managers had previous experience in entrepreneurship programs showed better managerial practices and achieved faster growth rates in terms of gross margin than those without this kind of expertise.

This had the practical implication that, in order to boost their performance and transfer to medium and big firms, owners and managers of small businesses needed to be exposed to entrepreneurship programs.

Using Nakuru East Sub-County as a case study, Kalio (2016) investigated the impact of microfinance lending on the financial performance of businesses in Kenya. A sample of 74 SMEs from the sub-county were used in the study. Interviews and questionnaires were utilized in the research design's descriptive survey methodology. SMEs in Kwale County who benefited from training provided by the World Bank as part of the Kenya Coastal Development Project made up the study's population. The sample size was established using a straightforward random sampling procedure.

The study's conclusions showed that financial literacy training improved SMEs' productivity and profitability. The study found that financial literacy has an impact on the profitability of SMEs, and it suggested that financial institutions train these businesses to increase their knowledge of the financial products they can access. Although this study solely employed a questionnaire to gather data from the respondents, a previous study also used interviews as a data gathering tool.

A unit increase in the provision of training had a positive impact on the performance of the microenterprises in Kisii County under the Kenya Rural Enterprise Program (KREP). Simeyo et al.'s (2011) study, which discovered that training in microenterprise investing had a substantial beneficial impact on the performance of the microenterprises with a standardized beta coefficient of 0.281, found this.

The majority of respondents, according to the report, were quite pleased with the capital investment and training in essential business skills that were given to investors in microbusinesses.

In Nairobi County, Kenya, Njoroge (2013) looked into the connection between financial literacy and entrepreneurship success. By interviewing a sample of 79 registered and active entrepreneurs in Nairobi County, the study sought to determine whether there is a relationship between entrepreneurial success and SMEs success. The samples were drawn at random from a population of 27,485 SMEs who participated in a study on financial literacy and SMEs success. The relationship between financial literacy and successful SMEs was then established through analysis of the data. According to the study's findings, all of the SMEs that were surveyed showed some degree of financial literacy, and most business owners outperformed the national average.

Financial literacy exams found that highly successful businesspeople had a high level of financial literacy. The informal sector's more unsuccessful business owners exhibited stagnant growth and low levels of financial literacy. The study's conclusions show a strong correlation between business performance in Nairobi County and financial literacy. Additionally, it was shown that the success of SMEs in both the official and unauthorized sectors depends on their financial literacy. The survey claims that in order to be successful in their endeavors, company owners and entrepreneurs must be literate. The measures of financial literacy used in the prior study were replicated in the current one. The study used interviews, whereas this study did not, leaving a gap for this one.

The study by Mwajuma (2012) found that access to safe and flexible savings services may be essential to poor people's strategies for lowering risks, minimizing income fluctuations, coping with unplanned bills and emergencies, and gradually building a small asset base. It is crucial for the severely poor living in rural areas to have access to safe savings services since they do not have access to other investment options or safe places to store their money. Most impoverished families do save, but they typically do it in non-financial ways, such storing goods or purchasing small amounts of gold, as they frequently lack access to respectable institutional savings facilities. Because they can be destroyed by pests, fire, theft, and changes in commodity prices, savings in kind are not the ideal option. Research from all across the world shows that saves are often more in demand than loans, even if microfinance organizations offer both powerful loan services and effective voluntary savings services.

The impact of financial literacy on loan repayment among small and medium-sized business owners in Rwanda was examined by Tuyisenge, Mugambi, and Kemirembe (2015) utilizing Urwego Opportunity Bank as the case study. The study concentrated on 109 small and medium-sized business owners at Urwego Opportunity Bank. The study used a descriptive survey design and a questionnaire as the method for gathering data. The study's findings revealed that the quality of financial information provided to financing institutions is quite low. Regression analysis was performed to test the hypotheses. Additionally, it showed that managing the loan book was challenging and that access to credit was significantly worsened by high interest rates, collateral requirements, and collateral costs. It came to the conclusion that the combination of smaller businesses lacking access to capital to expand their operations and banks that are becoming less willing to lend to customers with less creditworthiness impedes much-needed economic and social development.

Abiodun (2016) conducted a study on the performance of SME firms and financial literacy. According to the study's findings, more than 50% of SSEs are still performing poorly, and 3 out of every 5 SSEs fail within six months after being founded. Only 2.5% of respondents said their companies had achieved great success.

The findings also indicated that 49.5% of those who had training relevant to their lines of work said their businesses were doing well. This finding supports the notion that relevant education or training is positively related to business success and that SSEs owners should pursue training in a field that is pertinent to their line of work.

According to a study by Chepkemoi (2017) in Kenya, low-income earners are given loans to help their SMEs develop, make money, and raise household incomes. This study examined the impact of financial literacy training on business profitability in the coastal region. Low growth rates and a lack of competitiveness on the local and global market characterize small and medium-sized businesses that do not request financial assistance.

Another study by Korutaro et al. (2014) on formal credit accessibility, lending terms, and financial literacy revealed that microfinance was empowered in favor of supporting low-income individuals to improve both the social and economic conditions of their communities and the country as a whole.

The study found that microfinance organizations support the growth of SMEs. According to the study, small and medium businesses in rural areas and microfinance institution services have a beneficial link.

Agyapong & Attram in Ghana in 2019 looked into the effect of owner-manager financial literacy on the performance of SMEs in the Cape Coast Metropolis. A questionnaire was completed by 181 MFI clients as part of the study, and information was gathered through interviews with key informants.

A study was undertaken by Muthoka (2017) to determine how microfinance affected the financial viability of small- and medium-sized businesses in the Nairobi East Area. The study used CAMCCUL (Cameroon Cooperative Credit Union League) as a case study in its methodology. According to the study's findings, microfinance is a valuable resource for developing nations since it may meet the different requirements of the most vulnerable members of society.

Cooper (2012) studied how microfinance services affected the expansion of SMEs in Uganda. The research focused on 50 SMEs in Nairobi. The researcher collected data using a self-created questionnaire, and then utilized quantitative analysis to examine the data. The study found that microfinancing plays a significant role in the growth of SMEs. It was shown that a sizable portion of SMEs have access to and do apply for microcredit for their companies. The study also found that businesses that used microfinance services were able to transform their status by increasing their sales from micro to small and from small to medium-sized businesses.

Koech (2011) carried extensive research to determine the financial limitations that impede the expansion of SMEs in Kenya. By modifying the case study methodology, the researcher focused on SMEs in the Kamukunji District. The primary tool for data gathering in the study was structured questionnaires. With the aid of SPSS, data were processed to produce percentages and frequency distribution tables through exploratory factor analysis and descriptive analysis. It was determined that capital access, cost, capital market collateral requirements, information access, capital management, and registration costs were the issues limiting the expansion of SMEs. The report suggested that in order to make loans to businesses more accessible to SMEs, collateral restrictions be relaxed.

2.7 Critical review and research gap identification

According to the Refera et al. (2016) study conducted in Africa, which emphasizes human resources as one method of achieving performance, the general criticism focuses on the fact that most business institutions need to have both capital, material, and human resources to compete in the current market.

According to Menike's (2019) study, which examined the impact of financial literacy on the performance of small and medium-sized businesses in Sri Lanka as of December 26, 2018, an increase in saving results in an increase in income. The majority of businesses lack the funds to make additional investments, and their spending far outpaces their ability to save, which results in meager saving habits.

