

**FINANCIAL LOANS AND PERFORMANCE OF MEDIUM ENTERPRISES IN
KAMPALA; A CASE STUDY OF KAMPALA DOWN TOWN TRADERS**

BY

NATWONGYERA PROSSY

REG.NO: 1153-05014-00300

**A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS
AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF BACHELORS
DEGREE OF BUSINESS ADMINISTRATION OF
KAMPALA INTERNATIONAL
UNIVERSITY**

JULY, 2018

DECLARATION

I, **Natwongyera Prossy** declare that the work submitted in the report is original and to my best knowledge and as far as I am concerned, it has never been presented to any institution or college of neither high or low level of learning for the award of any academic qualification or any other purpose as academic pre-requisite.

Signature: *Natwongyera Prossy*


NATWONGYERA PROSSY

REG.NO: 1153-05014-00300

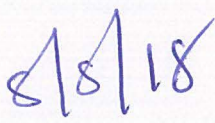
Date: *3 / 8 / 18*

APPROVAL

This is to certify that this research has been carried out under my supervision as the university supervisor.

Signature.....

MR. TIMBIRIMU MICHEAL

Date.....

DEDICATION

I dedicate my research report to my parents who supported me financially and also those who helped me as well to fulfill their role. May the good Lord bless you.

TABLE OF CONTENTS

DECLARATION	i
APPROVAL	ii
DEDICATION.....	iii
ACKNOWLEDGMENT	iv
TABLE OF CONTENTS.....	v
LIST OF TABLES.....	xi
LIST OF FIGURES	xiii
LIST OF ACRONYMS	xiv
ABSTRACT.....	xvi
CHAPTER ONE	1
INTRODUCTION	1
1.0 Introduction.....	1
1.1 Background of the study	1
1.2 Problem statement.....	3
1.3 Purpose of the study.....	3
1.5 Research Questions.....	4
1.6 Scope of the study.....	4
1.6.1 Time scope.....	4
1.6.2 Geographical scope.....	4
1.6.3 Subject scope	4
1.7 Significance of the study.....	4
CHAPTER TWO	6
LITERATURE REVIEW	6

2.0 Introduction.....	6
2.1 Concept of microfinance institutions (MFI's)	6
2.1.1 Status of MFIs in Uganda	7
2.1.2 Mode of Operation of MFIs.....	7
2.1.3 Micro Finance Institutions' products.....	8
2.2 Microfinance loans	9
2.2.1 Interest rates.....	9
2.2.2. Repayment schedule	10
2.2.3. Loan amount.....	10
2.2.4 Credit period or loan period.....	10
2.2.5 Collateral requirement	11
2.3 MFIs Responsibilities.....	11
2.3.1 Legibility criterion	11
2.3.2 Methods of lending.....	11
2.3.3. Loan appraisal.....	12
2.3.4. Monitoring.....	13
2.3.5 Training.....	13
2.4 Small Scale Enterprises (SSEs)	14
2.4.1 Growth of Small Scale Enterprises in Uganda	15
2.4.2 The distribution of Small Scale Enterprises (SSEs).....	15
2.4.3 Performance	15
2.4.5 Medium enterprise financing in Uganda.....	16
2.4.6 Relationship between micro finance loans and performance of medium enterprises.....	17
2.5 Conclusion	18

CHAPTER THREE	20
METHODOLOGY	20
3.0 Introduction.....	20
3.1 Research design	20
3.2 Study population	20
3.4 Sample size	21
3.5 Sampling procedure	21
3.6 Data collection sources	21
3.6.1 Primary data sources.....	21
3.7 Data collection methods and tools.....	22
3.7.1 Survey data collection method.....	22
3.7.2 Questionnaire tools	22
3.8 Data processing, analysis, presentation and limitations of the study.....	22
3.8.1 Data processing.....	22
3.8.2 Data analysis	22
3.8.3 Data presentation	22
3.8.4 Limitations of the study	23
CHAPTER FOUR	24
DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS	24
4.0 Introduction.....	24
4.1 Demographic characteristics of Respondents	24
4.1.1 What are the different forms of loans provided by MFIs?	32
4.1.2 What is the repayment period of loans provided by MFIs to medium enterprises?	33
4.1.4 What is the extent the duration of a loan affecting its repayment?.....	35
4.1.5 What is the size of the loan provided by MFIs to medium enterprises?.....	36

4.1.6 Are respondents are engaged in any type of business?.....	37
4.2.2 What the perception of performance level of medium enterprises?	40
4.2.3 What is the trend of performance of medium enterprises?	41
4.2.4 Do respondents generate enough profits for repaying back the loan?	42
4.2.5 To what extent do the respondents generate enough profits to repay back the loan?.....	43
4.3 OBJECTIVE 3	44
4.3.2 What is the extent of the effect of microfinance loans on the performance of medium enterprises?	45
4.3.3 Do sales revenues increase as a result of using a loan?	46
4.3.4 If yes, in which range weekly?	47
4.3.5 What are the stipulations under which credit is granted?	48
CHAPTER FIVE	49
SUMMARY OF FINDINGS, CONCLUSIONS, RECOMMENDATIONS AND AREAS OF FURTHER STUDY.....	49
5.0 Introduction.....	49
5.1 Summary of major findings	49
5.1.1 Demographic characteristics.....	49
Objective 1	49
5.2 To assess the nature of microfinance loans to medium enterprises.....	49
5.2.1 What are the different forms of loans provided by MFIs?	49
5.2.2 What is the repayment period of loans provided by MFIs to medium enterprises?	50
5.2.3 Does the duration of a loan affect its repayment?	50
5.2.4 What is the extent of the duration of the loan affecting its repayment?	50
5.2.5 What is the size of the loan provided by MFIs to medium enterprises?.....	50
5.2.6 Are respondents engaged in any type of business?.....	50

5.3 To establish the level of performance of recipient medium enterprises	51
5.3.1 What is the performance level of medium enterprises?.....	51
5.3.2 What is the perception of performance level of medium enterprises?	51
5.3.3 What is the trend of performance of medium enterprises?	51
Objective 3	52
5.4 To establish the relationship between microfinance loans and performance of medium enterprises.....	52
5.4.1 Do microfinance loans affect the performance of medium enterprises?	52
5.4.2 What is the extent of the effect of microfinance loans on the performance of medium enterprises?	52
5.4.3 Do sales revenues increase as a result of using a loan?	52
5.4.4 If yes, in which range weekly?	53
5.4.5 What are the stipulations under which credit is granted?	53
5.5 Recommendation on the nature of microfinance loans to medium enterprises.....	53
5.5.1 What are different forms of loans provided by MFIs?	53
5.5.2 What is the repayment period of loans provided by MFIs to medium enterprises?	53
5.5.3 Does the duration of the loan affect its repayment?	54
5.5.4 What is the size of the loan provided by MFIs to medium enterprises?.....	54
5.5.5 Are respondents engaged in any type of business?.....	54
5.6 Recommendation on establishing the level of performance of recipient small scale enterprises.....	54
5.6.1 What is the performance level of recipient small scale enterprises?	54
5.6.2 What is the trend of performance of small scale enterprises?	54
5.6.3 Do respondents generate enough profits for repaying back the loan?.....	54
5.7 Recommendation on the relationship between microfinance loans and performance of medium enterprises.....	55

