



**MICROFINANCE SERVICES AND PERFORMANCE OF SMEs IN TORORO  
MUNICIPALITY**

**BY**

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FOR THE AWARD OF A BACHELORS' DEGREE  
IN BUSINESS ADMINISTRATION OF  
BUSITEMA UNIVERSITY.**

**JANUARY, 2024**

# DECLARATION

## DECLARATION

I OMURON CUTHBERT hereby declare that the information in the research proposal is my original work which has never been presented by anybody or to any institution of higher learning for any academic award.

Signed:  .....

Date: 18<sup>th</sup> / 01 / 2024 .....


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## APPROVAL

### APPROVAL

This report is submitted to Busitema University as a partial fulfillment for the award of Bachelors of Business Administration in Accounting and Finance with my approval as the internal supervisor.

Signature  ..... Date 20/01/2024 .....

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## **DEDICATION**

This work is dedicated to my beloved mother Miss Aguti Grace who has toiled with me along on this path of Education. She has been supportive both, spiritually, morally and financially to see me prosper through this level of academic struggle. I am very happy and I feel indebted to her.

## **ACKNOWLEDGEMENT**

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## LIST OF ACRONOMYNS

CVI	:	Content Validity Index
GDP	:	Gross Domestic Product
MFI	:	Micro Finance Institutions
OECD	:	Organization for Economic Co-operation and Development
PSFU	:	Private Sector Foundation Uganda
SMEs	:	Small and Medium Scale Enterprises
SPSS	:	Statistical Package for Social Scientists
UBOS	:	Uganda Bureau of Statistics
UNCTAD	:	United Nations Conference on Trade and Development
UIA	:	Uganda Investment Authority

## **ABSTRACT**

This study examined the effect of Microfinance Services on the performance of SMEs. The study was guided by the following objectives notably, to assess the relationship between micro loan services and performance of SMEs; to examine the relationship between micro savings deposits and performance of SMEs, and to establish the relationship between financial training and performance of SMEs. The study used a cross sectional research design, and a quantitative approach. Data was collected from a target population of 100 of SMEs with accessible unit of 70 of SMEs in Tororo Municipality, using simple random and purposive sampling techniques. Data were collected with the aid of closed ended questionnaire and Statistical Packages for Social Sciences was employed for analyzing data from which frequency tables, descriptive statistics (mean and standard deviation), reliability, validity, correlation, and regression results were obtained. The study findings revealed that there is a positive and a significant effect of micro loan services and performance of SMEs, micro savings deposits and performance of SMEs and financial training and performance of SMEs. The study concludes that there is a strong predictive power that the dimensions of Microfinance Services contribute towards enhancing the performance of SMEs in Tororo Municipality. Finally, the study, recommends that efforts to improve the performance of SMEs depends on Microfinance Services (micro loan services, micro savings deposits and financial training).

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 Introduction**

This chapter basically comprised of the back ground to the study, statement of the problem, the purpose of study, research objectives, research questions, and significance of the study, scope of the study, conceptual framework and definition of key terms.

### **1.1 Background of the Study**

Worldwide, about 90% of private businesses are SMEs and these contribute more than 50% of employment opportunities (World Bank Group, 2021). SMEs in Western Europe, Japan and the United States of America (USA), for instance, generate 55% to 80% of total employment (Katua, 2019). El Chaarani et al., (2022) presented that the impact of the Covid 19 crisis on SMEs was significant. Lockdowns led to depressed demand, business closures and disruptions in supply chains that strongly impacted SME operations, revenues and liquidity. In the US Census Bureau's Small Business Pulse Survey, nearly 90% of small businesses reported a moderate negative impact of the pandemic in as more than 70% of the SMEs reported a decline in operating revenues, 40% of business reported temporary closures, and more than 40% noted supply chain problems, and 75% of surveyed enterprises had requested government assistance through the Paycheck Protection Program (Cheong, 2022). Global scene indicates that there is substantial evidence of SMEs' contribution to economic, growth. In Europe especially in USA where SMEs contribute to the development of the economy, enormous challenges still prevail for instance charging high interest rates for loans acquired, which in turn affects their performance.

A report by Beck and Demirguc-Kunt (2011), as cited in Bozintan, (2022) found that SMEs' performance was limited due to inadequate access to micro finance products and services due to inadequate collaterals securities and shorter period for loan repayment and longer payback period for the money acquired. SMEs have faced challenges which slowed growth and development among which include inadequate working capital, inaccessibility to market information, obsolete technology, lack of business management skills and inadequate industrial infrastructure (Sudhara Thrikawala, 2011; Yanes-Estévez et al., 2018).

Makwara et al., (2023) argue that accessing micro finance products and services especially finance is a significant problem for South African entrepreneurs and other African countries. Lack of financial support was reported as a contributor factor to failure of SMEs in South Africa. A

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