According to a study by Muraga and John (2015), income earners must get investment capital in order to achieve sustainability and development. Based on this perception, the issue that persists today is the difficulty in obtaining loans or other forms of assistance from microfinance institutions or significant development banks. Because of this, the majority of small and medium-sized businesses continue to produce less and of lower quality than those that have made significant capital investments.

According to a study by James (2014) on how to increase saving levels, the most frequent issue that keeps coming up is that low-income people don't have enough money to start new saving habits. As a result, consumption has an impact on how much small business owners save. It is crucial to remember that in order to increase saving, there needs to be enough money set aside for investments that will bring in a sufficient income.

According to Rose (2016), the majority of enterprises who receive microfinance credits do not receive opportunities and end up operating in a competitive market. The finding of this theory's goal is that financing decisions for SMEs may be crucial for achieving the sustainable development of low-income earners.

According to Wakaba (2014), access to capital opens up prospects for SMEs to perform financially and for businesses to become more innovative. Therefore, the difficulties experienced by financial organizations during financing demands are generally disregarded by studies. To achieve sustainable development for business owners and the nation at large, it is important to strengthen the role of microfinance institutions and other financing organizations.

Odell (2010) claims that the majority of studies have connected microfinance with an improvement in SMEs' performance. This explains why it is becoming increasingly popular in most nations as one of the tactics used by SMEs, who contribute to the GDP of the nation. Nevertheless, the same has drawbacks as well. Some microloan beneficiaries claim they used their loans for consumption rather than investing the money in businesses that would generate income. In a vicious spiral, loans are also obtained from one lender to repay another. The loans have also plunged the majority of SMEs into utter destitution, particularly when they have been exploited as conduits by some family members, particularly wives, who steal the money and leave the business owner to pay. Borrowers should receive instruction from microfinance institutions on how to use their loans. The utilization of borrowed funds and their impact on the performance of SMEs should be the subject of additional investigation, to sum up.

2.8 Summary of the chapter

This chapter outlines the study variables based on critical analysis, theoretical literature, empirical data, and research gaps. In this chapter, the researcher offers details about the contributions that microfinance institutions have made to the success of SMEs by citing the opinions of many authors. This study is being conducted to help people understand the role played by microfinance institution services on the performance of SMEs with limited capital to gain market share. Microfinance institutions face a variety of problems related to capital management, collateral requirements, and registration costs.

CHAPTER THREE:

METHODS

3.0 Introduction

This chapter's main goal was to explain the strategies utilized in the analysis as well as the procedures for gathering data. It also describes how the research was conducted. The research design employed in the understudied work is briefly explained in this chapter's opening. The description will also include information about the demographic, sample size, research methodology, and data analysis process.

3.1 Research design

The research used a descriptive survey methodology. For describing a population that is too big to be observed directly, a survey is utilized to gather original data (Mouton, 1996). In a survey, participants respond to the researcher's questions in order to share information about themselves (Pout and Hungler, 1993). In this study, data were gathered through a self-administered questionnaire that the researcher physically gave to study participants. A descriptive survey was chosen because it accurately depicted or accounted for the traits of a specific person, circumstance, or group, such as their behavior, opinions, abilities, beliefs, and knowledge. The study's goals were met by this choice of design.

3.2 Population and sampling

3.2.1 Study population

According to Oso and Onen (2008), the study population refers to the total number of participants or the study area that the researcher is interested in. In Kabale town, Kabale district, 71 respondents—retail shop owners, attendants, cashiers, SACCO owners, restaurants, schools, hard goods, pharmacies, and anybody else with the necessary information—participated in the study. The sensitivity of the research population study to MFI services was taken into consideration, and they were willing to share that information.

3.2.2 Sample size

A sampling of the entire population was used. Examining the entire population, or the overall population that has a specific set of characteristics, is a form of purposive sampling strategy. The researchers chose this method since the majority of SMEs in the Kabale district had comparable knowledge, abilities, and experience. Consequently, 71 people were chosen from the population to take part in the study. This group included 30 salon business owners, 15 retail shop owners, 5 Sacco owners, 10 school owners, 5 drug store owners, and 6 restaurant proprietors.

Kish (1965) determined the sample size. The sample size was calculated with some degree of accuracy using the general population in the formula. The sample in this instance was established as follows:

$$\mathbf{n = p \times q \times \frac{(Z_{\&/2})^2}{e}} \textbf{ or}$$

$$\mathbf{n = Z^2_{\&/2} \times \frac{(p) \times (1-p)}{e^2}}$$

Where:

n = desired sample size

p = Target population (SME owners) = 4.9% = 0.049

q = Non-target population (none SME owners) = 95.1% = 0.951

e = the level of statistical significance set = 5% = 0.05

$Z_{\&/2}$= the standard normal deviation at the required confidence level (in this case 1.96)

Substituting the values into the formula: $n = 0.049 \times 0.951 \times \frac{(1.96)^2}{0.0025}$ = **71 respondents**

Table 3.1: Population and sample size distribution

Respondents	Population	Target sample
Retail shops	15	15
Sacco owners	5	5
Schools' owners	10	10
Drug shops owners	5	5
Restaurants owners	6	6
Salons	30	30
Total	**71**	**71**

Source: KMC (2017)

3.2.3 Sampling Techniques

According to Kothari (2007), sampling design/technique refers to a specific strategy for taking a sample from the sampling frame. The study used stratified random sampling as well as nonprobability random sampling approaches to pick the respondents, along with purposive sampling. Identification and selection of people or groups with expertise or experience in the subject of interest were required for purposeful sampling (Cresswell & Plano, 2011).

In order to adopt the stratified sample technique, the population of the Kabale Municipality was divided into two strata: employees of retail stores, Saccos, schools, drugstores, restaurants, and salons; and business owners of these establishments. Up until the required population was reached, simple random sampling was utilized to identify the specific members of each stratum to be researched.

3.3 Data sources

Data from both primary and secondary sources were used by the researcher. A primary data source is an original source, meaning it contains information that was gathered directly from the source by the study team (Sekaran, 2003). Interviews in person and questionnaires were used to gather primary data. Primary data, according to Mutai (2019), allow the researcher to speak with the material's creator directly and acquire information that hasn't been changed to support particular ideas. Secondary data, on the other hand, was acquired through looking through articles from the internet, books, journals, and other sources.

3.4 Data collection Methods

3.4.1 Questionnaire method

A questionnaire is a written document with questions created by the researcher and answered by the respondents. The Kabale Municipality's SMEs' employees were surveyed to gather information. There were open-ended questions on the survey. Since responders must only select one answer from the options provided, open ended questions are anticipated to provide the researcher with unambiguous information.

3.5 Data collection tools

Data for this study was collected through self-administered questionnaires.

3.5.1 Structured Questionnaire

A questionnaire is an instrument for gathering data that has been properly prepared (Bell, 2010). The respondents' information was gathered by a self-administered questionnaire. Because it is less expensive and doesn't require the researcher to be present while the respondents fill it out, this instrument was chosen. The questionnaire primarily collected information from workers at various companies in Kabale Municipality. The questionnaire also recorded the respondents' sociodemographic traits and viewpoints on SMEs. With the assistance of four research assistants, the researcher administered it to the respondents. There were open-ended questions on the survey. Where the questions did not adequately capture the respondents' range of opinions, these questions allowed them the chance to express themselves. A questionnaire with an interval Likert Scale was created and used. The ratings were given in the following order: 5-strongly Agree, 4-agree, 3-neutral, 2-disagree, and 1-strongly disagree, rated from 5 to 1.