5.7.1 Do the microfinance loans affect the performance of MEs?55

5.7.2 Do sales revenues increase as a result of using a loan?55

5.7.3 What are the stipulations under which credit is granted?55

5.8 Areas of further research:.....55

REFERENCES.....56

APPENDIX.....58

LIST OF TABLES

Table 1. Showing Sex of the respondents.....	24
Table 2: Showing Respondents age ranges.....	25
Table 3: Showing Education level of respondents.....	26
Table 4: Showing Marital Status of respondents	27
Table 5: Showing Religion of Respondents	28
Table 6: Showing Length of respondents being in business.....	29
Table 7: Showing whether respondents had ever borrowed money	30
Table 8: Showing the micro finance where respondents borrowed from	31
Table 9: Showing the different forms of loans provided by MFIs	32
Table 10: Showing the repayment period of loans provided by microfinance institutions to medium enterprises.	33
Table 11: Showing if the duration of the loan affects its repayment	34
Table 12: Showing the extent of the duration of the loan affecting its repayment.....	35
Table 13: Showing the size of the loan provided by MFIs to medium enterprises	36
Table 14: Showing if respondents are engaged in any type of business.....	37
Table 15: Showing the type of business the respondents are engaged in	38
Table 17: Showing the perception of performance level of MEs	40
Table 18: Showing the trend of performance of MEs.....	41
Table 19: Showing whether respondents generated enough profits for repaying back the loan.	42
Table 20: Showing the extent the respondents generate enough profits to repay back the loan	43
Table 21: showing whether microfinance loans affect the performance of MEs	44
Table 22: Showing the extent of the effect of microfinance loans on the performance of MEs	45
Table 23: showing whether sales revenues had increased as a result of using a loan	46
Table 24: showing the range weekly in which the sales revenues had increased.....	47
Table 25: showing the stipulations under which credit is given.....	48

LIST OF FIGURES

Figure 1: A pie chart showing the sex of the respondents	24
Figure 2: A pie chart showing the respondents' age ranges	25
Figure 3: A pie chart showing level of respondents of respondents	26
Figure 4: A pie chart showing the marital status of respondents.....	27
Figure 5: A pie chart showing the religion of the religion.....	28
Figure 6: A pie chart showing the length of respondents being in business.....	29
Figure 7: A pie chart showing whether respondents had ever borrowed money.....	30
Figure 8: A pie chart showing the microfinance where respondents borrowed from.....	31
Figure 9: A pie chart showing the different forms of loans provided by MFIs.....	32
Figure 10: A pie chart showing the repayment period of loans provided by microfinance institutions to medium enterprises.	33
Figure 11: A pie chart showing if the duration of the loan affects its repayment	34
Figure 12: A pie chart showing the extent of the duration of the loan affecting its repayment .	35
Figure 13: A pie chart showing the size of the loan provided by MFIs to small scale enterprises	36
Figure 15: A pie chart showing the type of business the respondents are engaged in.....	38
Figure 16: A pie chart showing the performance level of recipient MEs	39
Figure 17: A pie chart showing the perception of performance level of MEs.....	40
Figure 18: A pie chart showing the trend of performance of MEs	41
Figure 19: A pie chart whether respondents generate enough profits for repaying the loan.....	42
Figure 20: A pie chart showing the extent to respondents generate enough profits to repay back the loan.....	43
Figure 21: A pie chart whether microfinance loans affect the performance of MEs.....	44
Figure 22: A pie chart showing the extent of the effect of microfinance loans on the performance of MEs.	45
Figure 23: A pie chart showing whether sales revenues had increased as a result of using a loan	46
Figure 24: A pie chart showing the range of increase of sales revenues weekly.....	47
Figure 25: A pie chart showing the stipulations under which credit is granted.....	48

LIST OF ACRONYMS

MFIs	Micro Finance Institutions
MEs	Medium Enterprises
GDP	Gross Domestic Product
CBOs	Community Based Organizations
USAID	United States Agency for International Development
NGOs	Non Governmental Organizations
FINCA	Foundation for International Community Association
UWESO	Uganda Women Support Organization
UGAFODE	Uganda Agency for Development
UMU	Uganda Microfinance Union
MFPEd	Ministry of Finance Planning & Economic Development
ACCORD	Agency for Cooperation and Research Development

ABSTRACT

This research report was carried out on Micro Finance Loans and Performance of Medium Enterprises in Kampala a case study of Kampala Down Town Traders. The report contains the background to the study which specifically talks about the definition of Microfinance institutions (MFIs), examples and forms of MFIs and the scope of their operation in Uganda. The services and beneficiaries of these MFIs services together with their sources of funds have been mentioned. The objectives of the study were; To establish the nature of Microfinance loans to Medium enterprises, To establish the level of performance of recipient Medium enterprises and To establish the relationship between microfinance loans and performance of Medium enterprises. Across sectional research design was used in the study, the sample size comprised of 40 respondents where by 10 were microfinance employees or staffs and 30 were Medium enterprise owners. The main types of data used in the study were primary and secondary data. The questionnaires led to the collection of primary data while the use of text books journals, research materials and other Media sources, collected secondary data. The data collection method used for the study was survey and questionnaires as a tool. The findings of the study were analyzed and presented in this research report, Data analysis was conducted as a simultaneous activity with data collection and data was presented using tables, pie charts, frequencies and percentages. Most females were found to be engaged in business than men, majority of respondents also preferred medium term loans, the repayment period was not so favorable for the Medium owners, sales revenues were found out to increase as a result of using a loan. However the stipulations under which credit was granted such as interest rates were not favorable for the Medium owners. In conclusion, it can be deduced that the existing microfinance loan terms are not favorable to the performance of Medium enterprises. The findings also indicate that the performance of Medium enterprises was not at the required standards. The researcher recommends that microfinance institutions should improve and review their loan terms /stipulations such as interest rates, collateral security loan period, so as to enable MEs better performance.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter includes background of the study, problem statement, objectives, research questions, purpose and significance of the study.

