

**MICROFINANCE SERVICES AND GROWTH OF SMALL AND MEDIUM
ENTERPRISES IN BUJUMBURA, BURUNDI**

BY

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DECLARATION

I do hereby declare that this research report is absolutely my original work and has never been submitted to any university or institution of higher learning for any award and that any ideas that are not mine but used in this research report have been duly acknowledged.

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APPROVAL

I confirm that the work reported in this research was carried out by the candidate under my supervision.

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DEDICATION

I dedicate this research work to my parents Bakanibona Pascal and Irakoze Jacqueline, my brothers and sister Mukeze Sveta, Turashimye Bravoure, Nganji Brunny- Tresor, Iratubona Andy Bethel, Irakoze Eloge and all the family members for the impact they have contributed towards my education. Thank you, and May the Almighty God bless you abundantly according to the riches of his glory in Christ-Jesus.

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ABBREVIATIONS AND ACRONYMS

BNDE: Banque National de Développement Economique

MFI: Microfinance Institution

RIM: Réseau des institutions Microfinance

SME: Small and Medium Enterprise

DIFO: Development Inter-people Finance Operations

OECD: Organisation for Economic Co-operation and Development

ISTEEBU: Institut des Statistiques et Etudes Economiques du Burundi.

FORCE: Fonds pour la Relance les conseils et les échanges en Microfinance.

OBR: Office Burundais des Recettes

UGX : Uganda shilling

PLCC : Pearson linear correlation coefficient

CVI: content valid index

ABSTRACT

This study investigated the effect of microfinance services on the growth of small and medium enterprises in Bujumbura, Burundi. The study was undertaken in Ngagara, Rohero and Buyenzi districts in Bujumbura. Loan Provision, Savings mobilisation and financial skills training were three services provided by Microfinance examined in this study. The objectives were to determine how Loan provisions affect the growth of SME, how the mobilisations of savings affect the growth of SMEs and how financial skills training affect the growth of SME. A sample of 173 owners of SME beneficiaries of Microfinance services located in Bujumbura were respondents to this study. The researcher made questionnaire which was used as the main instrument of data collection. Descriptive research design was used with a quantitative approach. The Pearson linear correlation coefficient, simple linear regression and multiple regression analysis were used to analyse data.

The findings revealed that there was a significant positive linear relationship between loan provision and growth of SMEs, with a PLCC of 0.869 at $p < 0.05$ level of significance. A strong positive relationship between mobilisation of savings and growth of SMEs was found with a PLCC of 0.846 ($p < 0.05$) level of significance. Moreover, there was a significant positive linear relationship between financial skills training and growth of SMEs in Bujumbura, Burundi at a PLCC of 0.864 ($p < 0.05$). Loan provision affected growth of small and medium enterprises in Bujumbura by 75.2%; implying a very high effect. Savings mobilisation had a 71.4% effect on the growth of small and medium enterprises, thus a very high effect as well.

The researcher concluded that credit finance delivered by Microfinance Institution to small and medium enterprises in Bujumbura positively affect the growth of small and medium enterprises. Access to loans through microfinance will help SMEs to get more income. The positive nature of the effect meant will strengthen savings by improving accessibility to the savings services and it will translate into a significant improvement in the business registered by the SMEs in terms of sales revenue, profitability, sales expansion and job creation.

It is recommended that small financing institutions such as Microfinance Institutions to small and medium enterprises in Bujumbura should encourage the growth of small and medium enterprises by promoting soft loans to entrepreneurs. Contribution to knowledge of this study is the fact that it provided a better understanding of microfinance policies and how access to them can contribute to development of small and medium enterprises in Africa in general and particular to eastern countries. The study generated useful insights that can be used by the government and non-governmental organizations to promote the accessibility of credit to SMEs from MFIs and improving the microfinance policies focusing on financial growth in developing countries.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This part of the research work entails the background to the study, statement of the problem, purpose of the study, objectives of the study, research questions, and scope of the study, conceptual framework and significance of the study.

1.1 Background to the study

1.1.1 Historical perspective

The role played by microfinance has aroused a particular and considerable interest in the communities of all over the world especially among the political decision-makers, the researchers in the academic circles, etc. Microfinance services have become significantly important globally and more preferably at national levels in developing countries. Microfinance has evolved as an economic development approach intended to benefit low income men and women (Ubom, 2003). According to Asiama (2007), Microfinance encompasses the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients. Across developing countries, small enterprises are turning to Microfinance Institutions for an array of financial services (Ngugi & Kerongo, 2014). On the other hand, the services provided by nonfinancial MFIs are marketing and technology services, business training, production training and subsector analysis and interventions (Ledgerwood, 1999). From a historical point of view, Microfinance was first trumpeted as a way to unleash the productive capacities of poor people dependent on self-employment (Hulme and Mosley 1996). The idea on the role of microfinance was straightforward: microfinance would transform customers' businesses by providing capital; that would increase borrowers' earnings and ultimately eliminating poverty (Yunus, 2016).

The starting date of the global microfinance movement is debated. Some look to antecedents in 19th century credit cooperatives (Banerjee, et al. 1994). Others

point to seeds in informal financial mechanisms like rotating saving and credit institutions (Rutherford, 2009). But the modern microfinance movement dates to Accion international in Latin America and to Muhammad Yunus's early microcredit experiments in 1976, in Bangladesh forty years ago. Those experiments led to the establishment of Grameen Bank in Bangladesh under an official ordinance in 1983, which in turn inspired the first global Microcredit Summit Campaign, launched in February 1997 at a summit in Washington, DC, attended by over 2,900 delegates from 137 countries (Robert and Johnathan, 2017). According to Idowu (2010), a major impediment to rapid development of the small and micro enterprises sector is an absence of both debt and equity financing. Accessing finance has been identified as a key element for small and medium enterprises to thrive in their drive to build productive capacity, to compete, to create jobs and to contribute to poverty alleviation in developing countries (Hulme and Mosley, 1999).

SMEs play an important role in developing country to a higher level. According to Schlogl (2004), he stated that small and medium-sized firms dominate our economies in terms of employment and number of companies, yet their full potential remains remarkably untapped. Although there is a broad assumption stating that SMEs generally has positive effects on country economic growth, the notion of economic imperatives for SMEs remains largely untested (Schlogl, 2004). Westhead and Storey (1996) noted the characteristics which distinguishes small organizations from larger ones other than size itself is that of uncertainty. For the small organization external uncertainty has affected the most such as lack of power and influence in a market place, larger customer and vulnerability. Snell and Lau (1994) found that more management competencies are required for growth in small organization compared to larger organizations. In this situation, small organization failed to develop skills, knowledge and competencies among workers in the small organization. This is mainly because of financial constraints and insufficient training. Small organization especially managers required the most training, Therefore training is an essential tool for developing

employees and the organizations (Gupta and Cawthon, 1996). SMEs are frequently at a disadvantage relative to their larger counterparts regarding their abilities to attract, retain, and motivate the best human resources (Beaver and Hutchings, 2005).

Africa's microfinance industry has been growing. The continent's asset increased and has been in line with a worldwide trend of a growing industry (Thorsten and Samuel, 2012). For a little more than a decade, in Africa as well as elsewhere in the world, microfinance has attracted some attention to the advancement of women (Beck et al, 2010). According to Beck et al (2012), one of the most obvious reasons why microfinance has focused on women, especially in its infancy, is the disproportionate effect of poverty on them. In Africa overall, the median ratio of women to total borrowers has been constantly above 50 percent and peaked around 78 percent, both in 2005 and in 2010 (World Bank, 2013). In east Africa, professionalization of the microfinance sector, increased competition in urban areas (also from commercial banks offering microfinance) and the adoption of new technology are driving the outreach of savings and credit services into rural areas (Ayele, 2015). SMES provide a wide range of financial services to low-income clients, including self-employed and low earning individuals who are working in informal sectors. The core objective of microfinance is to create a favorable environment for the low income self-employed and near-poor households in which they have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and general banking services. Microfinance provides a comprehensive range of financial services to the "unbanked people" working in informal sectors which best fits their needs and affordability (Stiglitz J., 2014). However, the very remoteness of certain areas, the high costs of services, financial illiteracy, and the unsuitability of financial products for agriculture restrict the reach of microfinance to women (Bhutt and Tang, 2001). Moreover, since the early 2000s, the governments of many East African states including Kenya, the United Republic of Tanzania and Uganda have made microfinance a

pillar of their agricultural and rural development strategies (International Trade Center, 2011).

In Burundi, Microfinance increased in popularity in 2015 (Reseau des Institutions Microfinances au Burundi, 2017). According to Reseau des Institutions Microfinances in Burundi (2017), the number of low-income households, individuals and entrepreneurs using responsive financial products and services is growing dramatically. For Burundi, the figures were estimated at 1 million customers for financial services in 2015 (World Bank, 2017). Microfinance has promoted an increase in per capital income and improved the schooling rate of children in households. The percentage of women beneficiaries of MFI services has increased, as has the penetration rate (Ndayishimiye, 2012). The products offered by microfinance institutions have diversified and include in addition to credit and savings services, life insurance, death insurance, health insurance (Ngendahayo, 2012). The field of microfinance in Burundi brings together stakeholders of various kinds, ranging from the informal sector to the formal sector (Republique du Burundi Minnstere des Finances, 2015). At the level of the informal sector, endogenous savings and credit practices exist in both rural and urban areas. These practices exist mainly in the form of mutual aid, tontines and usurious loans. These are generally promoted by individuals and interest rates are very high, even up to 200% per year (Nkurunziza et al, 2012). In spite of the increased influence of microfinance, the said institutions have problems to cope with which are among others, Methods of evaluating loan applications, monitoring loans to ensure immediate and regular recovery are aspects that are not well understood (Mariama and Didier, 2017). Furthermore, according to Mariama and Didier (2017), the material guarantee is practically non-existent among the poor populations targeted by micro-credit. This situation poses a significant risk for MFIs as it becomes difficult to protect depositors' savings and MFI resources against defaulting debtors. For several reasons in Burundi, MFIs felt the need to have a framework for reflection and consultation to discuss their policy and intervention strategy (Banque de la Republique du Burundi, 2012).

This is why a group of initiatives has decided to form a "Network of Microfinance Institutions" (RIM) to develop mechanisms for professionalizing the sector and establishing a sustainable partnership system.

SMEs subsequently provide different services to a client, most commonly in the form of a loan. These services lead to the client modifying her/his microenterprise activities which in turn lead to increased or decreased microenterprise income. The change in microenterprise income causes changes in household income which in turn leads to greater or lesser household economic security. The modified level of household economic security leads to changes in the morbidity and mortality of household members, in educational and skill levels and in future economic and social opportunities. Loans are delivered following the minimalist approach where the requirements for loans are not often difficult to meet by customers; little collateral, character and co-signing for loans between members. These loans are usually loans within the savings of the member (Schmidt, 2014).

In order for SMEs to remain afloat, they need to realign and reposition themselves at the marketplace. MFIs must adopt and come up with varied innovative market survival strategies to avoid being edged out by the big boys. Therefore, SMEs should capitalize on the already existing competitive advantage and long relationship they have had with the SMEs such as Small And Medium Enterprises In Bujumbura, Burundi to have a cutting- edge over the other financial institutions. All they need to do is streamline and improve on the speed and quality of service delivery by providing demand-driven and market responsive services and/or products.

1.1.2 Theoretical perspective

The study was mainly based on the pecking order theory advanced by Myers (1984). Furthermore, in the context of this topic, the literature review includes one more theory which is the Goal setting theory.