3.6 Quality of Data Collection Instruments

To ensure that quality and relevant data is collected, the researcher will ensure that procedures are taken for acceptable levels of validity and reliability of the instruments.

3.6.1 Validity

According to Amin (2005), an instrument's validity is the extent to which it accurately measures the thing that it is intended to measure. When a concept, conclusion, or measurement is well-founded and accurately captures reality, it is said to be valid. By giving part of the instruments to two professors (supervisors), who were asked to remark on the items' relevance. Each supervisor rated the items on a two-point rating scale of Relevant (R) and Irrelevant (IR). The computation of Content Validity Index (CVI)was done by summing up the judges' ratings on either side of the scale and dividing by two to get the average. The items rated irrelevant were replaced with relevant ones. The Content Validity Index (CVI) was determined by the formula below;

$$CVI = \frac{\text{Number of items considered valid}}{\text{Number of items on the draft questionnaire}}$$

Where: n = number of items rated as relevant

N= Total number of items in the instrument

A CVI of 0.7 and above for any instruments was considered valid for the study in accordance with Amin (2005). All questions deemed not valid was edited or dropped per the recommendation of the experts.

3.6.2 Reliability

Reliability is the measure of the degree to which a research instrument yields consistent results or data after repeated trails (Sekaran, 2003). Reliability also refers to the ability of the instrument(s) to collect the same data consistently under similar conditions. To determine the reliability of the research instruments, a pre-test of the instruments was undertaken in a similar environment using the same tools. The instrument was pretested once with thirty-five respondents, and the Chronbach's alpha was used to correlate the scores of the responses.

The formula for Cronbach's Alpha to be used is as follows:

A Cronbach's Alpha = (n/ n-1) (SD^2 - ∑Variance)/SD^2

where: n= Number of items on the test

SD= The Standard Deviation for the set of test scores, and ∑Variance = Summation of the variances of the scores for each of individual item on the test.

A Cronbach's Alpha of above 0.7 showed that the tool was reliable. The higher the reliability coefficient, the higher the reliability of the instrument.

3.7 Data Collection Procedures

The researcher conducted the necessary introductions to the chosen small and medium enterprises in Kabale Municipality after receiving an introduction letter from the directorate of post graduate studies at Kabale University and clearly outlining the study's aims. The researcher formally started the data collection process after gaining approval from the Small and Medium Enterprises Authority. Two research assistants assisted in distributing questionnaires to the staff members. The respondents were urged to complete the questionnaire as soon as it was handed to them. Interviews were scheduled and subsequently conducted at several corporate locations. Respondents who declined to participate in the study in the businesses were respected as well.

3.8 Data Presentation

3.8.1 Qualitative data

The qualitative interview material was organized by transcription. Before classifying and categorizing the qualitative data into different themes and categories, the researcher first read through the information to obtain a general understanding of it and to consider its overall significance. The closed-ended questionnaire items' numerical data, on the other hand, was converted into numbers, one for each value, making it easier to enter the information into the data analysis program.

3.8.2 Quantitative Data

Quantitative data from the closed ended questionnaire items was converted into numbers, one for each value for easy entry into the data analysis computer package.

3.9 Data Analysis

3.9.1 Quantitative Data Analysis

The data collected was cleaned, edited and coded to avoid incompleteness during entry. The data was then subjected to the relevant data cleaning, processing and analysis. Data processing and analysis was achieved using Statistical Package for Social Sciences (SPSS) Version 22.0.

Frequencies, means, modes, standard deviations, and variance were used as descriptive statistical tools to analyze data at the univariate level, while spearman's correlation and regression analysis were used as inferential statistical tools to test for significant associations between dependent and independent variables at the bivariate and multivariate levels, respectively.

The results of the analysis were presented using tables, charts, and graphs. The following regression model served as the investigation's main inspiration.

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon$$

Where:

Y is performance of small and medium enterprises

β0 is Constant

X1 is financial literacy

X2 is Development of managerial skills

X3 is Marketing facilitation

ε is Error term

β1, β2, β3 are Regression coefficients of independent variables.

Using Spearman's coefficient of correlation (r2) at a significance level of 0.05, the significance of the relationship between each of the three independent variables (financial literacy, development of managerial skills, and marketing facilitation) and performance of small and medium enterprises was determined.

3.9.2 Qualitative Data Analysis

In order to analyze and contrast similarities and differences, qualitative data was divided into major themes and categories and thoroughly examined. Narratives from interviews were incorporated into the presentation of the qualitative data in order to highlight a few key ideas and viewpoints.

3.10 Research Ethical Considerations

The study's biggest ethical problem was maintaining the respondents' secrecy and privacy. The researcher made sure that nowhere on the equipment used to gather data did names need to be entered. Additionally, the researcher made sure that every respondent understood what the study's goals were. The participants' permission was also obtained by the researcher. Respect was shown for individuals who didn't want to participate or afterwards changed their minds.

3.11 Limitations of the study

The researcher was constrained in several ways.

Covid-19 constraints. Since the COVID-19 pandemic was still in existence, research participants were hard to engage for fear of contracting the disease. However, the researcher ensured and observed all Covid-19 SOPs while engaging respondents to participate in the study.

Information concealment; this was caused by the respondents mistaking the researcher as a tax collecting government organs (URA) since most of the SMEs lacked the necessary documents like trade licenses and tax slips that authorized them operate. The researchers loved this challenge by explaining the purpose of the study to the respondents.

The information obtained was less similar since large proportion where the study was carried out had different cultural values. However, the study findings were affected by limited feedback because of the high level of illiteracy amongst the SMEs operators in Kabale town.

Failure to collect enough data and local research findings relevant to the study topic was another significant setback for the investigation. However, the researcher's internet download and evaluation of published articles/journals was able to fix this issue.

Given that the study was on SMEs operations, some data was regarded as sensitive and confidential to some business owners. However, this was avoided by telling respondents that the information they provided was for academic purposes only and would be kept in the strictest confidence.