1.1 Background of the study

Medium Enterprises (MEs) World Wide have been recognized as engines of growth and development (**World Bank, 1991**) and in many countries there has been some considerable effort to support them as to create the necessary employment opportunities, incomes and productive capacity. Besides the evidence available about the role of Medium enterprises some for the reasons for them being preferred as follows, ease of formation, capital requirements, flexibility, mobility seen from a global perspective small business have a specific Niche in global economic affairs. The global market is dominated by world class competitors in the form of multinationals and for the developing countries; small business appears to be the way to compete.

In Uganda Medium enterprise figure is put to between 5 – 50 employees. (**Karlibbala, 1994: Ngobo, 1995**), with the value of assets, excluding land, buildings and working capital of less than Uganda shillings 50 million and the annual income turnover of between Uganda shillings 10-50 millions.

In Uganda, SSE's are reported to contribute about 20% of Uganda's Gross Domestic Product (**Byaruhanga, J.K and Musaazi MK, 1999**). This figure may be much higher given that Uganda GDP is constituted by mostly agricultural production. This is mainly by small holders who may not even fit in the definition of micro and small businesses. Besides, since a great component of GDP is none monetized and largely subsistence, it is possible that the contribution of both micro and small units is much larger than 20%.

It is also reported by Ministry of Planning and Economic Development (1992) that over 80% of Uganda's manufacturing output is by small enterprises. The sector also employs up to 2.6m people in Uganda (**Uganda Investment Authority1996**).

Despite the importance of ME's, they appear not to have been very successful in their performance especially in the Saharan Africa. Many studies that have been done (Webster. L, 1991) indicate that ME's have a variety of problems among which is inadequate capital, yet capital is very crucial to expand and improve incomes in Uganda. Most formal credit policies discriminate against Medium entrepreneurs because of high transaction and supervision costs and lack of collateral. This has widened the intermediary gap between ME's and financial institutions.

To fill this intermediary gap, there has been the emergency of microfinance institutions (MFI's).

MFI's though still in their infancy, are now seen as one of the promising financial institutions to micro enterprises, (Marguerita S.R, 2001). MFI's specializes in providing financial services (loans) to economically active people. MFI's are organizations that provide savings/credit facilities to small scale business people. They provide loans to people who have experienced difficulties in obtaining these loans from most formal financial institutions because their businesses and credit needs are all small, the provision of loans to low income entrepreneurs, make a critical contribution in the fight against poverty by giving borrowers access to the small scale financing they need to start and maintain income generating businesses. Although often begun on a nonprofit basis, the impact and staying of MFI's in the market can increase significantly when managed in a sound commercial manner.

Microfinance is not banking. It is a developmental tool aimed at assisting the economically active poor who do not have access to adequate financial services (Ledger, 1998).

Microfinance Institutions work with clients, who guarantee each other's loans instead of demanding physical collateral, which most ME's do not possess. They offer small loans that are paid back in small but frequent installments and accept very small savings deposit (Association of Micro Finance Institutions, Brochure 2002).

Rather than waiting for clients to come to them, many MFI's employ staff who visit clients in villages. These conditions have made MFI's a very popular and favorable source of credit to many ME' (**Uganda micro finance industry assessment Report 2008**).

1.2 Problem statement

Despite more than a decade of favorable and relatively stable political and economic environment that would have been utilized by small scale enterprises (ME's) to enhance their performance, earlier studies (Bank of Uganda Annual report, 1991/2000) indicate that most of the ME's seem not to have seized this opportunity to their growth and performance. This could be due to high interest rates and lack of collateral to secure loans provided by micro financial institutions. Though still in their infancy MFI's have been specifically identified among the promising source of finance for ME's in Uganda, the effect of their credit policies on the performance of these enterprises has not been examined extensively. There is significant difference in performance of MEs while some of them show signs of progress, others do not at all hence this study seek to investigate the role of Microfinance loans on performance of MEs in Uganda.

Kabuchu (1999) observed that clients of some MFIs are crying foul about the high level of indebtedness they have fallen into. They borrow from one institution to pay another. These unfortunate observations defeat the rational of MFI loans to ME's. Leilla (1996) and Gahony (1998) noted that many credit programs targeting the small business have failed especially in Africa. They have not been financing self-sustaining, they have not successfully developed small business. Harold(2000)noted that the financing of ME's has shown negative results, he further noted that the challenge was to understand better the results and impact of ME's work and to use this to improve the performance of ME's.

1.3 Purpose of the study

The purpose of this study was to establish the extent to which Microfinance loans impact on the performance of ME's in Uganda. It was hoped that the findings would unveil whether Medium entrepreneurs use Micro Finance loans to foster their business performance.

1.4 Objectives of the study

- i. To assess the nature of Microfinance Loans to Medium enterprises.**
- ii. Establish the level of performance of recipient Medium enterprises.
- iii. To establish the relationship between Micro Finance loans and performance of Medium enterprises.

1.5 Research Questions

- (i) What is the nature of Micro Finance Loans on Medium enterprise performance?
- (ii) What is the performance level of recipient Medium Enterprises?
- (iii) What is the relationship between Micro Finance loans and performance of Medium Enterprises?

1.6 Scope of the study

1.6.1 Time scope

The research took place from 2015 to May 2018. To effectively capture the effect of Micro Finance loans, both primary and secondary data in MEs was collected. And the literature content of the period from 1990 up-to-date was used because this period has been relatively stable both economically and politically to enhance further performance and growth in the MEs sub sector.

1.6.2 Geographical scope

The study covered ME's in Kampala District Central Uganda; specially, ME's that borrow from MFIs. This area was selected because of its high concentration of Medium enterprises.

1.6.3 Subject scope

The subject of this study was MFI loans as an independent variable and performance of ME's as a dependent variable.

1.7 Significance of the study

As a Researcher, this research helped me to improve my research skills and acquire more knowledge of doing research.

General Public, the research intends to guide policy makers towards an effective and sustainable credit scheme that is beneficial to both MFIs and MEs. The result will be particularly useful to Uganda Investment Policy implementers where Medium Entrepreneurs have been cited as a crucial component for economic development.

Medium Enterprises (MEs), the study intended to highlight the major factors that affect the potential performance of Medium Enterprises that use MFI loans/credit and other opportunities in the business. It intended to provide information to assist Medium Entrepreneurs to make better decisions.

Other Scholars. The study will help other researchers to gain more knowledge of the area they are researching about and point out what has been about the problem and what was probably left out.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews literature related to the study variables that is, micro finance loans and performance of small scale enterprise. It also gives the definition of medium enterprises.