Pecking order theory (Myers, 1986) states that companies prioritize their sources of financing according to the cost of financing. Hence, internal funds are used first, and when that is depleted, debt is issued, and when it is not sensible to issue any more debt, equity is issued. The pecking order theory has been judged relevant to be used in this study by the researcher because it emphasizes the reasons why economic agents use of microfinance services namely credit and saving service. Indeed, companies' recourse mainly on two sources of financing in funding their business which are either internal or external financing funds. The internal source of finance supposes the availability of retained earnings or profit and imply the use of savings. On the other hand, external means of finance imply contractions of credit for the SMEs so that by these credits SMEs can finance the activities of their business.

Another theory has been used to justify and explain the need of an owner or employee of a SME to resort to financial literacy or financial skills training. This theory is the goal setting theory. **Goal-setting theory** refers to the effects of setting goals on subsequent performance. Researcher Edwin Locke (1986) found that individuals who set specific, difficult goals performed better than those who set general, easy goals. Locke proposed five basic principles of goal-setting: clarity, challenge, commitment, feedback, and task complexity.

1.1.3 Conceptual perspective

Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers and insurance products to the poor and low-income households, for their microenterprises and small businesses, to enable them to raise their income levels and improve their living standards. According to Robinson (2001), microfinance refers to small-scale financial services—primarily credit and savings—provided to people who farm or fish or herd; who operate small enterprises or microenterprises where goods are produced, recycled, repaired, or sold; who provide services; who work for wages or commissions; who gain income from renting out small amounts of land,

vehicles, draft animals, or machinery and tools; and to other individuals and groups at the local levels of developing countries, both rural and urban.

Microfinance services: Microfinance is the supply of basic financial services to poor and low-income households and their small enterprises (Srinivasan and Sriram, 2012).

According to Robert and Johnathan (2017), Microfinance broadly refers to the provision of small loans without collateral security, to the poor and low-income households, whose access to the commercial bank is limited. According to those authors, they hold that many are turning to broader notions like “financial inclusion” that bring microfinance together with efforts to provide saving, insurance, and payment services in under-served communities. This broadening should also inspire an expanded vision for microfinance itself.

According to Srinivasan and Sriram (2012), Microfinance services comprises several financial tools such as savings, credit, leasing, insurance and cash transfers. These services are provided by a variety of institutions, which can be broadly divided into banks, NGOs, credit and savings cooperatives and associations, and non-financial and informal sources. These services provided by MF can help build financial and business management capacity of rural households, improve their technical skills and provide local support services for enterprises. This research focused on three services provided by microfinance, namely, provision of loans, savings mobilizations and financial skills training.

Small and medium enterprises (SMEs): According to the Organization for Economic Cooperation and Development (2005), Small and medium-sized enterprises (SMEs) are non-subsidary, independent firms which employ fewer than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees.

In Uganda according to Uganda Investment Authority (2015), a 'Micro Enterprise' is an enterprise employing up to four people, with an annual sales/revenue turnover or total assets not exceeding Uganda shillings 10 million. On the other hand Small Enterprises employ between 5 and 49 and have total assets between UGX: 10 million but not exceeding 100 million. The Medium Enterprise therefore, employs between 50 and 100 with total assets more than 100 million but not exceeding 360 million (Uganda Investment Authority).

Growth: the variable refers to the increase in the inflation-adjusted market value of the goods and services produced by an enterprise over time. It is also a process of overall business development (Johnson, 2008).

The researcher adopted three proxies of SMEs' growth, which are increase in productivity, employment creation, and sales growth.

1.1.4 Contextual perspective

The creation of two important organizations in Burundi, Réseau des institutions Microfinances(RIM) et Fonds pour la relance les conseils et les échanges en Microfinance(FORCE), created in 2006 and 2007 respectively, has positively impacted the existence of microfinances in Burundi in that way that the two institutions (RIM and FORCE) aim to promote strong microfinance institutions that better meet the needs of low-income populations through the provision of viable and efficient financial services to the low-income population(Banque de la republique du Burundi'annauals,2010). In terms of indicators according to Réseau des Institutions Microfinances au Burundi(2011), the data collected within microfinance institutions showed that Over the 2006-2008 period, the increase in outstanding loans was 100%, rising from FBu 14 173 075 189 to Fbu 28 740 431 405. The number of borrowers evolved almost in the same proportion during this period, from 63,051 to 104,021 (RIM report, 2010).

The Institute of statistics and economics of Burundi `publications (2015) on Small and Medium-sized Enterprises showed that there are 3016 SMEs registered by the Burundian Revenue Authority (OBR) in the Whole country and 30% are

located in the urban capital of Bujumbura. Many of these SMEs are located in districts such as quartier Ngagara, quartier Buyenzi, and quartier Rohero. Most of those enterprises hold businesses such as food shop, pharmacy, construction store. Small businesses are considered to be the driving force of economic growth, job creation, and poverty reduction in developing countries. Thus this research investigated on the companies established in Bujumbura in order to establish the relationship of microfinance credit facilities and its impact on the growth of small medium enterprises.

1.2 Statement of the problem

Microfinance has been created in response to the missing credit market to support SMEs. In developing countries most recently for instance, governments are also incorporating microfinance in their strategies towards achieving the Millennium Goals that involves halving extreme poverty through the implementation of SMEs by the target date, which is 2030 (Masudur & Laila, 2014). This policy seeks to make financial services available on a sustainable basis to the economically active poor, low-income earners and Micro, Small and Medium enterprises (MSMEs) through privately owned banks.

Despite the implementation of the above policy and the fact that many Burundians are exposed to many entrepreneurial skills and information to promote their business and projects through MFs, many SMEs in Burundi have a problem of producing a sustainable growth for their business. The major causes of failure to growth of SMEs in Burundi is lack of capital and lack of other financial services because many people do not have access to financial services offered by commercial banks. The low level of education and access to higher education of the Burundian population also hinder the growth of SMEs. This is in line with Yasin (2013) who argued that several factors account for failure of SMEs to grow. The evidences of the failure to growth of SMEs in Burundi is that many SMEs in Burundi usually experience stagnated development (World Bank, 2016), very few of them have expanded sales, profits or opening up branches

and few transformed to medium enterprises. Furthermore, inadequate finances and access to financial services reach the business owners of SMEs in Burundi, hence the need for this study to assess whether access to microfinance services through loan provision, savings mobilisations and financial skills training have an impact on the growth of small and medium enterprises in Burundi.

1.3 Purpose of the study

The purpose of this research was to establish the effect of microfinance services on the growth of small and medium enterprises in Burundi.

1.4 objectives of the study

- i) To determine the effect of loan provision on the growth of small and medium enterprises in Bujumbura.
- ii) To assess the effect of savings mobilisation by MFIs on the growth of small and medium enterprises in Bujumbura.
- iii) To establish the effect of financial skill training on the growth of small and medium enterprises in Bujumbura.

1.5 Research questions

- i) Does provision of loan significantly affect the growth of small and medium enterprises in Bujumbura, Burundi?
- ii) Does savings significantly affect growth of small and medium enterprises in Bujumbura, Burundi?
- iii) Does provision of financial skills training significantly affect the growth of small and medium enterprises in Bujumbura, Burundi?

1.6 Hypothesis

Ho1: Loan provision in Burundi has no significant effect on growth of small and medium enterprises.

Ho2: Saving mobilisation in Burundi has no significant effect on growth of small and medium enterprises.

Ho3: Provision of financial skill training in Burundi does not significantly affect the growth of small and medium enterprises.

1.7 Scope of the study

1.7.1 Subject scope

The subject of this study dwelled on effect of Microfinance services on the growth of small and medium enterprises. The study was based on the services provided to small enterprises namely loans provisions, savings mobilisations and financial training and the way they affect growth of SMEs in Bujumbura, Burundi.

1.8 Geographical Scope

This research has been conducted in Bujumbura, Burundi. Therefore, the research consisted in identifying and locating the owners of SMEs who run their business in Bujumbura in order to administrate them questionnaires that have been used in this research. According to the Institute of statistics and economics of Burundi yearbooks (2015), many SMEs are located in Rohero district, Buyenzi district and Ngagara district. Thus the research concentrated in those districts because this is where several kind of business are presented and located. Furthermore, in those districts area, are enterprises that either doing well or companies that are struggling to survive and producing growth.

According to the institute of statistic and economics of Burundi `annuals(2015), most of the SMEs which are concentrated in Bujumbura are primarily office, printing, catering, patisserie, retail and specialized store, pharmacy, photographic activities, accommodation enterprises.

1.9 Significance of the study

The findings of the study is going to enable micro finance institutions to better understand their role in the growth of SMEs in Burundi, in order to implement better and effective programs. In fact, the research provided information to the MFIs in Burundi. This might act as a basis upon which they would know the extent to which their services impact on the financial performance of Small and

Enterprises. MFIs would therefore be in a position to provide the services in a way that might improve the financial performance of SMEs.

The recommendations that were made, are addressed to the MFI industry in Burundi but would also inspire other MFIs established elsewhere than in that country. The study might assist small and medium enterprises by opening their eyes to alternative sources of finance and probably giving them a better chance of survival, growth and success in the global competitive corporate setting. The findings of this research are of importance to the government of Burundi as well. The findings of the study provide information that the government might utilize in analysing services offered by the micro financial sector to small medium enterprises. The government of Burundi could be using this research paper in setting up specific management policies that enhance effectiveness and sustainability of SMEs in Burundi. The study is also of significance to scholars in understanding the level of Small and scale enterprises development in Burundi. In addition, interested academicians especially in entrepreneurship can use the findings to understand the issues raised on the role of MFIs and use them as reference material or basis for further research in relation to this study. Furthermore, this research has given to the researcher an opportunity to contribute to the existing knowledge in the domain of microfinance institution.

CHAPTER TWO

REVIEW OF LITERATURE

2.0 Introduction

This chapter reviews existing literature that is related either directly or indirectly to the study on microfinance services and growth of Micro small and medium scale enterprises.

2.1 Theoretical review

Two theories were noted to be essential in explaining the relationship between microfinance services and SME growth and why firms considered using credit and savings. The theories include pecking order theory and the Goal setting theory.

2.1.1 The pecking order theory

When analysing the literature review in this research, the researcher found it better to take the pecking order model as one of the pillars on which we would base our study because it seems to better reflect the reasons for which individuals come on to solicit micro-credit services such as credit services (Loan) and savings services from MFIs or other financial institutions such as banks and others.

The pecking Order theory was developed by Myers C.S (1984). It sheds light on the incentives that drive SMEs capital structure decisions. This theory proposes that firms prefer to use internal sources of capital first and resorted to external sources only if internal sources are inadequate. One of the aspects of pecking order theory implies that when it comes to profitable firms, they would always prefer internal financing rather than taking up new debts or equity. However, more often than not, internal financing is usually not adequate unlike in older firms which by definition have had more opportunities to accumulate retained earnings than younger companies and thus more funds are available to finance operational growth. Pecking order theory suggests that those funds should be used before external capital sources are tapped. Holmes and Kent (1991) found that small businesses experience are a more intense version of pecking order in

their decisions because access to appropriate external sources of capital is limited. It has been noted that small businesses' differ in their capital structure but their intense reliance on pecking order is only one of the variables that make small businesses financing decision unique.

Hence, pecking order theory has two important empirical implications. First, it predicts that internal cash should be the primary source of funds for firms. Second, debt should be more common as an external financing choice than new equity, which should be used only after all other sources have been exhausted.