CHAPTER FOUR

RESULTS

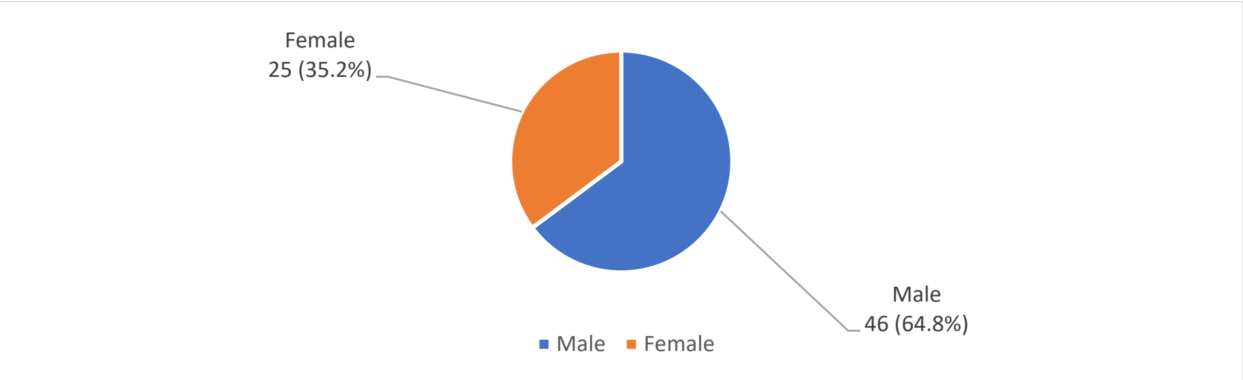
4.0 Introduction

The analysis and interpretation of the study's findings are presented in this chapter. There were numerous tables, pie charts, and graphs employed. The results are presented as sociodemographic traits, the impact of financial literacy training on the performance of small and medium-sized businesses, the impact of managerial skill development on the performance of small and medium-sized businesses, and the impact of marketing associations and SME clubs on the performance of small and medium-sized businesses. 71 respondents received questionnaires, which they were instructed to submit by December 15, 2022. The study reached out to and collected data from all of the individuals it had targeted, yielding a 100% response rate.

4.1 Socio-demographic characteristics

The main demographic factors that were looked at in this study were age, marital status, degree of education, and business sector. To determine if the sample characteristics accurately represented the respondents' backgrounds, background information was gathered.

Figure 4.1: Gender of the respondents (n= 71)



According to figure 1 above, 64.8% of respondents were men and 35.2% were women. The bigger number of men participating in the study than women was a depiction that the SMEs sector in the area has attracted more men than women.

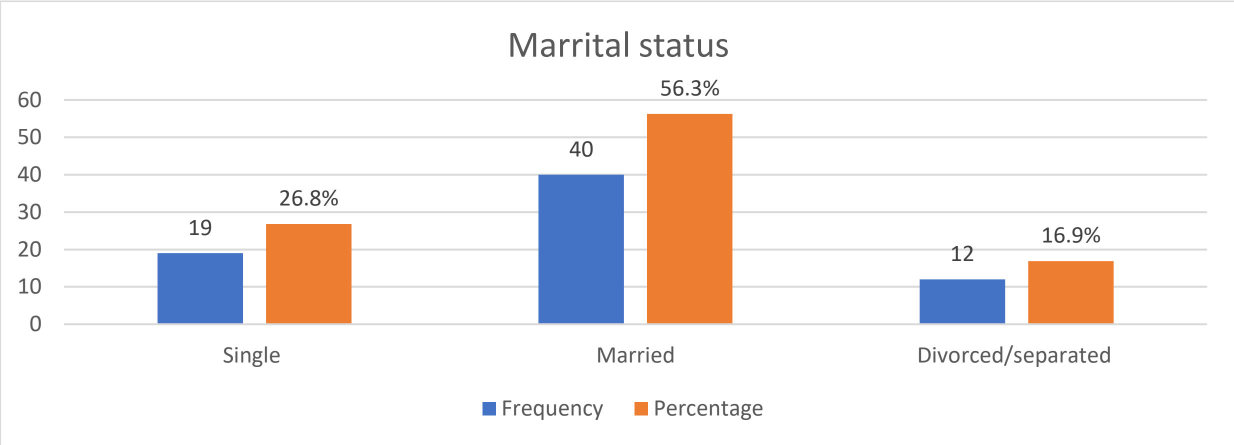
Table 4.1: Age bracket of the respondents

	Category	Frequency	Percentage
Age	20 – 25	7	9.8

26 – 30	12	16.9
31 – 35	30	42.3
36 +	22	30.9
Total	***n*= 71**	**100.0**

Results in table 4.1 indicate that 42.3% of the respondents were aged 31 – 35, 30.9% above 36 years whereas 16.9% and 9.8% were aged 26 – 30 and 20 – 25 years respectively.

Figure 4.2: Marital status of the respondents (n= 71)



More than a half (56.3%) of the respondents were married, 26.8% non-married while 16.9% were separated and divorced respectively.

Figure 4.3: Educational qualification of the respondents (n= 71)

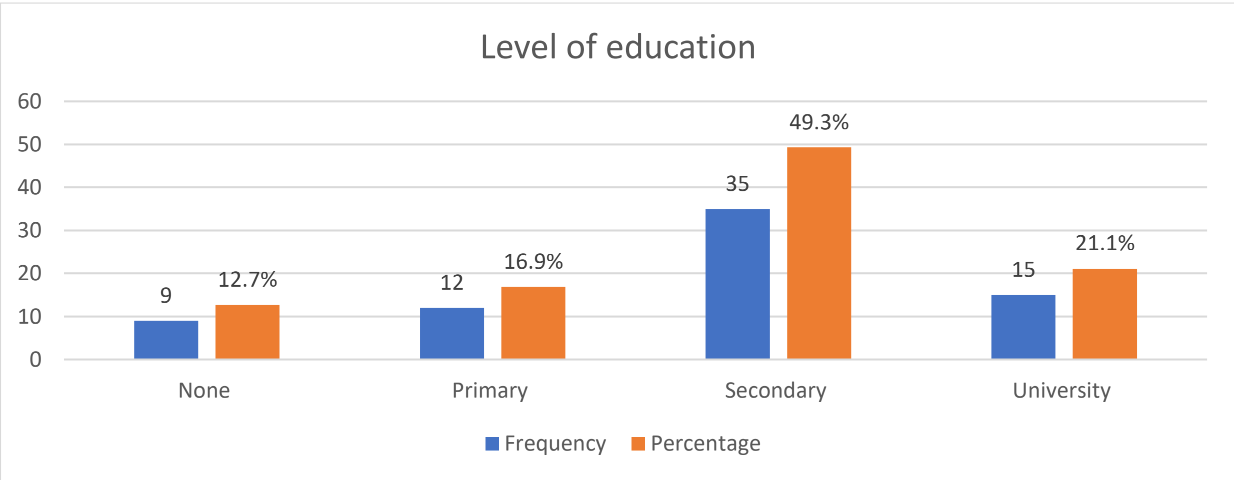


Figure 3 above illustrates that the majority of respondents (49.3%) had completed their secondary education, while 12.7% had never attended school. 21.1% of respondents held university degrees.

Table 4.2: Area of business

	Category	Frequency	Percentage
Area of business	Retail shops	38	53.5
	Sacco	3	4.2
	Super market	12	16.9
	Carpenter	8	11.3
	Others	10	14.8
	Total	***n*= 71**	**100.0**

More than half (53.5%) of the respondents were in the retail industry, followed by 16.9% super markets, 14.8% other businesses including drug stores, and 11.3% and 4.2% each in the carpentry and Sacco's industries.

4.2 Effect of provision of financial Literacy on the performance of small and medium enterprises

This component of the study addressed the primary research goal of the project, which was to determine the effect of financial literacy provision on the performance of small and medium-sized businesses in Kabale District. As can be seen in tables 4.3 and 4.4, average scores, standard deviation (Mean Std. Dev.), correlation analysis using spearman's rho, and other metrics were used to analyze and study the effect of financial literacy on the performance of small and medium-sized firms.