2.1 Concept of microfinance institutions (MFI's)

Microfinance institutions were introduced in Uganda as a means of meeting financial gaps of poor and as a viable strategy of empowering the poor economically over time. It was assumed that the poor people find difficulties in obtaining loans (credit) and was charged high interest rates by monopolistic formal financial institutions. MFIs are new and at the moment are regulated by Bank of Uganda (Financial Institutions Act 2004). Currently it is estimated that there are over 500 microfinance institutions in Uganda including small community based organizations (CBOs) (microfinance forum, 2001).

The basic definition of microfinance is that it is a small loan in the terms of the amount of money involved (micro finance information exchange- MIX 2010). On the other hand MFIs extend loans to all sectors where poor people mainly operate, using this approach it was found out that the study undertaken by United States Agency for International Development 1995 (USAID), MFIs do achieve strong outreach in terms of depth (reach very poor) extent (significant scale) and service quality (USAID,1995).

Microfinance provides social intermediation services such as group formation, development of confidence and training in financial literacy and management capacity of group members (Ledge wood, 2004). The government's commitment to eradicating poverty through private sector developments of microfinance and small business enterprises in rural areas have culminated into increased number of MFIs.

MFIs are active in majority of districts in Uganda, however within the districts MFIs operate mainly in and around the trading centers.

MFIs are normally organized and operated by non-governmental organizations with initial capitalization from "donors" interested in development through micro-enterprise credit to the poor. These institutions include both international and indigenous non-governmental

organizations. Organizations active in community micro financing include Pride Uganda, FINCA Uganda, FAULU, World Vision, Action Aid Uganda, Uganda Women Finance Credit Trust UGAFODE, MEDNET, FOCCAS, ORUDE, ADD, UWESO and VEDCO. Other micro finance programs are BUCADEF, Youth Entrepreneurs Scheme (YES) and Centenary bank, which have a wide coverage worldwide.

The survey by Ministry of Finance Planning and Economic Development (MFPED) 2000, shows that the number of beneficiaries in MFIs is still very low that only 0.9% of the country's population utilize the services. This represents only about 2% of the population of those living below the poverty line that is hard core poor with regard to gender, female clients have benefited more from microfinance services but up to now the women are the most vulnerable group.

MFIs include banks, Non Government Organizations (NGOs), private company's building societies and credit cooperatives that provide savings and minor loans not exceeding 1000US dollars for projects of the poor so as to engage in viable economic activities (Directory of MFIs in Uganda, 2000).

2.1.1 Status of MFIs in Uganda

MFIs are spread all over the country although the scale and industry of their products and services differ from one district or area to another. Most MFIs have got their operations in rural areas even though the large ones which are more established usually have their head office in city, for example FINCA and PRIDE Uganda. It should also be noted that most of these MFIs have largely concentrated themselves in urban areas and trading centers. Ministry of Finance and Economic Development (2001)

2.1.2 Mode of Operation of MFIs

MFIs see themselves as suppliers of credit to SSEs. They also have public and developmental role of providing credit to existing small scale enterprises. The commercial role of MFIs is to become profitable (economically self sufficient as it is called in micro finance jargon) since they are financial institutions.

This is because MFIs can grow using internally generated or commercial resources and in so doing end their dependence on donations. None has achieved that goal and even the oldest and biggest are still a long way from it. Micro save Africa (2000)

Most of the MFIs operating in rural, peri-urban and urban areas use the Group Solidarity approach and Village banking methodology.

This is because of the fact that most of the clients lack security or collateral which is acceptable to MFIs.

The clients are mobilized into groups and sensitized about the MFIs requirements for acquisition of the loans, the repayment schedule and other conditions, Rogarly (2000).

The clients may be trained in business skills, budgeting, group dynamics and other skills that facilitate group information, Matovu (1996).

2.1.3 Micro Finance Institutions' products

MFIs in Uganda are homogeneous with respect to their credit delivery models and products.

They train groups of clients who meet regularly and agree to cross guarantee one another's loans. Loans are repaid in series of small regular payments (usually weekly). Such repayment of one loan leads to the immediate disbursement of the next.

MFIs that have taken the Gramneen bank (village bank) model require the clients to make compulsory savings with them, which savings act as additional security for the loans and most MFIs store those savings in their own bank accounts. MFIs practice a "savings-down" approach that is buttressed by a long-term "savings-up" product that doubles as a loan guarantee fund, Rutherford (2000)

2.1.4 Micro Finance Institutions as service providers

The majority of the service providers, for example deposit collectors and money lenders deal with individuals and on the other hand, all the other group based devices are user owned. However above all, MFIs are only service providers, which form groups. This makes them unique since they must manage two kinds of relationships; one between the creditor and the debtor and another among members of the group. Micro save Africa. (2000)

2.1.5 Microfinance Institution Savings.

The most common kind of savings in MFIs is compulsory, and its function is to act as security for loans. Some of the MFIs acknowledge this by the name that they give to fund. For example, it could be a “Loan insurance Fund.” These savings are relatively safe in the hands of MFIs; the majority of MFIs pay some interest on the savings.

Never the less in principle, clients should welcome any chance to save if the arguments that support our “frame work” are true, Ssemwogerere (1999).

2.2 Microfinance loans

Microfinance loans are provided by MFIs and non bank financial institutions extend credit or loans to selected groups of population the “active” and “very poor” in order to lift them. Examples of MFIs that provide credit or loans private business include Uganda Agency for Development (UGAFODE), Foundation For International Community Association (FINCA), Uganda Microfinance Union (UMU), Pride Africa , Pearl micro finance ltd (Association of micro finance institutions Uganda Brochure, 2002).

Loan terms

Credit or loan terms are stipulations under which credit is granted, (Pandy, 1998) these include interest charges loan size, loan period and collateral requirement. The principle of providing credit is good but the MFIs terms do not help MEs grow. (Cohany. J, 2005) noted that the stringent terms , not negotiable high interest rates , absence of grace period, weekly payments, mandatory weekly meetings etc. these conditions as set by the MFIs are seen as exploitative and very self serving to the MFIs and do not consider the interest of the poor they claim to be helping.

2.2.1 Interest rates.

MFIs have an element of business making and therefore they charge interest on their money interest is the cost of money and every small scale enterprise borrowing this money is prepared

to it. (Kabuchu, 1999) noted that the interest charged by MFIs is too high up to 28% per month. This interest rate is relatively high to be met by small scale businesses.