This theory of Pecking Order posits that management prefers to finance first from retained earnings, then with debt, followed by hybrid forms of finance such as convertible loans, and last of all, by using externally issued equity; with bankruptcy costs, agency costs, and information asymmetries playing little role in affecting the enterprise's capital structure policy (Whonderr-Arthur, 2009). This theory was adopted because many researches indicated that most of the SMEs make financial structure decisions following its rationale (Wilson, Larson, & Jacobson, 2014). Most SMEs' financing structure follows this theory because its rationale is consistent with the fact that they are mostly managed by their owners who do not want to dilute their ownership by rushing into using sources of finance that reduce this ownership. Owner-managed businesses usually prefer retained profits because they want to maintain the control of assets and operations (Makhbul, 2011). Preferring to use retained profits alludes to the fact that the owners of these businesses want to use savings; for savings are what essentially constitutes retained profits that is, money that remains after a business has cleared all its expenses, including payments to its operators and employees (Fabayo, 2009). Savings services generate equity funds that not only boost the capital base of the SMEs but also maintain high levels of leverage that give owners' enough clout over their business assets and decisions (Whonderr-Arthur, 2009).

According to Pecking Order Framework, SMEs' managers' preference for savings is hinged not only on the fear to lose some control over business assets and

operations. It is also based on the fact that using savings services is the best way of avoiding the cost of capital associated with other types of financing, which many SMEs not only find too difficult to afford but also adverse to the attainment of their business goals as desired (Whonderr-Arthur, 2009). With savings services, capital is accumulated without incurring interest expenses and loan repayments based on strict schedules that tend to weigh the SMEs down, thereby making them fail to realize their business goals (Söhnke, Gregory & Waller, 2013). The accessibility of savings services is therefore envisaged to have a favorable effect on the realization of desired business goals.

When lending to small businesses, most financial institutions require the owners of the small businesses to personally guarantee the loan. These personal guarantees allow the institution recourse against the personal wealth of the small businesses owner in the event of default (Berger and Udell, 1998). These restrictions on the type of finance available to SMEs coupled with the small firm's insistence on first using internal sources of capital (Holmes and Kent, 1991), creates a unique structure for small business. Romano, et al., (2001) describe the situation as a complex array of factors that influence small to medium size enterprises (SME) owner-manager's financing decisions. This is supported by Hall et al. (2000) who found that firm's size is positively related to long-term debt and negatively related to short-term debt. In further support, Chittenden et al. (1996) suggest that a firm's size is correlated with the firm's reliance on pecking order theory in capital structure decisions. Thus, smaller firms are more likely to rely on internal funds. Romano et al. (2001) found a significant relationship between the size of the firm and the use of debt. Again, these results are consistent with pecking order theory and the Berger and Udell (1998) model.

Thus, with the theory of pecking order model, we can understand and predict the behavior of SMEs in accessing to Microfinance services such as Credit and saving services. Indeed most of SMEs' owners sought to use their own means of financing which are internal to the company such as retained earnings (implying the use of saving services), and as these means of internal financing are

sometimes very minimal and inadequate, SMEs sought to find another means of financing that would be external to the enterprise via debt which is in some cases provided by MFIs in form of loan.

2.1.2 Goal Setting Theory

Goal setting theory (Locke & Latham, 1990) is based on the simplest of introspective observations, namely, that conscious human behavior is purposeful. It is regulated by the individual's goals. Goal directedness, however, characterizes the actions of all living organisms including those of plants. Thus the principle of goal-directed action is not restricted to conscious action.

Goal setting theory is grounded in the belief that conscious goals and intentions drive results. Based on the goal setting theory of motivation, Locke (1986) and Locke and Latham (1990) find that individual goals are likely to determine how well they perform on related tasks. Specifically, clearly defined and more challenging goals yield higher performance than vague, easy or do-your -best goals. To be effective, goal setting theory assumes that individuals must be committed to the goal, must get feedback and must have the ability to perform the task. This means that financial literacy training programs should be more effective when they are motivated by perceptions and concerns about financial well-being later in life.

The domain of goal setting theory lies within the domain of purposefully directed action. The theory focuses on the question of why some people perform better on work tasks than others. If they are equal in ability and knowledge, then the cause must be motivational. Goal setting theory approaches the issue of motivation from a first-level perspective; its emphasis is on an immediate level of explanation of individual differences in task performance (Ryan, 1970). The theory states that the simplest and most direct motivational explanation of why some people perform better than others is because they have different performance goals.

Motivational and goal setting theory suggest that measures of financial literacy should be related to financial behavior that is in the consumers’ best interests. Hilgert, Hogarth and Beverly (2003) formed a Financial Practices Index based upon (self-benefiting) behavior in cash flow management, credit management, saving and investment practices. When they compared the results of this index with scores on financial literacy quiz, they found a positive correlation between financial literacy scores and Financial Practices Index Scores. Their results suggest that financial knowledge is related to financial practices.

2.3 Conceptual framework

The conceptual framework in this study shows the logical sense of how the independent and dependent variables are connected and emphasizes the different factors involved in the relationship between Dependent Variable and Independent Variable. The independent variables were defined on the concepts of loan provision, savings mobilization and financial training while the variable dependent is defined on the concepts of profitability, customer satisfaction and economic empowerment and livelihood to conceptualize the growth small medium and scale of enterprises.

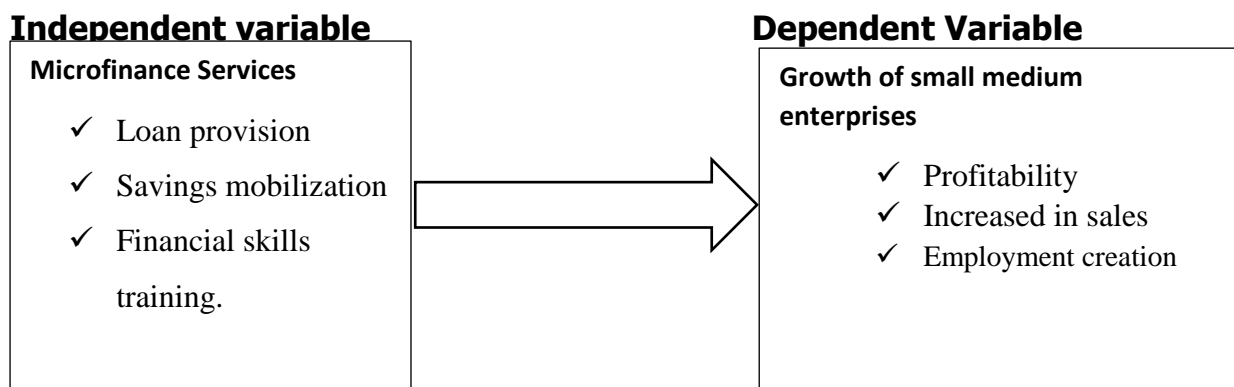


Figure 1: Conceptual framework

Source: Conceptualised based on Microfinance and Economic development (Robert and Johnattan, 2017).

Loan provision: it is defined in finance as the lending of money from one individual, organization or entity to another individual, organization or entity.

According to Thembi (2012), loan is a financial transaction in which one party (the lender) agrees to give another party (the borrower) a certain amount of money with the total expectation of repayment agreed upon by both parties. Usually there's a predetermined time for repaying a loan with conditions attached to it. According to Signoriello and Vincent (1991), a loan entails the reallocation of the subject assets for a period of time, between the lender and the borrower). This variable provided quantitative data that shows the effect of loans provided by MFIs on the growth of small and scale enterprises.

Savings mobilisations: Within personal finance, the act of saving corresponds to nominal preservation of money for future use. A deposit account paying interest is typically used by entrepreneurs to hold money for future need (Modigliani and Franco, 1988). This variable is expected to provide quantitative data on the amounts of savings that MFIs accumulate from Small-scale enterprise and the impact of their livelihood.

Financial Skills Training: this variable is used to designate the set of skills and knowledge that allows an individual to make informed and effective decisions when conducting their business. The variable is expected to produce quantitative data that analyses financial training acquired by entrepreneurs from MFIs and its effect on the growth of small-medium enterprise.

SME Growth: SME growth: According to the influential theory of Churchill and Lewis (1983), growth is part of the natural evolution of a firm. The author identifies five stages of growth: existence, survival, success, and take off and resource maturity. In each stage of development a different set of factors is critical to the firm's survival and success. Growth thresholds may exist as obstacles to the transition from one stage to another.

Profitability: according to Cohen (1993), profitability is one of the most common indicators of business development. The more profits a business realizes, the more it is assumed to be growing and vice versa. A growing company tends to have very profitable reinvestment opportunities for its own

retained earnings. Business development is also defined as the level and extent to which the venture meets the objectives of the owner and expectations of the society of operation.

Employment creation: A literature review by Basnett and Sen (2013) identifies an extensive body of evidence which suggest that growth in manufacturing and services have particularly positive impact on employment.

Small medium enterprises indisputably create new jobs, but they can also destroy jobs through higher failure rates. In this research, employment creation by SMEs was also held as an indicator of growth for the fact that the more growth there is in an economy, the more job creation there is.

While employment creation in developing countries is high on the agenda of most donor agencies, there are different views on how to achieve it. Labour-intensive light manufacturing industries, supported by SMEs can deliver productive jobs for low-skilled workers at scale (Wilson and Jacobson, 2014). SMEs contribute a large share of employment in developing countries; however, as many fail, their net job creation rate is likely similar to large firms. Development agencies focused on job creation through SMEs should therefore target small firms that grow and this can increase the development of SMEs.

Increased sales: Sales growth targets play a major role in the perceptions of top managers. Using surveys, Hubbard and Bromiley (1994) find sales is the most common objective mentioned by senior managers. In a journal study of Thomas, Bromiley and Hendrickx (2000), the findings showed the straightforward result that cash flow increases sales growth, and sales growth increases performance of firms. It is for this reason that this variable was used as an indicator of performance (growth) of SMEs.

If the product or service is price sensitive, pay special attention to SMEs pricing strategies (Yasin (2013). We should find out what the competition is charging and raise or lower microfinances' prices based on the organizational goals. Lowering the prices can increase revenues to make up for lower margins. Raising

the prices can create a higher perceived value in the minds of consumers and increase the margins. Raising the prices can also increase the revenues without increasing sales (Wilson and Jacobson, 2014).

An obvious way to increase sales is to boost the marketing. Quantity doesn't necessarily mean quality, so one should be careful planning, test-marketing and monitoring the results maximizes the sales. Conduct marketplace research to learn which messages speak to the target audience. Incorporate some way to monitor marketing communications, such as using coupons, electronic codes or website traffic statistics can increase the growth of SMEs.

2.4 Related literature review

2.4.1 Loan provision and growth of Small medium enterprises

Availability of finance determines the capacity of an enterprise in a number of ways, especially in choice of technology, access to markets, and access to essential resources which in turn greatly influence the viability and success of a business (Wole, 2009). Wole further states that securing capital for business start-up or business operation is one of the major obstacles every entrepreneur faces particularly those in the SMEs sector. Within the SMEs sectors lack of access to credit is one of the major factors accountable for hindering the emergence and growth of their businesses.

A study by Carpenter and Peterson (2002) found that firms whose financial needs exceed their internal resources may be constrained to pursue potential opportunities for growth. The insufficient internally generated liquidity is therefore one of the factors which are frequently cited as the causes of Small and Medium failure in developing economies. It is from this perspective, the Microfinance Institutions are considered to be an appropriate solution to the small and medium enterprises in availing the loans.