Table 4.3: Univariate analysis for the effect of financial literacy on the performance of SMEs

Statements	Mean ± Std. Dev.
Financial knowledge acquired through learning improves SMEs owners the ability to manage income, expenditure and savings in a safe way	3.25 ± 1.218
Financial management programs like cash books are used to record business revenue and expenses which helps business owners to reduce on expenses through better regulation	4.89 ± .048
Good financial behavior involves the ability to make financial decisions that increase wealth and prevent uncertainties for business	3.25 ± 1.136
Savings literacy allows business owners to create saving plans for business expenses hence reducing financial stress and anxiety	4.47 ± 1.015
Financial literacy helps business owners to separate personal income/expenses from business income/expenses hence boosting profitability	4.54 ± 0.901
Financial literacy enables business owners to use financial information in the financial statements to manage the business.	3.73 ± .673
Debt literacy helps SMEs owners to manage credit risks and paying off loans on time.	4.53 ± .843

Investment literacy helps business firms to diversify their investments and change them depending on the return or revenue obtained.	4.78 ± .575
Investment literacy help business owners to create investment plans that enable them avoid risks as well as monitor returns from investments.	4.42 ± .790
Debt literacy enables business firms to know their credit worth and place them in position to pay.	3.87 ± 1.393

Source: Field data 2022

The outcomes of the provision of financial literacy on the performance of small and medium-sized businesses in Kabale District were given in table 3 above in a variety of forms. The majority of respondents were indifferent to the idea that gaining financial knowledge through education enhances SMEs owners' capacity to manage income, expenditure, and savings in a secure manner, according to the average Std. Dev (3.25 1.218) of the sample. An average score of 4.89 .048 showed that respondents generally agreed that financial management tools, such as cash books, are used to track business income and expenses, enabling business managers to control costs more effectively. More significantly, a mean score of 3.25 1.136 showed that respondents generally agreed with the assertion that wise financial behavior entails the capacity to make choices that boost wealth and reduce uncertainty for businesses.

The fact that savings literacy enables business owners to set saving strategies for business expenses thus lowering financial stress and anxiety had an average score of 4.47 1.015, indicating that respondents generally agreed with this statement. The majority of respondents, with a mean of 4.54 0.901, agreed that financial literacy enables business owners to distinguish between personal and business spending, increasing profitability.

Additionally, respondents' responses to the assertion that financial literacy enables business owners to use financial information in the financial statements to manage the business were neutral, as evidenced by an average score of 3.73 .673. Participants were completely in agreement that debt literacy aids SMEs owners in managing credit risks and timely loan repayment, as indicated by their average score of 4.53 .843.

The majority of respondents strongly agreed that investing literacy aids business firms in diversifying their investments and changing them based on the return or revenue realized, as evidenced by the average score of 4.78 .575 on the survey. The majority of respondents, with a mean of 4.42 .790, agreed that investing literacy enables business owners to build investment strategies that allow them to minimize risks and track investment returns. With a median score of 3.87 1.393, respondents' attitudes about the idea that debt literacy helps businesses understand their credit worth and put them in a position to pay were indifferent.

Table 4.4: Bivariate analysis for the effect of financial literacy on the performance of SMEs

	Performance of SMEs	
Financial literacy	Spearman's rho (r_s)	p-value
Safe management of income, expenditure and savings	0.633	0.002
Regulation of business revenue and expenses	0.064	0.641
Improved financial decision making	0.467	0.004
Creation of saving plan for business expenses	0.720	0.057
Separation of personal income/expenses from business income/expenses	0.978	0.000
Credit risk management and timely payment of loans	0.879	0.001
Investment diversification and change based on returns/ revenue	0.956	0.000
Improved monitoring of returns on investments	0.278	0.231

Table 4.4 displays the findings of the bivariate analysis for the impact of financial literacy on the performance of SMEs in the Kabale District. At 95% and 5% level of probability, financial literacy in form of safe management of income, expenditure and savings had a strong association with performance of SMEs (r_s = 0.633, p=0.002), improved financial decision making had a moderate association with SMEs performance (r_s = 0.467, p=0.004), separation of personal income/expenses from business income/expenses had a very strong association with performance of SMEs (r_s = 0.978, p=0.000), credit risk management and timely payment of loans presented a very strong association with performance of SMEs (r_s = 0.879, p=0.001), and finally investment diversification and change based on returns/ revenue which also had a very strong association with performance of SMEs (r_s = 0.956, p=0.000). On the other hand, SMEs performance was not significantly associated with regulation of business revenue and expenses, creation of saving plan for business expenses and improved monitoring of investments returns.

4.3 Effect of development of managerial skills on the performance of small and medium enterprises

The second objective of the study, which looks at how the performance of small and medium-sized businesses in the Kabale District is affected by the development of managerial skills, is covered in sub-section 4.3. Similar to goal one, the impact of developing managerial abilities on the performance of SMEs was examined using average scores and standard deviation (Mean Std. Dev.)

at the bivariate level as well as spearman's rho correlation analysis, as shown in tables 4.5 and 4.6, respectively.

Table 4.5: Univariate analysis for the effect of managerial skills development on the performance of SMEs

Variable statement	Mean ± Std. Dev.
Effective managerial skills play a key role in the internal governance of SMEs, enabling them to survive, compete and thrive in a dynamic business environment.	4.38 ± 1.029
Good managerial skills increase organizational vision by fulfilling its objectives and strategic plans	4.45 ± 1.032
Managerial skills consist of a combination of characteristics that enable managers and employees to achieve better results business	4.67 ± .735
Financial knowledge and skills are one of the most important managerial skills that fuel the development of the SMEs	3.99 ± 1.418
Good managerial skills motivate employees to work harder hence achieve better results	3.49 ± 1.059
Managerial skills are one of the crucial skills entrepreneurs need to run their businesses successfully.	4.65 ± 1.066
Human relations skills build the abilities of managers to establish and maintain good contacts with subordinates, superiors and customers which is key for business performance	4.99 ± .518
Good human relations which is an aspect of management is one of the crucial skills that help both small and large firms increase employee productivity and make significant contribution to business performance.	3.97 ± 1.037
Managerial skills lead to good governance and leadership which encourages SMEs employees to work harder	3.78 ± 1.042

According to results in table 4.5 above, a mean score of 4.38 ± 1.029 indicated that most respondents were in agreement that effective managerial skills play a key role in the internal governance of SMEs, enabling them to survive, compete and thrive in a dynamic business environment. More so, a score of 4.45 ± 1.032 revealed that respondents were in agreement that good managerial skills increase organizational vision by fulfilling its objectives and strategic plans. Furthermore, a score of 4.67 ± .735 expressed that respondents strongly agreed that managerial skills consist of a combination of characteristics that enable managers and employees to achieve better results business, while an average of 3.99 ± 1.418 showed that respondents generally agreed that financial knowledge and skills are one of the most important managerial skills that fuel the development of the SMEs.

A score of 3.49 ± 1.059 revealed that most of the respondents were undecided about the statement that good managerial skills motivate employees to work harder hence achieve better results. In addition, an average score of 4.65 ± 1.066 illustrated that a big number of respondents strongly agreed that managerial skills are crucial for entrepreneurs to run their businesses successfully. An average of 4.99 ± .518 postulated that most participants were in a strong agreement that Human relations skills build the abilities of managers to establish and maintain good contacts with subordinates, superiors and customers which is key for business performance.