2.2.2. Repayment schedule

Repayment schedule refers to the periodical interval and amount of loan to be paid at each interval. Most MFIs loans are paid back after one or two weeks and they continuously make weekly installments for 4-6 months .The weekly repayment is possible with the first small loans but later become a big problem as loan grow bigger. (Wright, 2001)As loan grow bigger, may necessitate the pulling out of the large amounts of money from the business in order to make weekly payments. This reduces on the working capital of the business and subsequent profits, hence performances. These schedules normally require investments that generate an immediate and rapid rate of return if repayments are to be made from the entire enterprise income .Thus savings from household income are usually primary source of the money used to make loan repayments (Mutesaasira, 1999). Thus the need to analyze the capital requirements of the business in order to determine loan amount the FMI could give to the borrower at any one single time.

2.2.3. Loan amount.

MFIs loans size vary and will greatly depend on the number of loan cycles made by the client. The starting loan size for the most of microfinance institutions is usually small. As observed by (Graham, 2001), the small loan given when it cannot be used to meet the business demands will always be diverted into other uses other than the business. The appropriate amount is dependent on the purpose of the loan and the ability to pay the loan.

2.2.4 Credit period or loan period.

(Pandey, 1995) noted that credit period is the length of time for which credit is extended, generally stated in terms net debt. It the period of time in which the entire loan must be paid. Credit period affects the repayment schedule, revenue of MFI and the financing costs of the client and ultimately sustainability of the use of loans. If the loan term is too short, the borrower fails to generate revenue to enable him make repayments. While the longer loan term may make the client extravagant and client may in the end fail to pay back. For, successful results the loan terms should match the cash patterns to help the client budget cash flows (Kakuru, 1998).

2.2.5 Collateral requirement

Most MFIs lend to low income clients who have very few assets unfortunately the traditional collaterals like land and capital assets are often available. Various initiatives of reducing the risk of loan loss have been developed such as a character lending, peer pressure either alone or as a group with group guarantee (Uganda micro finance industry assessment report, 2008).

2.3 MFIs Responsibilities.

Lenders have a role to play in loan use if it has to be used effectively. Baltrop and Mc Naughton (1992) advocated for credit policy framework for entire credit management process. Policies are a cornerstone for sound credit management for the set objectives, standards and parameters to guide bank officers who grant loans and manage the loan portfolio. One of the most important policies to be followed by lenders is the legibility criterion.

2.3.1 Legibility criterion

This is the condition that qualifies the members to get loans. For a member to qualify for MFIs loans, one should have been a member of a MFI in question. Members are required to form groups. These members have to go through training for a period of 1-2 weeks, must have paid up membership and accumulated some savings.

2.3.2 Methods of lending

Lending of MFIs is basically based on groups. Group lending involves the formation of groups who have a common wish to access financial services. Under group lending, peer pressure and group guarantee substitute collateral. The group guarantee involves strict joint liability of group members. In case of default of one group member, means further lending to all group members is stopped until the members have completely repaid the loan. Also a default of a member may lead to group members lose their savings to repay the loan. This calls for peer pressure from other group members, the peer pressure acts as a repayment incentive since members do not want to let down other members of the group or suffer any social sanction

imposed on the group as a result of default. Failure/default of a member may lead to a group member lose their own savings to repay the loans.

As a result of the procedure for loan giving, group members have to pay back the loan. However this may lead to loss of savings of other group members (in case of default by one group member). Many members prefer individual loans rather than being financially punished for the irresponsible repayment of other group members. Other lending policies may include loan appraisal.

2.3.3. Loan appraisal

Loan appraisal includes the diagnosing of the business as well as the borrower. Before the beginning of collecting information from the clients for purpose of determining credit terms, the loans officer should have available information which guarantees that the data provided by the client will have a low margin errors. The information is obtained by loans officer through direct interaction with the client and the work place of the client with the main objective of determining whether the client needs credit or not. The information will help the loans officer to assess the ability to effectively utilize the loan. The client should present the current budget to the loans officer and should include other among others the sales, the cost of sales, material, labor, business expenses, family expenses and family contributions. The client himself/herself is the source for this type of information making the evaluation a difficult and unreliable exercise. Furthermore the loan officer should visit the home or the work place of the client with the main objective of determining whether the client needs the credit program or not. At this point, the client is asked about the family status and the business in general.

Among other information that would be received is the duration for which the client has lived in the area of locality. This information will help the loan officer to assess the ability to effectively utilize the loan.

The loan officer should help the client draw up the financial statements of the clients from the rudimental information given. After drawing up the financial statements and looking at the financial indicators of the business, the loan officer can decide whether to lend out the funds to the business or not.

This is in agreement with Bibangambah (1997) who contends that it is necessary to analyze the client before a loan issued, the applicant has to be screened to assess his/her credit worthiness

i.e. the ability to repay the loan. Bibangambah (1997) observed that, loan default in Uganda has identified loan appraisal as one of the key factors. In a number of cases, the information received is not verified, in some cases the information received is doctored or falsified in collusion with borrowing and in others it is already capped.

This information would help the lender and borrower to analyze the business. Since small scale enterprises and their owners are inseparable, all the family expenses should be included in the profit and loss account.

2.3.4. Monitoring.

(Sawyer, 1995) noted that it is essential for the lender to take an active interest in borrower and to monitor his continuing ability to repay the debt. This regular touch with the borrower will enable the lender receive early warning of any problem.(Bibangambah,1995) also observed that frequent visits help to ensure that the client is maintaining the business and intends to repay the loan. The frequent visit also allows the credit officer to understand the clients business and appropriateness of loan terms. (Amounts, frequency of repayments and repayment period)

2.3.5 Training

Training is needed for both staff and clients in risk management, credit appraisal and credit administration. Customers/borrowers need to be trained in record keeping , use of assets acquired with credit funds Since savings are crucial to development (Kabuchu,1999), noted that training got from NFIs only focuses on book keeping for savings and payment and does not give them direction on how to manage their small business. Yet (Kalabye 1998) identified that the major problem of small scale business. When borrowers are informed about services available and trained how to service their loans with the banks, it helps to enhance the performance rates of the loans as a lot of failure to repay the loans is out of accumulation of interest. Kabuchu (1999) noted that training got from the MFIs only focuses on book keeping for savings and payment and does not give them a direction on how to manage their small business.

2.4 Small Scale Enterprises (SSEs)

MEs are characterized by individual ownership with majority of them existing informally. They are mostly one individual owned because they are small in size and informal operating structures. MEs employ about 1-5 people some of them are family members and the head is usually the key person in financial control of the business (Mugisa 2002). The initial capital which ranges between UGX100000 to UGX1000000 (Association of Micro Finance Institution Uganda survey-AMFIU,2000) and (Uganda National Bureau of Standards UNBS, 2005) ,for business establishment is internal such as personal savings , sale of personal property , assistance from family members ,inheritances and sometimes internal borrowing from relatives.