Banerjee and Duflo (2004) studied detailed loan information on 253 small and medium –size borrowers from a bank in India both before and after they became newly eligible for the program. Specifically the size definition of the program was

changed in 1998 which enabled a new group of medium-size firms to obtain loans at subsidized interest rates. Naturally these firms began to borrow under this favoured program, but instead of simply substituting subsidized credit for more costly finance, they expanded their sales proportionately to the additional loan sources which suggest that these firms must have previously been credit constrained.

Copstake et al (2000) did a study on the impact of microcredit on poverty in Zambia. The programme was not directed towards the poorest business operators but one third of the clients were below national poverty line. Those who graduated from their first to a second loan on average experienced significantly higher growth in their profits and household income, as compared with otherwise similar business operators. The borrowers also diversified their business activities more rapidly. However some borrowers were worse off particularly among the 50% or so who left the programme after receiving only one loan.

Major findings by Chimucheka and Rungani (2011) in South Africa found that majority of the SME who did not apply for a loan did not know the procedures (53% of the sample) .Another 23% said they lacked knowledge on the sources of finance available at banks. The study however had limitations since it was carried out in one area there is no guarantee that the results could be generalized to other areas of South Africa. There was also no stratification to check whether there were any significant differences in different business sectors. Studies by Suberu et al (2011) also found that access to loans was a major problem facing small enterprises in Nigeria. The studies however did not find out whether the applications procedures had any impact on the businesses applying for loans. Pollinger et al, (2007) approached application procedures from the aspect of the microfinance organization and found that the application process if well done would lead to fewer losses in the future. Deakins et al, (2008) found that manufacturing SME's in particular had problems related to application procedures when applying for a loan. The study also found that the age of the business also

impacted on the application procedures while none of the other studies had this as a variable. This creates a gap in the study and the age of the business looked at as a variable in the study.

These studies mentioned above constitute a basis for analyzing the effect of the credits granted by the MFs to the development of SMEs, but they do not clearly answer in an accurate manner the expectations that are created by the object of our study, namely, deduce by in-depth analysis the impact of loans on SMEs performance. Therefore it is up to the researcher to push through a much deeper analysis the effects of the provision of loans by MFIs on their clients in Burundi, which is the primary objective of this research

2.4.2 Savings mobilization and growth of small and medium enterprises

Savings is defined as the action of putting aside a part of current income, in order to consume or invest it later on. The money saved can be kept at home, deposited in a savings account or invested in different types of capital. Savings is a critical service for entrepreneurs who want secure and convenient deposit services that allow for small transactions and offer easy access to their funds (Gardial, 2004).

According to Kalala and Ouedraogo (2001), the saving services that microfinance institutions provide include a range of savings products that they offer to their clients. These researchers noted that these products span over a wide spectrum that includes profits savings, entrepreneur savings; current savings services; demand savings or demand deposits; special regime demand savings; term savings/deposit; linked, blocked or joint savings; voluntary blocked savings with a preferential rate; deposit savings; high-yield savings; mandatory savings; forced savings with loan; and other products. The same researchers warned however, that these products are appreciated as services to clients only when the clients can access them-that is, when the clients can effectively use them to their business. Kalala and Ouedraogo went further on to explain that profit savings are a product that focuses on term savings ranging from 6-36 months, with interest rates that are higher than current savings accounts. The scholars noted further

that it is the client who determines the term and the amount of savings deposit as long as it over and above the set minimum deposit. Profit savings services are provided to clients aiming at expanding their businesses or establishing future projects (Kapoor, 2009). They maximize the yield on the savings by attracting returns at a given rate per annum. This makes it possible to build capital (Kapoor, 2009). These savings may also be used as collateral to obtain a loan. The entrepreneur savings service involves securing a loan using savings made during the life of the loan (Graham & Marguerite, 2009).

In the United Kingdom a study by Gray, Saunders and Goregaokar (2012) found the main sources of finance used by SMEs to fund their businesses were reinvesting profits (68%), Personal/ family savings (39%) and bank loan (29%). This indicates the importance of saving in funding business growth at 39%. Similarly the Important of savings to SMEs is emphasized by Citi's "susu" in Ghana where 200 to 800 members save between US dollars 40,000 and 800,000 per cycle with the accumulated savings being paid out to the members over a 100 week cycle for each week's collection (Bass and Henderson, 2014).

Another study according to Mwajuma (2012), access to safe and flexible savings services can play a critical role in poor people's strategies for minimizing risks, mitigating income fluctuations, facing unexpected expenditures and emergencies, and building a small asset base over time. In particular, the very poor living in rural areas, who may lack investment opportunities and safe ways of keeping their savings, greatly value access to safe savings services. Most poor families do save and often in a non-financial form, for example, small gold items or stockpiling goods, because they frequently lack access to good formal savings facilities. In-kind savings are suboptimal options, because they are subject to fluctuations in commodity prices, and destruction by pests, fire and theft. While microfinance institutions offer both good loan services and good voluntary savings services, worldwide experience shows that there is usually more demand for savings than for loans.

However, Krassowska, (2004), indicates that mobilizing the savings of small-scale enterprises implies risk, and microfinance institutions to allow to do so should clearly show their capacity to mobilize savings safely. Accordingly, they should demonstrate strong governance and professional management, strength and reliability, adequate internal controls, financial management and information systems, the guarantee that deposits and savings are not used to cover their operating expenses and records of strong loan portfolio quality management.

According to Quartey (2000), the savings facilities provided by microfinance institutions enable microenterprises to invest their surplus funds, while obtaining a return on their investments. This enables them to better manage liquidity and could increase their levels of self-financed investment. Furthermore, the use of savings facilities by low-income households enables them to store funds for future use and build credit history. This is of particular importance as many low-income households lack the types of collateral acceptable by commercial banks that are required to access loans from this source of finance. The flexible and convenient credit facilities provided by microfinance institutions enables low-income households to borrow funds to cover emergencies that they cannot meet from their levels of current savings. This can reduce the poverty gap and poverty headcount, even though real income may not increase (Robinson, 2003).

It can be argued that savings mobilization is costly and risky relative to other sources of financing and also that it would be better if entrepreneurs were helped to build assets through saving rather than to take on debt. A study by Bateman and Chang critically examined evidence on saving with microfinance institutions in Croatia and found that savings were only useful in maximization of profits for MFI managers and external shareholders. The study further argues that poverty reduction can only be done through a range of state coordinated policy interventions as happened in Malaysia, China, Taiwan, South Korea and India. It would be important to establish the role of savings on SMEs asset building with a view on possible solutions to any imperfections.

2.3.3 Financial skills training and growth of small and medium enterprises

Fiddler and Webster (1996) advocate that in many cases, basic business skill training should accompany the provision of micro loans to improve the capacity of the poor to use funds. Micro enterprise investment training mainly addresses capital investment decisions, general business management and risk management. Capital investment decisions include allocation of the microenterprise limited capital funds most effectively in order to ensure the best return possible. Therefore, a wrong decision can have long lasting effect not only on the profits but on very survival of the enterprise.

Bowen et al. (2009) researched on Management of business challenges among small and micro enterprises in Nairobi Kenya. The findings of the research indicated that over 50% of SSEs continue to have a deteriorating performance with 3 in every 5 SSEs failing within months of establishment. Only 2.5% respondents saying their businesses were very successful. The results also showed that 49.5% of those who had received training in their areas of business reported that their businesses were doing well hence the conclusion that relevant training or education is positively related to business success and recommendation that of the need for SSEs owners to get trained in an area that is relevant to the business carried.

Simeyo et al (2011) in their study of the effect of provision of micro finance on the performance of youth micro enterprises under Kenya Rural Enterprise Program (KREP) in Kisii County using a sample of 86 youth micro enterprises established that training in micro enterprise investment had a significant positive impact on the performance of the microenterprises with a standardized beta coefficient of 0.281 which indicated that a unit increase in the provision of training to SSEs resulted to a 28.1% increase in performance. The study further established that majority of the respondents were very satisfied with the provision of capital investment and basic business skills training in micro enterprise investment. This suggests that the business skill training

accompanying the provision of micro loans most likely improves the capacity of the entrepreneurs to use funds and hence impacts on business performance. In terms of business risk management, the results showed that respondents were moderately satisfied in terms of achievement of business risk management skills. With the implication that the youth micro entrepreneurs were inadequately equipped with knowledge and skills of business risk management hence are unable to adequately deal with business risks and therefore in the event that such risks occur, their microenterprises are significantly affected.

Alarape (2007) did a study to examine the impact of owners/managers of small business participating in entrepreneurship programs on operational efficiency and growth of small enterprises in Nigeria. The study was a cross-sectional analysis of impact of exposure of owners managers of small businesses on their performance of operational efficiency and growth rate. The data was collected from primary and secondary sources. Both descriptive and inferential statistics were employed for the analysis. The findings were that small business whose owners, managers had experience of participating in entrepreneurship programs exhibited superior managerial practice, had higher gross margin rate of growth than small businesses whose owner managers did not have superior experimental learning. This had a practical implication that there is need to improve managerial practice of small businesses through exposure of owners/managers to entrepreneurship programs in order to enhance their performance and transition to medium and large business.

In a study to investigate the effect of business development services on the performance of Small Scale enterprises in Kisii Town Osinde et al (2013) found out that the entrepreneurs who received business development services recorded an improvement in the growth of sales and growth in market shares on the various businesses they were operating. The study further established that those who attended the training services recorded an improvement in their businesses in terms of growth in sales and profits with 83.3% of the respondents who

always attended training reporting to have good growth in profits as opposed to only 41.2% of those who never attended training.

For Bruhn and Zia (2011), in their study on the Impact of Business and Financial Literacy for Young SMEs in Bosnia and Herzegovina found that business outcomes and practices is the difference in effects of the training on individuals with below and above median financial literacy at baseline. They also found that both entrepreneurs with below and above median financial literacy changed some of their business practices, such as separating personal accounts from business, and making investments in their business; however, only entrepreneurs with above median financial literacy at baseline reported increases in sales and profits as a result of the training. These findings suggest that baseline knowledge and information conveyed in the financial training act as complements in increasing the productivity and sales of a business.

They also found out those SMEs with relatively high ex-ante financial literacy exhibit improvements in sales due to the training program. While business training does not impact the extensive margin, it has significant effects on existing entrepreneurs, and on specific aspects of their businesses. Teaching entrepreneurs the value of capital investment indeed encourages them to change business practices that allow for greater innovation, for instance by implementing new production processes and making personal investments in the business. Since the study findings have shown that business development services have an influence on business performance the study recommends that the Kenyan government through the Ministry of Trade should provide training programs for the owner-managers and managers of SSEs so as to help polish their knowledge in financial management and other managerial skills. Field officers should be recruited to coordinate and monitor the provision of training, advice, counsel and provide other non-financial services to these small business operators.

2.5 Research gaps of the study

The study developed by the researcher was titled and concerned the effect of microfinance services on small and medium enterprises in Bujumbura, Burundi. Most of the studies related to microfinance services on the growth of SMEs were conducted in other geographical areas rather than in Burundi. Therefore, among the studies done by other researchers, we can cite Godwin Owusu (2012) who conducted a research to examine the impact of Microfinance institutions on the development of small and scale enterprises in Ghana, Gladys Nanyama (2014) developed a research on the influence of Microfinance institutions on the growth of small and scale enterprises in Kenya. Nilsson (2010) adapted a study to investigate the impact of microfinance institutions (MFIs) on the development of small and medium size businesses (SMEs) in Cameroon. Bran and Woller (2010) carried out a study to establish the effects of microfinance in India. These mentioned researches, in addition of containing a geographical gap, they also present another gap because the independent variables were not necessarily focused on the loan provision, savings and financials skills training.