A score of 3.97 ± 1.037 proved that most respondents were in agreement that good human relations an aspect of management is one of the crucial skills needed by both small and large firms to increase employee productivity and make significant contribution to business performance. Similarly, a score of 3.78 ± 1.042 revealed that majority of the respondents were in agreement that managerial skills lead to good governance and leadership which encourages SMEs employees to work harder.

Table 4.6: Bivariate analysis for the relationship between managerial skills development and performance of SMEs

	Performance of SMEs	
Managerial skills development	Spearman's rho (r_s)	p-value
Improved internal governance of SMEs	0.755	0.001
Building the abilities of managers to establish and maintain good contacts with subordinate	0.098	0.624
Combining characteristics for achieving better results	0.468	0.004
Encouraging employees to work harder	0.380	0.083
Fueling the development of SMEs	0.885	0.000
Employee motivation and productivity	0.738	0.002
Achieving organizational vision by fulfilling objectives and strategic plans	0.967	0.000

Results in table 4.6 shows the bivariate analysis between managerial skills development and performance of SMEs and was measured at 5% level of probability. At bivariate level, SMEs performance had a strong relationship with improved internal governance of SMEs (r_s = 0.755, p=0.001), a moderate relationship with combining characteristics (r_s=0.468, p=0.004), very strong relationship with fueled SMEs development (r_s = 0.885, p= 0.000), a strong correlation with employee motivation and productivity (r_s = 0.738, p=0.002) and a very strong association with achieving organizational vision by fulfilling objectives and strategic plans (r_s = 0.967, p= 0.001). On the other hand, SME performance was not significantly associated with employee encouragement and building the abilities of managers to establish and maintain good contacts with subordinate.

4.4 Effect of marketing facilitation through SME Clubs, marketing associations on the performance of small and medium enterprises

This section of the study addresses research objective three which assess the effect of Marketing Facilitation through SME Clubs, marketing associations on the performance of small and medium enterprises in Kabale District. The effect of marketing facilitation on the performance of SMEs was analyzed using average scores and standard deviation (Mean ± Std. Dev.) as well as spearman's rho correlation analysis as presented in tables 4.7 –4.8 respectively.

Table 4.7: Univariate analysis for the effect of marketing facilitation on the performance of SMEs

Variable statement	Mean ± Std. Dev.
Marketing associations offers personal liability protection, business security and continuity, and easier access to capital.	4.17 ± .636
Marketing associations create less competition and business environment among SMEs	4.76 ± .517
Marketing associations help SMEs more targeted community	4.79 ± .607
Marketing associations makes business advertisement cost effective through shared costs	4.78 ± .607
Marketing associations allow content/advertising to be more easily tailored to the audience.	4.59 ± .725
Marketing associations improves SMEs ability to reach a more niche audience.	4.99 ± .433
Marketing associations provides its members with opportunities to network and share information and resources.	4.08 ± 1.024
Marketing associations empowers staff to manage in dynamic environments, trains staff, encourages staff interaction and provides guidelines for staff to effectively observe and report on progress	3.68 ± 1.378
Marketing associations fosters more appropriate decision-making by providing a clear direction concerning the behaviors required for improving competitiveness	4.67 ± .806
Membership in a small business associations create exposure to other businesses coalitions and organizations that can helps business succeed.	3.55 ± 1.557
Marketing facilitation offers a collective voice for small business owners.	4.87 ± .668

Results of Univariate analysis for the effect of marketing facilitation on the performance of SMEs were presented in table 4.7. From the analysis, an average score of 4.17 ± .636 revealed that respondents were in agreement that marketing associations offers personal liability protection, business security and continuity, and easier access to capital. An average score of 4.76 ± .517 also showed that respondents were in agreement that marketing associations create less competition and business environment among SMEs. More so, a Mean ± Std. Dev (4.79 ± .607) revealed that respondents were in a strong agreement with the statement that marketing associations help SMEs more targeted community.

A mean of 4.78 ± .607 indicated that respondents were in agreement that marketing associations makes business advertisement cost effective through shared costs. An average score of 4.59 ± .725 implied that respondents were in a strong support that marketing associations allow content/advertising to be more easily tailored to the audience. A Mean ± Std. Dev (4.99 ± .433) postulate that respondents strongly agreed that marketing associations improves SMEs ability to reach a more niche audience.

An average mean of (4.08 ± 1.024) revealed that respondents were in agreement that marketing associations provides its members with opportunities to network and share information and resources. Respondents were further in agreement that marketing associations empowers staff to manage in dynamic environments, trains staff, encourages staff interaction and provides guidelines for staff to effectively observe and report on progress (3.68 ± 1.378).

A score of (4.67 ± .806) revealed that most respondents were in a strong agreement that marketing associations fosters more appropriate decision-making by providing a clear direction concerning the behaviors required for improving competitiveness. A score of 3.55 ± 1.557 revealed that most respondents were neutral about the statement that business associations create exposure to other business coalitions and organizations which helps business succeed. Lastly a mean average of 4.87 ± .668 indicates that majority of the respondents strongly agreed that marketing facilitation offers a collective voice for small business owners.

Table 4.8: Bivariate analysis for the relationship between marketing facilitation and performance of SMEs

	Performance of SMEs	
Marketing facilitation	Spearman's rho (r_s)	p-value
Personal liability protection, business security and continuity and access to capital	0.753	0.002
Creation of less competitive business environment	0.288	0.004
Fosters appropriate decision-making	0.461	0.353
Cost effectiveness of business advertisement through shared costs	0.389	0.239

Opportunity to network and share information and resources	0.878	0.001
Collective voice for small business owners	0.956	0.000
SME's ability to reach a more niche audience	0.518	0.124
Empowering staff to manage in dynamic environments	0.716	0.003
Exposure to other business coalitions and organizations	0.992	0.000

Results for the relationship between marketing facilitation and performance of SMEs were presented in table 4.8 above. At bivariate level, SMEs performance had a strong relationship with personal liability protection, business security and continuity and access to capital (r_s = 0.753, p=0.002), a weak correlation with less competitive business environment (r_s=0.288, p=0.004), very strong relationship with networking, information and resource sharing (r_s = 0.878, p= 0.001), a very strong correlation with collective voice for small business owners (r_s = 0.956, p=0.000), a strong correlation with staff empowerment and management of dynamic environments (r_s = 0.716, p=0.003) and a very strong association with exposure to business coalitions and organizations (r_s = 0.992, p= 0.000).

4.5 Regression Analysis

In order to establish the effect predictor variables, have of the dependent variables, multiple regression was conducted as presented in table 4.9 below.

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.925a	.856	.803	.547
a. Predictors: (Constant), MFI services (financial literacy, managerial skills and marketing facilitation)				

Source: Research findings (2022)

The researcher utilized the coefficient of determination found in the model summary in table 4.9 above to explain the percentage of variation in the dependent variable (SME performance). According to the analysis, the provision of financial literacy, the development of managerial abilities, and the facilitation of marketing (via SME Clubs, marketing groups) accounted for 85.6% of SME performance. Other services, which were not looked at in this study, accounted for the remaining 14.4%. A stronger linear relationship between the independent and dependent variables is also implied by a larger R2 value. The output also shows F values of 15.907 and p values of 0.001 and 0.05 (Table 4.10), suggesting that the regression model can be used to evaluate SME performance.