The major criterion of defining MEs in Uganda there for is based on the investment ceiling. Thus a ME is defined as a house hold workshop or a manufacturing establishment using traditional material inputs into finished products with an investment, cost in plant and machinery not exceeding equivalent of US\$300000 (Biryabarema, 1998).

MEs provide a source of livelihood for majority of people and to supplement occupational engagements to people in other sectors(Haapwood,2004).The majority of MEs employ between 1-5 people and have a capital of less than UGX1000000 for 70% case in Uganda(UNBS,2003) MEs do for example make a significant contribution to both household and national incomes. They employ about 20% of the population of working age and more than 80% of the entrepreneurs depend on their businesses for survival (USAID, 1998).

SSEs are also characterized by income volume of less than US\$5000. According to (UNBS, 2005), only 40% of MEs employ capital of more than UGX5000000 in the context of Uganda. They also have a small market share in terms of volume but bigger market share in terms of numbers and managed in a personalized way and lack formalized management structure (Bernard, 2005).

The failure rate of MEs is higher in the range of 70%-80% over a given period of 5years. The higher failure rate is pegged on issues of incompetence, low business skills, technical losses, theft, and death of business owners among others.

2.4.1 Growth of Small Scale Enterprises in Uganda

During the period of economic decline in the 1970s, the small scale enterprises were the majority if not the only source of essential commodities in Uganda. They depicted great adaptability, flexibility and rapid market response, which could not be matched by large scale enterprises, Matovu and Okumu (1996)

Small Scale Enterprises were a formidable force in the 1970s and 1980s due to their innovative functional abilities. Ministry of Finance, Economic Planning and Development and UNDP (2000). Small Scale Enterprises are still a formidable force as is evidenced by large numbers of these Small Scale Enterprises. However a study by SNV (2000) revealed that Small Scale Enterprises in Uganda are constrained by several factors which include lack of knowledge and skills lack of access to finance and low productivity among others.

2.4.2 The distribution of Small Scale Enterprises (SSEs).

According to the survey carried out by USAID 1995, 80% are rural based, 10% in large towns with a population greater 40000 people, 8% in Kampala Entebbe corridor the remaining 2% in towns with 2000-40000 people. It is also noted that 63% engage in commerce or trade while 29% in manufacturing and 8% in service sector. The labor force comprises technically unskilled proprietors as well as unpaid family members. Regarding enterprise ownership, male proprietors own 45.6% of the firms while 37% are owner by female proprietors and 8.1% by family units. A few firms employ skilled workers, management is by "remote control" e.g. telephone or weekend management. Individuals or family units finance many of them (Biryabarema, 1998) because of the great role they play, the needs and wants of small business today and in the future extend beyond the technical know-how, experience and financial resources of a single family.

2.4.3 Performance

According to (Omara,1995), performance is taken to be the function of an organizations ability to meet its goals and objectives by exploiting available resources in an efficient and effective way while (Balunywa,1998) says that performance can be looked at in terms of competitive

performance, financial performance and quality of services ,flexible resource utilization and innovation. Profitability has been the most widely used measure of financial performance. Profitability is the excess of income over expenditure, which can expressed by ratios like gross profit margin, net profit margin, and return on equity.

2.4.4 The importance of small scale enterprises

Medium enterprises have greatly contributed to the growth of Uganda's economy. Their contribution cannot be over looked. They have taken affirm base and have created significant impact on the stakeholders concerned Mugisha. A (1999)

When many medium and large industries collapsed in Uganda in the 1970's and 1980's, small scale enterprises greatly responded to this collapse by absorbing a large number of the employed laborers.

A 1992 Uganda Manufacturers Association (UMA) survey revealed that more than 80% of the firms fell into micro or medium enterprise category and thereby employing 20% of the labor force save for agriculture.

As per the Private Sector Foundation 1996 survey, it was revealed that 80% of the county's manufactured goods were contributed by small scale enterprises. They also contributed 20% of Uganda's Growth Domestic Growth Output. Furthermore, a national survey on the private sector revealed that 38% of all small scale enterprises were owned by women,14% by families and that the balance of 48% were owned by men.

Over 36% of those medium enterprises are engaged in trade and commerce, 30% in manufacturing and the rest in service and repairs. This further reflects the contribution they make to the Ugandan economy. However the efforts of all medium enterprises are hampered by their inaccessibility to sufficient financial services, Micro Enterprises Finance Task Force (1999)

2.4.5 Medium enterprise financing in Uganda

Attempts to make credit available to the private sector by commercial banks have been hampered by the eligibility criteria set by commercial banks, which have always left them out of the circle. The structure of finance is dominated by foreign-owned commercial banks, which

are reluctant to extend credit to small firms both short term and long term investment. They Marjory target large companies. Rutashobya and Oluma (1999).

Donors who are willing to provide funds to cater for medium enterprises do this through established financial institutions, which still makes such funds inaccessible .This is because medium enterprises largely operate in rural areas and financial institutions lack such mechanism of reaching them and hence making funds idle in commercial banks, Matovu and Okumu(1996)

Furthermore the credit schemes such as” Rural Farmers’ Scheme” and the “Entadikwa Credit Scheme” that were started by government to channel such funds to small scale enterprises were mainly based on political motives.

The inaccessibility to financial services by medium enterprises has limitations of having limited coverage and limited funds, Claire (2001)

Medium enterprises have also turned to MFI’s for financial intermediation. However at present these MFI’S have had little impact on the problem of micro enterprise finance. This can be attributed to the fact that micro finance is still in an infant industry. Also, the concept of micro finance is not yet well understood and published in Uganda, Musinguzi (1999).

2.4.6 Relationship between micro finance loans and performance of medium enterprises

According to (Rutherford, 2000), MFIs developed to fill the gap in the financial sectors as Banks were not accessible by SSEs. In Uganda most micro finance finding goes to commerce, processing and provision of services, livestock and agricultural production still attract fewer funding due to their risk nature. It was observed in USAID report 1997 that due to the nature of financial products by MFIs, that is, very short term, with or no grace period, their products are not appropriate for financing of investments and agricultural production which makes them limited.