CHAPTER THREE

METHODOLOGY

3.0 Introductions

This chapter presents the overall procedure and methodology, which was followed during the process of carrying out the research. It describes the manner in which data were collected and analysed, presented and interpreted. It shows the research design, target population, sample size, sampling techniques, data collection instruments, validity and reliability of the instruments, data collection procedures and data analysis, ethical considerations and limitations of the study.

3.1 Research Design

This study employed a descriptive research design, whereby quantitative research approaches were used to gain insight about the effect of microfinance services in the growth of SME. descriptive research was used in this study to describe the characteristics of respondents, microfinance services and growth of SME in Bujumbura, Burundi. The correlational design were used to determine if there is significant relationship between microfinance services and growth of SME in Burundi. In the last place, linear and multiple regression analysis was used to ascertain the effect.

3.2 Target Population

The target population in this study was owners of Small and Medium Enterprises located in the Rohero, Ngagara and Buyenzi Districts in Bujumbura registered at Burundi Authority Revenue (OBR) as stated by the Institute of statistics and Economic in Burundi `annual (2015). These districts were selected because this is where the majority of SMEs are located in Bujumbura (ISTEEBU annual, 2015). According to institute of statistics and economics of Burundi, there are 306 SMEs located in those Districts and registered in Burundi Authority Revenue.

3.3 Sample size

A sample size of 173 owners of SME respondents was selected from the population of 306 SMEs located in the Buyenzi, Ngagara and Rohero Districts registered at Burundi revenue authority (OBR). That sample was computed using Slovene’s formula as shown below;

$$n = \frac{N}{1 + N(e^2)} \text{ where: } n = \text{Sample size}$$

N= entire population

e= level of significance 0.05

$$n = \frac{306}{1 + 306(0.05^2)}$$

$$n = \frac{306}{1 + 306(0.0025)}$$

$$n = \frac{306}{1 + 0.765}$$

$$n = 306 / 1.765$$

$$n = 173.37$$

$$n = 173 \text{ respondents}$$

Table3.1: Sample Size

Districts	Population	Sample	Sample technique
Buyenzi	63	36	Simple Random Sampling
Ngagara	84	47	
Rohero	159	90	
Total	306	173	

Source: the researcher’ computation from survey data, 2018

3.4 Sampling procedures

The researcher used Simple random Sampling Technique. It enabled the researcher to give equal opportunity to all eligible respondents. It is in this way

that any form of biasness was avoided. After assigning a sequential number at each SME of the targeted population, the researcher used a random number generator of the sample size.

3.5 Data collection instruments

In this study, the researcher focused on primary data where the tool for data collection was the questionnaire. The questionnaire was developed in line with the study objective and was pre-tested for validity and reliability. The questionnaire was organized into sections. Section A collected the background information of respondents and section B collected data on the effect of microfinance services on the growth of the SMEs in Bujumbura, Burundi.

3.6 Validity and reliability of the research instruments

3.6.1 Validity

Validity refers to the appropriateness, meaningfulness and usefulness of the specific inferences researchers make based on the data collected. According to Mugenda and Mugenda (1999), Validity is the accuracy and meaningfulness of inferences, which are based on the research results. Validity deals with the adequacy of the instruments for example, the researcher needs to have adequate questions in the written task in order to collect the required data for analysis that can be used to draw conclusions. Fraenkel (1993) suggests that the individual who is supposed to render an intelligent judgment about the adequacy of the instruments should be given the instruments before the actual research is carried out. Copies of questionnaire were given to two lecturers (experts) to judge the validity of the questions according to the objectives. After the assessment of the questionnaires, necessary adjustments were made. At the end, the content validity index (CVI) formula was applied to test the validity of the instruments. The decision rule was to declare the instruments valid if the CVI is greater or equal to 0.7.

$$CVI = \frac{\text{No of questionnaires declared valid}}{\text{total number of questions in the questionnaire}}$$

$$CVI = \frac{26}{30}$$

CVI=0.866

Since CVI>0.7, the questionnaire used in this research was accepted as valid.

3.6.2 Reliability

Reliability refers to a measurement that supplies consistent results with equal values (Blumberg et al., 2005). It measures consistency, precision, repeatability, and trustworthiness of a research (Chakrabartty, 2013). The better reliability is performed, the more accurate the results; which increases the chance of making correct decision in research.

In this research, the reliability of the survey instruments (questionnaire) was tested using Cronbach Alpha Coefficient. The Cronbach Alpha Coefficient is usually interpreted as the mean of all possible split half coefficients. It typically varies between 0 and 1, where 0 indicates no relationship among the items on a given scale, and 1 indicates absolute internal consistency (Tavakol & Dennick 2011). Alpha values above 0.7 are generally considered acceptable and satisfactory, above 0.8 are usually considered quite good, and above 0.9 are considered to reflect exceptional internal consistency (Cronbach, 1951). In the social sciences, acceptable range of alpha value from 0.7 to 0.8 (Nunnally & Bernstein, 1994).

Table3.1. Internal Consistence Results of Composite Reliability

Constructs	No. of questions	Cronbach's alpha Statistic	Internal Reliability
Loan Provision	5	.794	Satisfactory
Savings mobilisation	6	.819	Good
Financial skills Training	6	.859	Good
Growth of SMEs	9	.884	Good
Total	26	.839	Exceptional

Source: Researcher's Computation from survey data (2018)

3.7 Data collection procedures

Before the administration of questionnaires

- a) An introduction letter was obtained from the department of CEM for the researcher to get an approval to conduct the study from respondents selected.
- b) In order to ensure anonymity, names were put in rotary and selected randomly using the simple random sampling technique.
- c) Respondents were briefly explained about the study before filling the questionnaire.

During the administration of the questionnaires

- a) Respondents were asked to answer completely and not to leave any part of questionnaires unanswered.
- b) The researcher and assistant emphasized the retrieval of questionnaires within one week from the day of distribution.
- c) All returned questionnaires were checked whether they were all answered.

After the administration of the questionnaires

The data gathered was prepared to be coded into the computer in order to analyse it statically.

3.8 Data analysis

The data collected were entered into statistical package for social scientists (SPSS) coded and all the errors were removed, and the results attained on mean and standard deviations. The frequency counts and percentage distributions were used to determine the characteristics of the respondents and means were used to describe microfinance services effectiveness and the growth of SME in Burundi. The interpretations for the data for both the independent and dependent variables have been interpreted using the following means range:

Table 3: Mean range

Mean Range	Response Mode	Interpretation
3.26 - 4.00	strongly agree	Very High
2.51 – 3.25	Agree	High
1.76 – 2.50	Disagree	Low
1.00 – 1.75	strongly disagree	Very Low

The Pearson linear correlation co-efficient was used to determine the relationship between microfinance services and growth of SMEs. At the end, simple linear regression and multiple regression analyses was also used to test the effect of the dependent variables on the independent variables.

Thus the regression equation took the following form:

$$Y = F (X_1, X_2, \dots, X_n) \dots \dots \dots 3.1$$

Where:

Y= Dependent Variable (growth of small medium enterprises)

X₁.....X_n = Independent variable (microfinance services)

et= Random variable or error term

From equation 1, the econometrical equation formed thus:

$$SMEG = B_0 + B_1 LP + B_2 SM + B_3 FST + et \dots \dots \dots 3.2$$

Where:

SMEG= Small Medium Enterprise Growth

LP= Loan Provision

SM= Savings Mobilisations

FST= Financial Skills Trainings

Bo = the constant or the level of at microfinance services are not in existence

et = error term

3.9 Ethical considerations

This study have been conducted within the strict respect of ethical code guiding researches. During the development of the proposal, plagiarism was avoided as much as possible by citing relevant sources. The data obtained from the small and medium enterprises registered in selected districts in Bujumbura Burundi kept confidential for the sole purpose of the research. No data transfer to any other third party was done during the course and after the research.

CHAPTER FOUR
PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.0 Introduction

This chapter presents, analyzes, and interprets the results of data collected from the field survey. The Data analysis and interpretation was based on the research objectives. Below are the data presentations and analysis of research findings.

4.1 Respondent Rate

The researcher administered a total of 185 copies of questionnaire to the owners and managers of SMEs in Bujumbura Burundi, but only 176 were retrieved from the respondents given a total of 95.13% rate. Therefore, if the questionnaire retrieval rate is greater than 70% it is enough to consider the data obtain in a research study (Amin, 2005).

Table 4.1: Response Rate of the Questionnaire

Response	Frequency/Rate
No. of distributed copies of questionnaire	185
Minimum study sample size	173
Returned copies of questionnaire	176
Response rate as per the sample size	101.73%
Returned and usable copies of questionnaire	176
Copies of questionnaire not returned or not usable	9
Valid response rate as per the sample size	101.73%

Source: Computation from survey data (2018)

As indicated from table 4.1, slightly more than 100% of minimum sample size was retrieved, this was because the researcher distributed more than the minimum sample in an effort to meet the targeted minimum sample size.

4.2 Profile of respondents

The section provides data on background information of respondents who participated in the study. The purpose of this background information was to identify the characteristics of respondents and to show the distribution of respondents in the study in terms of gender, age, educational qualifications and social status. The results are presented in table 5-8.

4.2.1 Gender of respondents

Table 4.2: Gender characteristics of Respondents

Gender of respondents	Frequency count	Percentage (%)
Male	126	72.8
Female	47	27.2
Total	173	100

Source: Computation from survey data (2018)

Regarding respondents gender, Table 4.2 revealed that 126 respondents representing 72.8% of the sample size are male and 47 representing 27.2% are female. This is an indication that both genders were well involved in SMEs in Bujumbura, although there are considerably more male entrepreneurs than female.

4.1.2 Age of respondents

Table 4.3: Age characteristics of Respondents

Age Bracket	Frequency count	Percentage (%)
20 – 30	26	15
31 – 40	70	40.5
41 – 50	44	25.4
50 and above	33	19.1
Total	173	100.0

Source: Computation from survey data (2018)

The results in table 4.3 show the age distribution of the respondents: 26 respondents representing 15% are aged between 20 and 30 years, 70 representing 40.5% of the total of respondents are aged between 31 and 40 years, 44 respondents representing 25.4% are aged between 41 and 50 years and 33 respondents representing 19.1% are aged above 50 years old. This implied that most of the respondents in the study are adult aged between 31 and 40 years old. In addition, the findings imply that the study was taken from mature respondents and therefore the information obtained can be based on for decision-making.

4.1.3 Education background of the respondents

Table4.4: Education characteristics of Respondents

Level of Education	Frequency count	Percentage (%)
Primary education	20	11.6
Secondary education	47	27.2
Tertiary education	106	61.3
Total	173	100.0

Source: Computation from survey data (2018)

From Table 4.4, it indicates that tertiary education is the level of education with the highest response rate. From the table, 61.3% of the respondents indicated their highest education level as tertiary education with a university background. This is followed by secondary education, with 27.2% of the respondents each. Those with a primary level of education represented 15.8% of the respondents. This is an indication that majority (61.3%) of the SMEs operators sampled in this study has a university background education.

4.1.4 Marital status of respondents

Table 4.5: marital status of respondents

Marital status	Frequency count	Percentage (%)
Married	95	54.9
Single	49	28.3
Others	29	16.8
Total	173	100

Source: Computation from survey data (2018)

Table 4.5 revealed that 95 respondents representing 54.9 % were married, while 49 respondents representing 28.3% were single and 29 respondents representing 16.8% had another marital status else than married or single status. This showed that the majority of respondents in this survey were married.