Table 4.10: Analysis of variance

Model	Sum of Squares	Df	Mean Square	F	Sig
Regression	14.274	4	4.758	15.907	.001[b]
Residual	2.393	28	.299		
Total	16.667	33			

The ANOVA results indicated that the regression model was highly significant in forecasting the connection between the predictor variables and the performance of SMEs in Kabale District, as the p-value was less than or equal to 0.05 and a probability value of 0.001 was acquired.

Table 4.11: Test of coefficients

	Unstandardized Coefficients		Standardized Coefficient		
Model	B	Std Error	Beta	t	sig
(Constant)	2.021	1.681		1.203	.263
Financial literacy	.367	.185	.348	1.984	.012
Managerial skills	.271	.080	.491	3.386	.010
Marketing facilitation	.211	.081	.425	2.584	.032
a. Dependent Variable: Performance of SMEs					

The researcher performed a basic regression analysis to investigate the impact of microfinance institution services on small and medium enterprises' (SMEs) performance. The study was conducted with a 95% confidence interval and a 5% significance level. The coefficients in the analysis were used to explain the effects of unit changes in the independent variables on the probabilities of the outcome. As predicted, financial literacy (β= 0.367) was a strong predictor of SMEs' performance, indicating that a unit change in financial literacy would increase SMEs' performance by 0.367. Similarly, the development of managerial skills (β= 0.271) had an effect on SMEs' performance, as a unit change in managerial skills increased performance by 0.271. Additionally, marketing facilitation through SME clubs and marketing associations predicted SMEs' performance, with a unit change in marketing facilitation leading to an increase in performance by 0.211.

CHAPTER FIVE:

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter of the study presents the discussion, conclusion and recommendations based on the study objectives. The chapter also suggests the key areas for further research.

5.1 Discussion of findings

This sub-section presented discussions of the study findings in relation to problem statement and available literature review. The discussion entailed drawing inferences between the study findings and previous studies conducted on the same subject matter. The discussions were aligned in line with the study objectives.

5.1.1 Effect of provision of financial literacy on the performance of small and medium enterprises

The study concluded that financial literacy services had a positive impact on the performance of small and medium-sized enterprises (SMEs) in Kabale district. Various aspects of financial literacy such as savings, debt, and investment literacy were found to improve income, expenditure and savings management, enhance financial decision-making, separate personal and business income and expenses, facilitate timely loan repayment, and encourage investment diversification.

The study's results are consistent with a 2013 Ministry of Finance report, which emphasized that SME owners need to develop financial literacy skills and knowledge to achieve financial goals, plan ahead, and make wise decisions about future spending and saving, particularly during times of low or irregular income. Respondents noted that savings literacy helped reduce financial stress and anxiety by creating savings plans for business expenses, while investment literacy facilitated investment diversification and revenue optimization.

Menike (2019) supported these findings, explaining that financial literacy enables individuals to adopt good money management practices for earning, spending, saving, borrowing and investing, and empowers them to make sound financial decisions. Mallinguh et al. (2020) and Muthoka (2017) also confirmed that financial literacy programs increase customers' understanding of basic financial concepts and enable them to make appropriate financial decisions, while empowering them with skills in emotional management and psychological factors that influence financial decision-making.

5.1.2 Effect of development of managerial skills on the performance of small and medium enterprises

The study discovered that enhancing the managerial skills of small and medium enterprises in Kabale district had a positive impact on their performance. For instance, the development of managerial skills improved the internal management of SMEs, increased their organizational vision, and motivated employees, all of which contributed to their performance. Improving internal management is essential for SMEs to survive, compete, and thrive in a constantly changing business environment. This finding was supported by Agyapong and Attram's 2019 study, which found that strong conceptual skills are critical for SMEs' growth, and the lack of such skills makes it difficult to achieve sustainability and growth.

The study also suggested that conceptual skills and SME expansion are positively correlated and that the relationship between conceptual abilities and SME expansion is mediated by strategic planning. Respondents also emphasized the importance of good human relations, which is a crucial skill that can help SMEs of all sizes increase employee productivity and contribute significantly to business performance. Idowu's 2014 findings supported this, showing that conceptual managerial skills contribute to a firm's performance and significant growth.

Failing to properly address the dimensions of managerial conceptual skills could limit development and hinder SMEs' growth. Respondents also noted that developing managerial skills, such as human relations, enables managers to establish and maintain good relationships with subordinates, superiors, and customers, which is key to SMEs' performance. Kalio's 2016 study found that managers can create value and improve business profitability through various methods, including inventory reduction, reducing accounts outstanding days, and shortening the cash conversion cycle.

5.1.3 Effect of marketing facilitation through SME Clubs, marketing associations on the performance of small and medium enterprises

The study indicated that the performance of small and medium enterprises in Kabale district was positively influenced by marketing facilitation through SME Clubs and marketing associations. These groups provided personal liability protection, business security, access to capital, networking opportunities, information and resource sharing, and a collective voice for small business owners. These factors were crucial for SME performance. The study was supported by Berger et al. (2019), who viewed marketing facilitation as a means to promote systemic change that benefits the wider environment. Marketing associations were found to make business advertisement cost-effective through shared costs, tailor content to the audience, and empower staff to manage dynamic environments for better business results. These findings were consistent with Kalio's (2016) research, which found that marketing facilitation is a broad systemic approach that addresses key constraints facing SME owners and connects market actors in a sustainable way. Actors in the market see the benefits of these relationships, not just the facilitators.

5.2 Conclusions

1. In conclusion, the study confirmed that provision of financial literacy had a positive significant effect on the performance of small and medium enterprises in Kabale district. Financial literacy programs like savings literacy, debt literacy and investment literacy supported business owners to safely manage income, expenditure and savings, make clear financial decision, timely pay back loans as well as investment diversifications all of which improved performance of SMEs.
2. Development of managerial skills positively affected small and medium enterprises performance by improving SME governance, increasing business vision through met objectives and plans as well as motivating employees to work hard for better hence guaranteeing SMEs ability to compete, survival and thrive in a dynamic environment.
3. The study further confirmed that marketing facilitation through SME Clubs, marketing associations positively affected performance of SMEs. SME Clubs and marketing associations offered personal liability protection, business security, access to capital and resources, created a less competitive business environment, contributed to business networking and offered a collective voice for small business owners.

5.3 Recommendations

- Governmental organizations, microfinance organizations, and banks could undertake financial education initiatives to raise public awareness of unmet needs, such as better sources of funding for new firms. This will motivate SMEs to develop the areas where they are lagging. Programs for financial education will boost economic growth overall as well as business growth.
- For the benefit of both institutions as a whole, MFIs should promote their brands among SMEs in order to increase SMEs' acceptance of them.
- MFI should cut the interest rates on loans given to SMEs so that the repayment burden is not too great, as this could prevent them from making good contributions to the expansion of SMEs.

- Owners of SMEs require greater training in subjects like saving and retirement plans, debt management, budgeting and planning, and record keeping.
- MFIs should conduct thorough research on the lucrative business prospects that SMEs can pursue and only offer loans to those with anticipated high returns and low risk. This can assist in preventing financial loss due to bad debts.
- The study further recommended that the MFI provide additional managerial training to the SMEs in order to better equip them with expertise about managing their businesses, which translates into better management of money even for those advanced by MFIs.

5.4 Areas for further research

Three distinct measures—providing financial literacy, developing managerial abilities, and facilitating marketing—were the only ones included in the study. To ascertain the impact of other microfinance institution services on the performance of small and medium companies, more research should be conducted.