In the lending relationships many times small scale entrepreneurs have a weak bargaining power to influence the terms (MUGISA, 2002). This subjects them to unfair consumption of

financial products due to the inappropriateness of product terms. Most institutions set terms for clients and without necessarily meeting what the clients need. Many times this has also limited the impact of businesses funded by MFIs. Another area that supports this argument is the high dropout rate of loan clients as based on survey carried out in five major finance providers that put at an average of 5-10% per year (Bernard, 2005)

A study by ACCORD-Agency for Cooperation and Research Development ,1998 which carried out a survey of 406 units in suburbs of Kampala who had accessed loans from major financial institutions found out that only 63% have not improved in performance and only 22% had technical experience (Mutesaasira ,1999) noted that the most successful lending projects for SSEs have a high quality of staff with strong appraisal and supervision skills, good information system and sound committed practices to implement effective MFIs programs. However in Uganda the major issue of lenders is the number of loans made and less attention is given to actual charges, output, effects, and impact at enterprise level (Bibangambah, 1995). It is also noted that MFIs judge borrowing of individual as an indicator that credit is beneficial. They don't have sufficient methodology to assess whether their loans are beneficial or not. They are un able to connect activities and ensure that are not abused by clients.

(Marguerite, 2001) noted that small scale entrepreneurs use their loans for multiple purposes and repay from multiple sources. They use their loans for various investments to earn and increase incomes while at the same time they use their loans for buying assets like land, personal houses.

2.5 Conclusion

The foregoing literature by different scholars emphasizes mainly access to credit by borrowers and how this affects them, the origin, the activities, and the role of MFIs in their strategic plans to enhance loan schemes and performance of small scale enterprises. In the recent MFIs have come up in support of government effort to alleviate poverty among the population especially the rural poor. These Institutions now in many districts country wide provide the much needed micro credit at affordable terms. Many disadvantaged people who largely rely on farming try to supplement their uncertain incomes by setting up small income generating projects. With small loan access now possible many people have been able to either start or expand small businesses in form of barber shops, hair dressers, tailors, retail and even whole sale shops to mention but a

few. Micro finance institutions will go a long way in enhancing the growth and performance of small scale enterprises. Every effort therefore, should be aimed at ensuring that more institutions of the current are put in different areas of the country. Government should however control and monitor their setting up and operations to ensure minimum exploitation of the population these institutions are set up to support. This will enhance and encourage loan or credit access and in turn lead to poverty reduction if not eradication.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methods that were used in research study. They include; research design, study population, sample size, data collection methods and sources, data processing, data analysis, data presentation and anticipated problems of the study.

3.1 Research design

A research design is a plan or approach and strategy that best suits the research objectives and answers the research questions. The researcher used a cross sectional and descriptive research designs to collect qualitative and quantitative data.

A cross sectional research design is where a large population is studied at one specific time (each sample was studied once) and differences between individual groups within the population are compared. A cross section of small enterprises was studied for one specific time (a week) and different small business enterprises were compared. A cross design was used because the study involves a cross section of difference business departments.

Descriptive research design explores and describes the data or characteristics needed for the research. It involves data collection, analysis, summarization and drawing conclusion. Descriptive study was undertaken to understand or describe the characteristics and performance of medium enterprises.

3.2 Study population

The study was carried out amongst 40 respondents, 10 were microfinance staffs and 30 were medium business owners in Kampala, down town traders.

3.3 Sampling design

Stratified sampling design was to be used. Stratified sampling design is a process of sample selection which involves dividing the population into non overlapping groups (strata). A sample of respondents from each stratum was selected randomly. The major aim was to represent all the key stratus in the medium Enterprises i.e. barber shops, retail and wholesale

shops, metal fabrication, restaurants, plastic dealers. After identifying these strata's, random sampling was used to select respondents from each stratum.

3.4 Sample size

A sample of 40 respondents was selected where by it consisted of 10 microfinance staffs and 30 medium enterprise owners in Kampala, Down Town traders.

Respondents	Number of respondents
Microfinance staff	10
Small scale owners	30
Total	40

3.5 Sampling procedure

Random sampling technique was used to select respondents from each stratum amongst medium Enterprise owners. Structured questionnaires were given to 40 male and female respondents randomly selected, 30 of whom are small scale enterprise owners of down town in Kampala and 10 are employees or staff of different micro finances.

3.6 Data collection sources

Two sources of data were used in study, which are primary and secondary sources.

3.6.1 Primary data sources

Primary data refers to raw facts that are gathered originally for the first time for a specific research problem. At primary level MEs were surveyed and choosing samples from each stratum.

3.6.2 Secondary data sources

Secondary data is that which already exist/developed for the purpose. At secondary level, data was got from journal publications, Uganda Medium Industries Association (UMIA) and other related literature.

3.7 Data collection methods and tools

The following collection methods and tools were used respectively.

3.7.1 Survey data collection method

A survey data collection method was used because it permits comparisons and generalization of the findings in a cross section of study the area-

3.7.2 Questionnaire tools

A questionnaire is a set of formalized questions used in a survey to collect information which later is analyzed to provide results necessary for solving a given research problem. Questionnaires were designed in English and handed over to respondents who answered the related questions. The questions were explained to those who failed to understand them.

3.8 Data processing, analysis, presentation and limitations of the study

These were used as follows;

3.8.1 Data processing

Is a series of operations on data by a computer in order to retrieve or transform or classify information. It involves data editing, tabulation and classification.

3.8.2 Data analysis

Is a process of inspecting, modeling data with the goal of highlighting useful information, suggesting conclusion and supporting decision making. Data was coded, captured and edited. The findings were analyzed in relation to study objectives. This was done using tables and pie charts.

3.8.3 Data presentation

The results of the survey were put into tables as frequencies and percentages.

3.8.4 Limitations of the study

The researcher faced the problem of insufficient funds for transport and buying stationary. However this was solved by soliciting for facilitation from friends and well wishers who wanted to see the study accomplished.

There was a problem of language barrier especially so with the non-English speaking respondents and illiterate persons. This was solved by interpreting questions to the respondents. There were instances where the respondents refused to cooperate on ground that the study may benefit them. This however, was solved by explaining the importance of the research would have on their development.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents the findings and interpretation of the study on microfinance loans and performance of medium enterprises in Kampala (DOWN TOWN TRADERS)

The data was collected basing on research objectives to ensure that the research questions were adequately answered.

4.1 Demographic characteristics of Respondents.

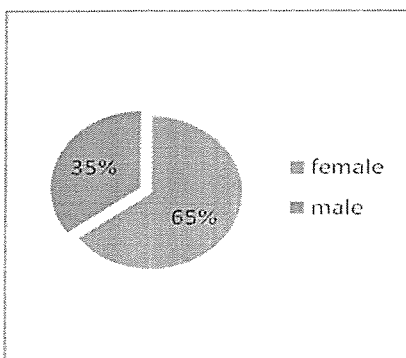
This section presents the demographic characteristics of the respondents who participated in the research study. The data contained in this section includes the following categories; gender, age, religion, marital status, and education level.