4.2 Description of effectiveness of Microfinance services in Small and Medium Enterprises in Bujumbura

The study sought to establish the level at which respondents agreed or disagreed with the Microfinance services to Small and Medium Enterprises' growth in Bujumbura Burundi. The researcher concentrated on three constructs of MFI's services, which are loan provision, savings mobilizations, and financial training skills.

The respondents were asked to indicate the extent to which they agree or disagree with each question, and their responses were analyzed using mean and standard deviation in SPSS. The rating scales were as follows: 1 = Strong disagree (SD); 2 = Disagree (D); 3 = Agree (A) with some doubt; 4 = Strong agree (SA). The responses were summarized using means and standard deviations, as indicated in table 9.

Table 4.6: Mean and standard deviation showing Loan provision in the growth of SMEs in Bujumbura

Item/Questions	MEAN	STD	Mean interpretation	Rank
A. Loan Provision				
Loans applications and approval process at microfinance institutions are fast enough to my satisfaction	3.50	0.66	Very high	3
interest charged by MFIs are relatively affordable for timely repayment	3.67	0.55	Very high	2
I always attain capital for business re-engineering from the microfinance	3.36	0.80	Very high	5
The loan provided is adequate to meet my needs of business operations	3.49	0.69	Very high	4
There is no collateral security required for the attainment of seed capital	3.69	0.58	Very high	1
Average Mean	3.54	0.66	Very high	

Source: Researcher Computation from survey data, 2018

According to the findings in table 4.6, Loans applications and approval process at microfinance institutions are fast enough to the respondents had a mean of 3.50 and standard deviation of 0.66 interpreted as very high, implying that respondents were favored in the application process for credit in microfinance since MFs were putting the process to the credit application in a relatively short time. Interest charged by MFIs are relatively affordable for timely repayment had a mean of 3.67 and standard deviation of 0.55 interpreted as very high as well,

which implies that the respondents were favored by the fact that the MFs gave them sufficient time to be able to repay their debt and interest..

I always attain capital for business re-engineering from the microfinance had a mean of 3.36 and standard deviation of 0.80 interpreted as very high, which implies that the respondents were receiving capital for business re-engineering from the MFIs. The loan provided is adequate to meet my needs of business operations had a mean of 3.49 and standard deviation of 0.69 interpreted as very high, which implies that the respondents received sufficient and adequate credit for the financing of their business.

There is no collateral security required for the attainment of seed capital had a mean of 3.69 and standard deviation of 0.58 interpreted as very high which means that the MFIs did not ask for a guarantee from the respondents for them to be able to obtain a loan .

Table 9 also Indicate that the construct **Loan provision** has an overall average mean **3.54** and average standard deviation of 0.66 which was rated Very high, implying that majority of the respondents owners of SMEs respondents generally strongly agreed that loan provision by MFI’s is very profitable to small and medium enterprises activities in Bujumbura, Burundi.

Table 4.7. Mean and standard deviation showing Savings Mobilizations in Burundi’SMEs in Bujumbura

Item/Questions: Savings Mobilizations	MEAN	STD	Mean interpretation	Rank
The microfinance organizations enable us in saving our money	3.75	0.51	Very high	1
. The microfinance institutions enable us to easily access the savings	3.67	0.52	Very high	2
There is mobilization of group savings by the microfinance organization	3.67	0.61	Very high	2

We attain interest on the savings made by the microfinance institution	3.55	0.74	Very high	5
There is adequate storage of the savings made by the microfinance institution	3.34	0.86	Very high	6
There is assurance that the savings made by MFIs are safe	3.75	0.53	Very high	1
Average mean	3.62	0.63	Very high	

Source: Researcher Computation from survey data, 2018

The above table puts in evidence that majority of the respondents generally strongly agreed that provision savings account by MFIs boosts SMEs growth in Bujumbura Burundi.

Table 4.7 presents that the microfinance organizations enable us in saving our money had a mean of 3.75 and a standard deviation of 0.51 was interpreted as very high, which implies that indeed the respondents were saving money in the MFIs. The microfinance institutions enable us to easily access the savings had a mean of 3.67 and a standard deviation of 0.52 and was interpreted as very high, meaning that respondents were in support that microfinance enabled them to access easily to savings.

There is mobilization of group savings by the microfinance organization had a mean of 3.67 and a standard deviation of 0.61 was interpreted as very high, meaning that MFIs encouraged clients who save their money in group within the MFIs . We attain interest on the savings made by the microfinance institution had a mean of 3.55 and a standard deviation of 0.74 and interpreted as very high.

There is adequate storage of the savings made by the microfinance institution a mean of 3.34 and a standard deviation of 0.86 was interpreted as very high, implying that the respondents were in support that the savings made within MFIs are kept in adequate storage. There is assurance that the savings made by MFIs are safe had a mean of 3.75 and a standard deviation of 0.53 and interpreted as

very high, meaning that according to the respondents there is assurance that the savings made within MFIs are safe.

Table 4.8: Mean and standard deviation showing Financial skills training in BUJUMBURA' SMEs.

Item/Questions: Financial Skills Training	MEAN	STD	Mean interpretation	Rank
Microfinance provide saving and deposit facilities training	3.72	0.49	Very high	1
There is provision of loan facilities acquisition training	3.62	0.64	Very High	4
Microfinance provide repayments and consequences of defaults	3.02	1.19	High	6
Microfinance provide business initiation skills	3.58	0.70	Very high	5
There is provision of business administration skills by the MFIs	3.68	0.55	Very high	3
There is Group mobilisation formation skills in organisation skills in organisation	3.72	0.60	Very high	1
Average mean	3.56	0.69	Very high	

Source: Researcher Computation from survey data, 2018

Results from table 4.8 shows that majority of the respondents also generally strongly agreed that financial skills training provided by MFIs ensures sustainability of SMEs activities in Bujumbura Burundi, with an overall mean and standard deviation response of **3.56** and **0.69** respectively, meaning that respondents were in support that the training provided by MFIs are helping them to produce a sustainable growth of their business. They also strongly agreed that there is provision of loan facilities acquisition training, and that the MFIs normally provide business initiation and administration skills.

According to the respondents, Microfinance provide saving and deposit facilities training had a mean of 3.72 and standard deviation of 0.49 interpreted as very high, meaning that respondents are in support that microfinances provide saving and deposit trainings . There is provision of loan facilities acquisition training had a mean of 3.62 and standard deviation of 0.64 interpreted as very high, implying also that respondents support the fact that MFIs provide loan acquisition training.

Microfinance provide repayments and consequences of defaults had a mean of 3.02 and standard deviation of 1.19 interpreted as high. Microfinance provide business initiation skills had a mean of 3.58 and standard deviation of 0.70 interpreted as very high, meaning that respondents were provide with business initiation skills training.

There is provision of business administration skills by the MFIs had a mean of 3.68 and standard deviation of 0.55 interpreted as very high, implying that many respondents were provide with business administration skills. There is Group mobilization formation skills in organization had a mean of 3.72 and standard deviation of 0.60 interpreted as very high, implying that many respondents were in support that MFIs encourage group mobilization formation skills training.

Table 4.9: Mean and standard deviation showing Growth of SMEs in Bujumbura

Item/Questions	MEAN	STD	Mean interpretation	Rank
Profitability				
MFIs have contributed to cost reduction in the way I run my business as SME owner	3.71	.52	Very high	1
The supports of MFIs have made it possible for me as SME owner to minimize wastage and spoilage of stock operation as I focus on key business activities.	3.60	.61	Very high	2
Through the supports of MFIs I am able to fully train my employee(s) to run daily operation as I focus on key business activities.	3.60	.59	Very high	2
Average Mean of Profitability	3.64	.57	Very high	
Sales Growth				
MFIs training have contributed to improved marketing skills like pricing for my products for me as SMEs owner	3.50	.67	Very high	5
MFIs have contributed to customer creation skills in the way I run my business as small and medium enterprise in Bujumbura.	3.41	.83	Very high	9
MFIs have contributed to improved level of my business revenue as small and medium enterprise.	3.44	0.75	Very high	7
Average Mean of Sales Growth	3.45	0.69	Very high	
Employment creation				
My business SME has become an important actor in employment creation among the local community and as a SME owner i am able to meet my social responsibilities.	3.57	0.68	Very high	4
my small and medium enterprise has contributed to improved standard of living for me as SME owner	3.47	0.74	Very high	6
my small and medium enterprise has contributed to increase level of income for me as SME owner and others	3.43	0.76	Very high	8
Average mean of Employment creation	3.49	0.73	Very high	

Source: Researcher Computation from survey data, 2018

From the results in table 4.9, it indicated that Growth of SMEs was rated very high, that is because majority of the respondents generally strongly agreed that Microfinance services have increased their profitability, growth in sales and employment creation in Bujumbura Burundi. This is evident in the overall mean response of profitability of SMEs in Bujumbura which is 3.64 and with an overall standard deviation of 0.57 interpreted as very high. The growth of SMEs in Bujumbura is evidenced to be high through the mean and the standard deviation of Growth Sales as well which are respectively of 3.45 and .69. The rate of growth of SMEs in Bujumbura is as well high in regard to the overall mean and standard deviation of Employment creation which are respectively of 3.49 and 0.73.

According to the table, MFIs have contributed to cost reduction in the way I run my business as SME owner has a mean of 3.71 and a standard deviation of .52 rated as very high, meaning that respondents are I support that through microfinance services, there has been a cost reduction in their business.

The supports of MFIs have made it possible for me as SME owner to minimize wastage and spoilage of stock operation as I focus on key business activities has a mean 3.60 of and a standard deviation of .61, implying that respondents are in support that microfinance services helped them to minimize wastage of their stock operation. Through the supports of MFIs I am able to fully train my employee(s) to run daily operation as I focus on key business activities has a mean of 3.60 and standard deviation of .59 rated as very high, meaning that microfinance services enable respondents to train their employees on how run daily operation.

MFIs training have contributed to improved marketing skills like pricing for my products for me as SMEs owner has a mean of 3.50 and a standard deviation of .67 rated as very high, implying that respondents are in support that through microfinance services, respondents improved the pricing of their products. MFIs have contributed to customer creation skills in the way I run my business as small and medium enterprise in Bujumbura has a mean of 3.41 and standard

deviation of .83 rated as very high, implying that there has been an improvement for respondents in the way they attract customers in their business. MFIs have contributed to improved level of my business revenue as small and medium enterprise has a mean of 3.44 and standard deviation of .75 rated as very high, meaning that respondents are in support that there has been an increase in revenue due to microfinance services.

My business SME has become an important actor in employment creation among the local community and as a SME owner i am able to meet my social responsibilities has a mean of 3.57 and standard deviation of 0.68 rated as very high, meaning that many respondents are being tangible actors whereby new jobs are created among the local community where they are located. My small and medium enterprise has contributed to improved standard of living for me as SME owner has a mean of 3.47 and standard deviation of .74 rated as very high. My small and medium enterprise has contributed to increase level of income for me as SME owner and others has a mean of 3.43 and a standard deviation of .76 rated as very high, implying that respondents are in support through microfinance services, they contribute to the improvement of the welfare of the population where their business are located

4.3 Correlation Analysis of Microfinance services and Growth of SMEs

To establish whether Microfinance services were significantly related with growth of SMEs, in Bujumbura, Burundi; the independent variables (Microfinance services) were broken into three components based on the services usually provided by microfinance institutions and each was correlated with the dependent variable (growth of SMEs). The results of the correlation analysis are presented us in table 13.