Another investigation should be done to see how the owners' and managers' financial attitudes affect small business success.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE FOR CUSTOMERS

Dear Sir/Madam,

My name is Mugarura Elijah, a student of Master of Business Administration of Kabale University. I am conducting a study on the "Assessment of Microfinance institution services and performance of small and medium enterprises in Kabale district". You have been selected to participate in this study by answering the following questions. Please tick the most appropriate response or elaborate where necessary. The information obtained from you shall be kept confidential and used for academic purposes only. You are also free to withdraw from participating at any time.

Section A: Background of the respondent

Section A: Bio-data of the respondents

1. Gender

(a). Male ☐

(b). Female ☐

2. Age bracket

(a) 20 - 25 ☐

(b) 26 - 30 ☐

(d) 31 – 35 ☐

(e) 36 + ☐

3. Marital status

(a) Single ☐

(b) Married ☐

(c) Divorced ☐

(d) Others………………… ☐

4. Educational qualification

(a) None ☐

(b) Primary ☐

(c) Secondary ☐

(d) University ☐

(e) Others ………………………………………………

5. Area of Business

(a) Retail shop ☐

(b) Sacco ☐

(c) Supermarket ☐

(d) Carpenter ☐

(e) Others ………………………………………………

Section B: Effect of provision of financial Literacy on the performance of small and medium enterprises

6. In this section, you are kindly requested to tick the box that most suits your response. Please use the response scale below by ticking the right number which you think is most appropriate.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
5	**4**	**3**	**2**	**1**

No.	**Variable statement**	**5**	**4**	**3**	**2**	**1**
1.	Financial knowledge acquired through learning improves SMEs owners the ability to manage income, expenditure and savings in a safe way					
2.	Financial management programs like cash books are used to record business revenue and expenses which helps business owners to reduce on expenses through better regulation					
3.	Good financial behavior involves the ability to make financial decisions that increase wealth and prevent uncertainties for business					
4.	Savings literacy allows business owners to create saving plans for business expenses hence reducing financial stress and anxiety					
5.	Final literacy helps business owners to separate personal income/expenses from business income/expenses hence boosting profitability					
6.	Financial literacy enables business owners to use financial information in the financial statements to manage the business.					
7.	Debt literacy helps SMEs owners to manage credit risks and paying off loans on time.					
8.	Investment literacy helps business firms to diversify their investments and change them depending on the return or revenue obtained.					

9	Investment literacy help business owners to create investment plans that enable them avoid risks as well as monitor returns from investments.					
10	Debt literacy enables business firms to know their credit worth and place them in position to pay.					

7. Any other information?

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Section C: Effect of development of managerial Skills on the performance of small and medium enterprises

9. In this section, you are kindly requested to tick the box that most suits your response. Please use the response scale below by ticking the right number which you think is most appropriate.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
5	**4**	**3**	**2**	**1**

No.	**Variable statement**	**5**	**4**	**3**	**2**	**1**
1.	Effective managerial skills play a key role in the internal governance of SMEs, enabling them to survive, compete and thrive in a dynamic business environment.					
2.	Good managerial skills increase organizational vision by fulfilling its objectives and strategic plans					
3.	Managerial skills consist of a combination of characteristics that enable managers and employees to achieve better results business					
4.	Financial knowledge and skills are one of the most important managerial skills that fuel the development of the SMEs					
5.	Good managerial skills motivate employees to work harder hence achieve better results					
6.	Managerial skills are one of the crucial skills entrepreneurs need to run their businesses successfully.					
7	Human relations skills build the abilities of managers to establish and maintain good contacts with subordinates, superiors and customers which is key for business performance					
8	Good human relations which is an aspect of management is one of the crucial skills that help both small and large					

	firms increase employee productivity and make significant contribution to business performance.					
9	Managerial skills lead to good governance and leadership which SMEs employees to work harder					

10. Any other information?

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Section D: Effect of marketing facilitation through SME Clubs, marketing associations on the performance of small and medium enterprises

11. In this section, you are kindly requested to tick the box that most suits your response. Please use the response scale below by ticking the right number which you think is most appropriate.

Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
5	**4**	**3**	**2**	**1**

No.	**Variable statement**	**5**	**4**	**3**	**2**	**1**
1.	Marketing associations offers personal liability protection, business security and continuity, and easier access to capital.					
2.	Marketing associations create less competition and business environment among SMEs					
3.	Marketing associations help SMEs more targeted community					
4.	Marketing associations makes business advertisement cost effective through shared costs					
5.	Marketing associations allow content/advertising to be more easily tailored to the audience.					
6.	Marketing associations improves SMEs ability to reach a more niche audience.					
7.	Marketing associations provides its members with opportunities to network and share information and resources.					
8.	Marketing associations empowers staff to manage in dynamic environments, trains staff, encourages staff interaction and provides guidelines for staff to effectively observe and report on progress					

9.	Marketing associations fosters more appropriate decision-making by providing a clear direction concerning the behaviors required for improving competitiveness					
10.	Membership in a small business associations create exposure to other businesses coalitions and organizations that can helps business succeed.					
11.	Marketing facilitation offers a collective voice for small business owners.					

13. Any other information?

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14. Any last remarks?

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Thank you for your participation

APPENDIX 1I: WORK PLAN

S/N	Activity	Timing							Responsible Person(s)
		M	J	J	A	S	D	M	
1	Research topic selection and approval								Researcher and supervisor
2	Proposal writing, correction from the supervisor, signing and handover for making								Researcher and supervisor
3	Correcting the proposal, editing the research tool								Researcher and supervisor
4	Collecting data								Researcher
5	Coding, Compiling, analyzing and interpreting data Writing a research report								Researcher and supervisor
6	Distribution of research report								Researcher

APPENDIX 1II: BUDGET

Proposal writing	4 reams of paper 10 pens Typing /printing and binding	18000x4 600x10	72,000 6,000 200,000
Training research assistants	Allowance	50,000x4	200,000
Pilot questionnaires	Transport Typing/ printing Lunch	30,000x3 5,000x10 10,000x3	90,000 50,000 30,000
Data collection	Research assistant allowance Transport allowance Lunch	100,000x2x2 50,000x2x2 10,000x2x2	400.000 200,000 40,000
	Miscellaneous		150,000
Total			1,438,000

APPENDIX 1V: INTRODUCTORY LETTER

KABALE UNIVERSITY

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DIRECTORATE OF POSTGRADUATE TRAINING

March 11th, 2023

To whom it may concern

This is to certify that ***Mr. Mugarura Elijah Reg. No. 2020/A/MBA/2560/W*** is a postgraduate student of Kabale University studying a ***Masters of Business Administration*** in the department of ***Management sciences, Procurement and Business Studies.***

He has successfully defended his Research Proposal for a study entitled,
"Assessment of Micro Finance Institution Services and performance of Small and Medium Enterprises in Kabale District."

The student is now ready for field work to collect data for his study. Please give the student any assistance you can to enable him accomplish the task.

Thanking you for your assistance,

Yours sincerely

KABALE UNIVERSITY DIRECTORATE OF POSTGRADUATE TRAINING
11 MAR 2023
P.O. BOX 317, KABALE

Assoc. Prof. Sekiwu Denis
DIRECTOR, POSTGRADUATE TRAINING