Table 4.10: Pearson Correlation between Microfinance services Vs Growth of SMEs in Bujumbura Burundi

Variables correlated	Coefficient	Sig	Interpretation
Loan Provision Vs Growth of SMEs.	0.868	0.000	Positive Significant Correlation
Savings Mobilizations Vs Growth of SMEs	0.846	0.000	Positive Significant Correlation
Financial Training skills Vs Growth of SMEs	0.862	0.000	Positive Significant Correlation

Source: Researchers' computation table, 2018 (Correlation is significant at the 0.005 level (1-tailed))

The Pearson's linear correlation coefficient (PLCC) results in table 4.10 indicated that Loan Provision, Savings Mobilizations and financial skills training are significantly correlated with Growth of SMEs.

Observation from the results of the Pearson's linear correlation coefficient (PLCC) between loan provision and growth of SMEs in Bujumbura Burundi showed that there is a strong significant positive linear relationship between loan provision and growth of SMEs in Bujumbura, Burundi. This is evident in the correlation coefficient of 0.869. This result suggests that an increase in loan provision by MFIs is likely to increase SMEs growth in Bujumbura, Burundi. This finding is statistically significant since the p-value (0.000) of the PLCC is less than the significance level (0.05).

The finding for the correlation between Savings Mobilizations and Growth of SMEs shows also a significant relationship for the reason that the p-value (0.000) of the PLCC of the relationship between provision of savings account by MFIs and growth of SMEs in Bujumbura Burundi is less than the significance level (0.05). This positive linear correlation between Savings Mobilizations and Growth of SMEs is evident by the correlation coefficient of 0.846. We can also see from Table 4.10 that a strong positive linear relationship exists between financial skills training provision by MFIs and growth of SMEs in Bujumbura, Burundi. This is evident in the computed correlation coefficient of 0.862. This result suggests that

an increase in provision managerial skills by MFIs is likely to increase SMEs growth in Bujumbura, Burundi. This finding is equally significant since the p-value (0.000) of the PLCC is less than the significance level (0.05). Hence, there is significant positive linear relationship between managerial skill provision by MFIs and SMEs growth in Bujumbura, Burundi.

4.4 Testing of Hypotheses: Effect of Microfinances services and growth of small and medium enterprises in Bujumbura, Burundi

To test the effect of services provided by microfinance institutions on the growth of SMEs, a simple linear regression was used in order to confirm or reject the null hypotheses which were established in chapter 1.

Table 4.11: Shows Regression Analysis on Loan Provision and Growth of SMEs

Loan provision on Growth of SMEs	Standardized coefficients Beta(β)	Significance (p)	Decision on HO1
Adjusted R-square=0.752 F-statistic=521.31 p=0.000 t-test=22.832	0.868	0.000	Rejected

Source: Researcher's Computation from survey data (2018)

The first null hypothesis was "There is no significant effect of Loan Provision on the growth of SMEs in Bujumbura, Burundi." This null hypothesis was tested using the result of the simple linear regression and thus Loan provision was regressed with Growth of SMEs. The results of linear regression showed that F – statistic = 521.310 and t - test = 22.832 and significant at $P < 0.000$. Regarding to the results, a positive significant linear regression has been found and the null hypothesis was rejected because the sig value is below the threshold of its acceptance level (0.05).

Table 4.12: Shows Regression Analysis for Savings Mobilisations and Growth of SMEs

Savings mobilisation on Growth of SMEs	Standardized coefficients Beta(β)	Significance (p)	Decision on HO1
Adjusted R-square=0.714 F-statistic=430.09 p=0.000 t-test=20.739	0.846	0.000	Rejected

Source: Researcher's Computation from table (2018)

The second null hypothesis was "There is no significant effect between Savings Mobilizations and Growth of SMEs in Bujumbura Burundi. This null hypothesis was tested using the results of the simple linear regression and thus Savings Mobilizations was regressed with Growth of SMEs. The results of linear regression showed that F – statistic = 430.092 and t - test = 20.739 and significant at P < 0.000. By this result the null hypothesis is rejected because the sig value is below the threshold of its acceptance level (0.05).

Table 4.13: Shows Regression Analysis for Financial Skills training and Growth of SMEs

Financial skills training on Growth of SMEs	Standardized coefficients Beta(β)	Significance (p)	Decision on HO1
Adjusted R-square=0.742 F-statistic=496.66 p=0.000 t-test=22.286	0.862	0.000	Rejected

Source: Researcher's Computation from table (2018)

The third null hypothesis "There is no significant effect between financial skills Training and Growth of SMEs in Bujumbura." This null hypothesis was tested

using the results of the simple linear regression as well and thus Financial Skills Training was regressed with Growth of SMEs. The result of linear regression showed that F – statistic = 496.669 and t - test = 22.286 and significant at P < 0.000. By this result the effect of financial training on the growth of SMEs in Bujumbura was found positively significant and the null was rejected because the sig value was below the threshold of its acceptance level (0.05).

4.5 Multiple Regression Analysis of Microfinance services and growth of Small and medium enterprises

Table 4.14: Results of multiple regression analysis

Microfinance services on Growth of SMEs	Standardized coefficients	Significance (P)	Decision
Loan provision	0.317	0.000	Rejected
Savings mobilizations	0.317	0.000	rejected
Financial skills training	0.314	0.000	Rejected
Adjusted R-square=0.805 F-statistic=237.528 p=0.000			

Source: Researcher’s Computation (2018)

The result of multiple regressions in Table 4.14 has also shown that Loan provision is positively related to Growth of SMEs since the combine Regression results gives a R of 0.899, R-square of 0.808 and a R adjusted of 0.805 with a P-Value of 0.000 thus still significantly related, therefore the null hypothesis still rejected.

Thus, the multiple regression analysis yielded the following model: Growth of SMEs = Bo + B1 (LP) + B2 (SM) + B3 (FST) + Err02

Where, Bo is constant or the level when Growth of SMEs is taken to be zero. B1, B2 and B3 are the regression parameters measuring the strength of the independent variables on Growth of SMEs. Thus B1 was the parameter measuring the control power of Loan Provision (LP) on the Growth of SMEs. B2 was the parameter measuring the strength power of Savings Mobilizations(SM)

on the growth of SMEs and B3 was the parameter measuring the strength power of Financial Skills Training (FST) on Growth of SMEs.

Thus, the multiple regression analysis yielded the following model: Growth of SMEs = 0.156 + 0.317 LP + 0.317 SM + 0.314 FST + (0.134). (0.087). (0.076). (0.74)

With the R-Square of 0.808 and the adjusted R-Square of .805 means that the variables Loan provision, Savings Mobilization and Financial training skills explains at least 95% of the growth of small and medium enterprises in the Bujumbura, Burundi.

The constant of 0.156 showed that if Loan provision, savings mobilisation and financial skills training provided by MFIs were rated as zero, the growth of SME in Bujumbura Burundi would be 0.156. The coefficient 0.317 on loan provision, showed that one unit change in Loan provision results in 0.317 units increase in growth of SME. Also, the result of multiple regression of 0.317 showed that one unit change in mobilisation of savings results in 0.317 units increase in growth of SME. Lastly, 0.314, showed that one unit change in training provided by MFIs results in 0.314 units in growth of SME in Burundi.

CHAPTER FIVE

DISCUSSIONS, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter focused on the findings, conclusions and recommendations of the study presented in Chapter Four. In the first place, it examined the main finding expressed in objectives, research question. Secondary, the conclusions of the study were drawn and finally recommendations were formulated and additional research areas were defined.

5.1 Discussion

In this section, the findings of the study were examined in light of the purpose of the research and the conclusions of the previous researchers. Subheadings are organized for discussion according to the objectives of the research.

The purpose of this study was to determine the effects of Microfinance services on the Growth of Small and Medium Enterprises in Bujumbura Burundi.

5.1.1 Effect of Loan provision on the growth of Small and Medium scale Enterprise in Bujumbura

The research question that guided this objective was does Provision of Loan by Microfinance affect the growth of small and medium enterprises in Bujumbura? And in attempt to get answer for the question a null hypothesis was formulated thus: 'Ho1 There is no significant effect of loan provision and growth of Small and Medium Enterprises in Bujumbura'. The effect was found significant though the findings revealed that loan provision provided a high contribution to Small and medium enterprises growth in Bujumbura. In the first instance the descriptive statistics shows that Loan provision is very high. The Pearson's linear correlation coefficient (PLCC) findings of this study indicated that Loan provision had a very strong significant relationship with the Growth of SMEs in Bujumbura Burundi as well. Similarly the results of the linear and multiple regression also showed that Loan provision is significantly and positively related with growth of SMEs in Bujumbura.

The finding was in line with the findings of Abio and Emenike (2017) who maintained that loan provision has a significant positive impact on SMEs growth in Nimule South Sudan. The results of this research support in some way the pecking order theory(Myers,1986), by the fact that this theory expresses that owners of the companies make use of the credits to finance their activities in order to be able to both record profits and to produce a financial growth while remaining the sovereigns and ultimate leaders of their businesses.

The result was consistent with other previous empirical studies namely Gabre (2014) who found that access to credit facilities namely loan provision positively impacts on the growth of the top 100 small and medium enterprises in Kenya.

5.1.2 Effect of Savings Mobilizations and Growth of SMEs in Bujumbura

The research question that guided this objective was 'How does savings affects growth of small and medium enterprises in Bujumbura?', and in attempt to get answer for the question a null hypothesis was formulated thus: 'Ho₂ There is no significant effect of mobilizations of savings on the growth of SMEs in Bujumbura.

The results revealed that mobilizations of savings had a positive significant effect on growth of small medium enterprises in Bujumbura, Burundi. In the first instance the descriptive statistics shows that savings mobilizations is very high.

The Pearson's linear correlation coefficient (PLCC) findings of this study indicated that Mobilizations of savings had a very strong significant effect on the growth of SMEs in Bujumbura. Similarly the results of the linear and multiple regression also showed that Savings mobilizations is significantly and positively related with growth of SMEs in Bujumbura.

The results of this research are also in agreement with the theory of pecking order by the fact that this theory clarifies that profits or return earnings of enterprises are kept in the form of savings, which savings will produce interest and be used thereafter to finance business activities.

The finding was in line with the findings of Mulungi and Kwagala (2015) who concluded that the level of accessibility of the savings services had a positively

significant relationship with the business growth that the selected Small and Scale Enterprises in Uganda attained in terms of sales revenue, profits, business expansion, and product range.

5.1.3 Effect of financial skills training and growth of SMEs in Bujumbura, Burundi

The research question that guided this objective was 'What is the impact of financial skill training on the growth of small and medium enterprise in Bujumbura?' And in attempt to get answer for the question a null hypothesis was formulated thus: 'H03 There is no significant effect of financial skill training on the growth of small and medium enterprises.

The findings for this objective were that financial skills training affects significantly and positively growth of small and medium enterprises. In the first instance the descriptive statistics shows that financial skills training is very strong. The Pearson's linear correlation coefficient (PLCC) findings of this study indicated that financial skills training had very strong and positive significant relationship with growth of SMEs in Bujumbura. Similarly the results of the linear regression also showed that financial skills training has a significant and positive effect on the growth of SMEs in Bujumbura.

The results of this research support the theory of goal setting theory(Locke and Latham, 1990).in fact, the more individuals are motivated to complete something while having a perfect knowledge of the objectives to reach them and means whereby they achieve them, the more individuals will complete great performance(Locke and Latham,1986).

The finding was in line with the findings of Innocent and Wallace (2016) who studied and found that training offered by MFIs to its clients in Kisii town in Kenya, are most effective and therefore the training programmes which were offered by microfinance institutions in the town majorly facilitates the increase in profitability of small and medium enterprises in the town of Kisii.

5.2 Conclusions

Based on the findings of the study the following conclusions were drawn. The purpose of this study was to evaluate the effect of microfinances services on the growth of SMEs in Burundi in a survey conducted in three districts in Bujumbura(Buyenzi, Rohero and Ngagara) by analysing the responses obtained through questionnaires using descriptive analysis, Pearson's linear correlation coefficient (PLCC), regression analysis and multiple regressions analysis.

The effect of Loan Provision in the growth of Small and Medium Enterprises in Bujumbura, Burundi

On the first objective based on the findings, the researcher concluded that Loan Provision has a very high capability of contributing in the Growth of SMEs in Bujumbura, Burundi. This is due in some point to the rates of interest charged by microfinance institutions on the loans received which are relatively affordable for timely repayment in Bujumbura. Thus, providing access to loans through microfinance helps small and medium enterprises having an income-generating activities for their business.

The effect of Savings Mobilizations on the Growth of SMEs in Bujumbura, Burundi

On the second research objective, the researcher concluded that Savings Mobilization has a high capability of contributing positively in the performance of SMEs in Bujumbura in Burundi. The positive nature of the effect of savings on growth of SMEs meant that strengthening savings by improving accessibility to the savings services would translate into a significant improvement in the business growth of SMEs in terms of sales revenue, profitability, sales expansion, and creation of job.

The effect of financial skill training on the growth of small and medium enterprises in Bujumbura, Burundi

The researcher on the third objective concluded based on the findings that financial skills training affects considerably the growth of SMEs in Bujumbura Burundi, this may be explained by the argument that financial literacy helps in empowering and educating investors so that they are knowledgeable about finance in a way that is relevant to their business and enables them to use this knowledge to evaluate products and make informed decisions for the performance of their enterprises.

5.3. Recommendations

Based on the findings and conclusions of the study, the researcher made the following recommendations

1. Small financing institutions such as Microfinance Institutions should encourage the growth of small and medium enterprises by promoting soft loans to entrepreneurs in Bujumbura, Burundi. Furthermore, the researcher recommends that SMEs should establish a good credit history with credit institutions in order to easily access the loan finance. In the perspective of a Government efforts to build a healthier and more inclusive financial system, the government should create or improve the existing framework of policies, regulations, institutions and initiatives aimed at covering their population financial needs, especially through microfinance credit provision.
2. Based on the finding of the second objective of the study, the research recommends that the government should also intervene to ensure that MFIs set savings interest rates that attract individuals to save.
3. On the third research objective, the researcher recommends that additional training should be provided by microfinance institutions to small and medium enterprises. Furthermore, the study recommends that owners or staff of SMEs should consider enrolling in a financial education program

or any other related program to improve their capacity to perform in term of managing loan finance and how strategically save their funds.

5.4 Contribution to knowledge

It is acknowledged in this research study to provide more light as to why there is a need for putting up proper policy on serving services and loans in a business regardless its environment of operations. It enabled entrepreneurs investing in small scale businesses to improve the management purposely to attain the business objectives or targets. Moreover, this research study provided a better understanding of microfinance policies and how access to them can contribute to the development of small and medium enterprises in Africa in general and particularly to eastern countries. This generated useful insights that can be used by the government and Non-governmental organizations to promote the accessibility of credit to the small and medium enterprise from microfinance institutions and to ensure that policies are implemented to facilitate easy access of loans by SMEs from MFIs by improving the microfinances' policies focusing on financial growth in developing countries. Therefore, policy makers, educators, shareholders, borrowers, scholars, investors, public and private organizations in the global arena are called to adopt proper techniques of credit controls for small scale businesses will generate a back borne to the development if taken into consideration.

5.5 Suggested Area for further Research

1. Further research can be undertaken on the effect of financial training literacy on the growth of SMEs, the results can be compared with the results of this study.
2. Further research can be undertaken on the effect of Loan provision on the growth of small and medium enterprises.
3. Further research can be undertaken on the Role of Micro-finance institution in Funding Small and Medium Enterprises

5.6 Limitations of the study

The study was faced by a number of limitations relating to the scope.

First, the study only concentrated on SMEs in Bujumbura's informal settlements. These firms cannot be a representative of all SMEs in Burundi or other localities.

Secondly, questionnaires were translated into another language which is different from the language of its initial elaboration. Indeed, the various instruments of gathering data and other relevant information of the study have been translated into French to facilitate reading and comprehension to the respondents in Burundi who are French speakers.

The scores given in response to the statements used for examining microfinance services were mainly based on the respondents' feel and intuition rather than being calculated directly from audited financial statements.

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APPENDIX I: TRANSMITTAL LETTER



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Directorate of Higher Degrees and Research Office of the Director

Our ref. 1164-05026-09501

Monday 12th November, 2018

Dear Sir/Madam,

**RE: INTRODUCTION LETTER KORICIZA BOLLAR
REG. NO. 1164-05026-09501**

The above mentioned candidate is a student of Kampala International University pursuing a Masters degree in Business Administration.

He is currently conducting a research for his dissertation titled, "*Microfinance Services and Growth of Small and Medium Enterprises in Bujumbura, Burundi*".

Your organization has been identified as a valuable source of information pertaining to the research subject of interest. The purpose of this letter therefore is to request you to kindly cooperate and avail the researcher with the pertinent information he may need. It is our ardent belief that the findings from this research will benefit KIU and your organization.

Any information shared with the researcher will be used for academic purposes only and shall be kept with utmost confidentiality.

I appreciate any assistance rendered to the researcher

Yours Sincerely,

Dr. Claire M. Mugasa

Director



C.c. DVC, Academic Affairs
Principal CHSS

"Exploring the Heights"

APPENDIX II: INTRODUCTION LETTER

Date _____

Candidate's Data

Name _____

Reg. # _____

Course _____

Title of Study _____

Ethical Review Checklist

The study reviewed considered the following:

- Physical Safety of Human Subjects
- Psychosocial Safety
- Emotional Security
- Privacy
- Written Request for Author of Standardized Instrument
- Coding of Questionnaires/Anonymity/Confidentiality
- Permission to Conduct the Study
- Informed Consent
- Citations/Authors Recognized

Results of Ethical Review

- Approved
- Conditional (to provide the Ethics Committee with corrections)
- Disapproved/ Resubmit Proposal

Ethics Committee (Name and Signature)

Chairperson _____

Members _____

APPENDIX III: INFORMED CONSENT

I am giving my consent to be part of the research study of Mr Koriciza Bollar that focused on "MICROFINANCE SERVICES AND GROWTH OF SMALL AND MEDIUM ENTERPRISES IN BUJUMBURA, BURUNDI". I assured of privacy, anonymity and confidentiality and that I was given the option to refuse participation and right to withdraw my participation anytime. I have been informed that the research is voluntary and that the results are given to me if I ask for it.

Initials: _____

Date _____

APPENDIX IV: RESEARCH INSTRUMENT: QUESTIONNAIRE

Dear respondent,

I am Koriciza Bollar, a student of Kampala International University.as part of my requirement to the award of a Master in Business Administration, I am administering this questionnaire to collect the information in regard to my survey on the effect of Microfinance services on the growth of small and medium enterprises in Burundi. The researcher has identified you as one of the respondents, so kindly spare some minutes of your precious time and respond to these questions as correctly as you can. This research is for academic purposes and your answers to the questions was treated with confidentiality.

INSTRUCTIONS

1. Do not sign your name anywhere on this questionnaire
2. Tick or fill appropriately

SECTION A:

Background information

1. Gender

Male female

2. Age group

20-30 31-40 41-50 above 50

3. Level of education

Primary secondary Tertiary

4. Marital status

Married single other (s) specify

SECTION B: Microfinance services in small-scale enterprises

Respond to the following statements by selecting the option which best describes how you assess the statement

1: Strongly Disagree

2: Disagree

3: Agree

4:

Strongly Agree

I. LOAN PROVISION IN SMALL-SCALE ENTERPRISES

N	Questions items	1	2	3	4
1	Loans applications and approval process at microfinance institutions are fast enough to my satisfaction.				
2	interest charged by MFIs are relatively affordable for timely repayment				
3	I always attain capital for business re-engineering from the microfinance				
4	The loan provided is adequate to meet my needs of business operations				
5	There is no collateral security required for the attainment of seed capital				

II. MOBILISATIONS AND SAVINGS IN SMALL AND SCALE ENTERPRISES.

N	Questions items	1	2	3	4
1	The microfinance organisations enable us in saving our money				
2	The microfinance institutions enable us to easily access the savings				

3	There is mobilisation of group savings by the microfinance organisation				
4	We attain interest on the savings made by the microfinance institution				
5	There is adequate storage of the savings made by the microfinance institution				
6	There is assurance that the savings made by MFIs are safe				

III. FINANCIAL SKILLS TRAINING IN SMALL AND SCALE ENTERPRISES.

N	Questions items	1	2	3	4
1	Microfinance provide saving and deposit facilities training				
2	There is provision of loan facilities acquisition training				
3	Microfinance provide repayments and consequences of defaults				
4	Microfinance provide business initiation skills				
5	There is provision of business administration skills by the MFIs				
6	Group mobilisation formation skills in organisation skills in organisation				

SECTION C: GROWTH OF SMALL SCALE ENTERPRISES

N	Questions items	1	2	3	4
	Profitability				
1	MFIs have contributed to cost reduction in the way I run my business as SME owner.				
2	The supports of MFIs have made it possible for me as SME owner to minimize wastage and spoilage of stock.				
3	through the supports of MFIs I am able to fully train my employee(s) to run daily operation as I focus on key business activities				
	Growth in sales				
4	MFIs training have contributed to improved marketing skills like pricing for my products for me as SMEs owner.				
5	MFIs have contributed to customer creation skills in the way I run my business as small and medium enterprise in Bujumbura.				
6	MFIs have contributed to improved level of my business revenue as small and medium enterprise.				
	Employment creation				
7	My business SME has become an important actor in employment creation among the local community and as a SME owner i am able to meet my social responsibilities.				
8	my small and medium enterprise has contributed to improved standard of living for me as SME owner				
9	my small and medium enterprise has contributed to increase level of income for me as SME owner and others				

APPENDIX V: SPSS OUTPUT

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.868 ^a	.753	.752	.24610	.753	521.310	1	171	.000	1.781

a. Predictors: (Constant), loan provision index

b. Dependent Variable: growth index

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
		1	(Constant)	.442			.137	
1	loan provision index	.871	.038	.868	22.832	.000	1.000	1.000

a. Dependent Variable: growth index

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.846 ^a	.716	.714	.26411	.716	430.092	1	171	.000	1.317

a. Predictors: (Constant), savings index

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.846 ^a	.716	.714	.26411	.716	430.092	1	171	.000	1.317

b. Dependent Variable: growth index

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
		1	(Constant)	.215				
	savings index	.915	.044	.846	20.739	.000	1.000	1.000

a. Dependent Variable: growth index

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.862 ^a	.744	.742	.25060	.744	496.669	1	171	.000	1.663

a. Predictors: (Constant), training index

b. Dependent Variable: growth index

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.666	.130		5.129	.000	
	training index	.804	.036	.862	22.286	.000	1.000

a. Dependent Variable: growth index

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.899 ^a	.808	.805	.21808	.808	237.528	3	169	.000	1.711

a. Predictors: (Constant), training index, savings index, loan provision index

b. Dependent Variable: growth index

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.156	.134		1.170	.244		
	loan provision index	.312	.087	.311	3.583	.000	.150	6.654
	savings index	.317	.076	.293	4.152	.000	.228	4.383
	training index	.314	.074	.337	4.220	.000	.178	5.615

a. Dependent Variable: growth index