Table 1. Showing Sex of the respondents

Gender	Frequency	Percentage
Female	26	65%
Male	14	35%
Total	40	100%

Source: Primary data

Figure 1: A pie chart showing the sex of the respondents



Source: primary data

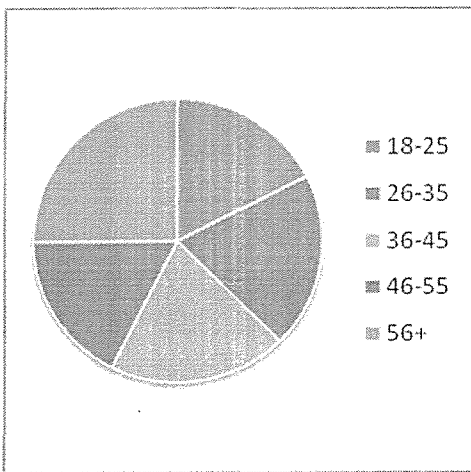
From table 1 and Figure1 above, it's indicated that majority of respondents were females with 65% while males were 35% of the total respondents. This implies that many females participated than males, actually today's small scale businesses are mostly set up by women.

Table 2: Showing Respondents age ranges.

Age range	Frequency	Percentage
18-25	7	17.5%
26-35	8	20%
36-45	8	20%
46-55	7	17.5%
56+	10	25%
Total	40	100%

Source: Primary data

Figure 2: A pie chart showing the respondents' age ranges



Source: primary data

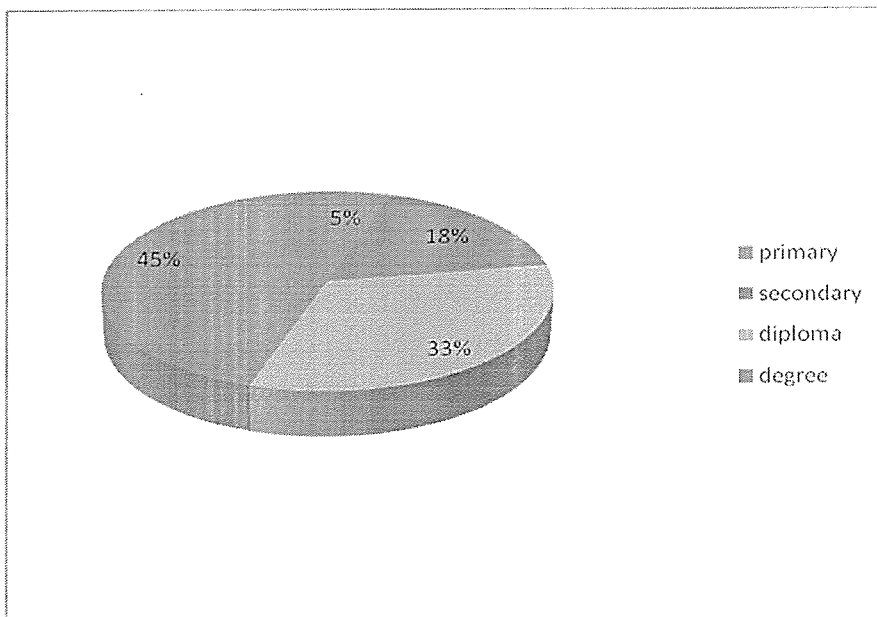
From table 2 and Figure 2 above, respondents whose age ranged 56+ years were mostly interviewed with 25% followed by these of 26-35,36-45years with 20% each range and 18–25,46-55 years with 17.5%, of the total respondents in each age range. Those of 56+years were dominating the business because they are the most experienced because they have spent a lot of time in business and have got new ideas to boost business.

Table 3: Showing Education level of respondents

Level of education	frequency	percentage
Primary	2	5%
Secondary	7	17.5%
Diploma	13	32.5%
Degree	18	45%
Total	40	100%

Source: primary data

Figure 3: A pie chart showing level of respondents of respondents



Source: primary data

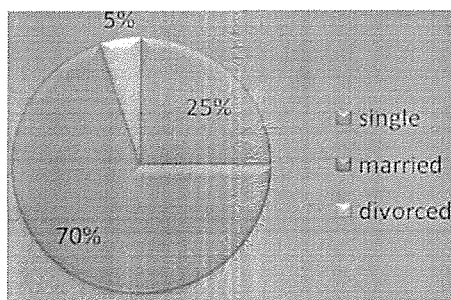
From table 3 and Figure 3, it shows that most of respondents had degrees with 45%, followed by those of diplomas with 32.5%, those with secondary level were 17.5% and primary level 5% of the total respondents interviewed. More educated people have started their own businesses because of increased level of unemployment and improved education system.

Table 4: Showing Marital Status of respondents

Marital status	frequency	percentage
Single	10	25%
Married	28	70%
Divorced	2	5%
Total	40	100%

Source: primary data

Figure 4: A pie chart showing the marital status of respondents



Source: primary data

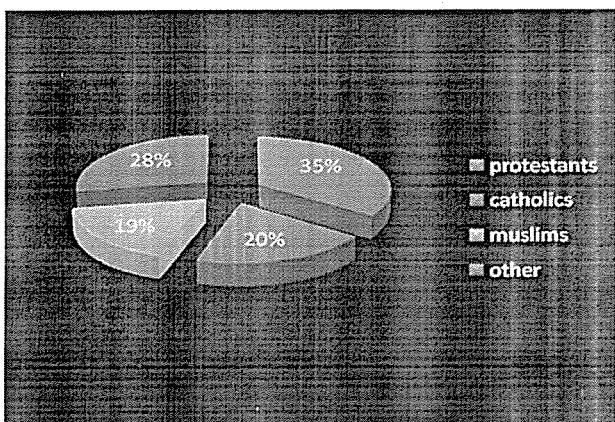
Table 4 and figure 4 above show that most respondents were married with 70% because its one requirement when applying for loans, followed by those unmarried with 25%, 5% divorced of the total respondents. The married mostly engage in business to cater for their families and more profits hence get better standards of living.

Table 5: Showing Religion of Respondents

Religion	Frequency	Percentage
Protestants	14	35%
Catholics	8	20%
Muslims	7	17.5%
Other religions	11	27.5%
Total	40	100%

Source: primary data

Figure 5: A pie chart showing the religion of the religion



Source: primary data

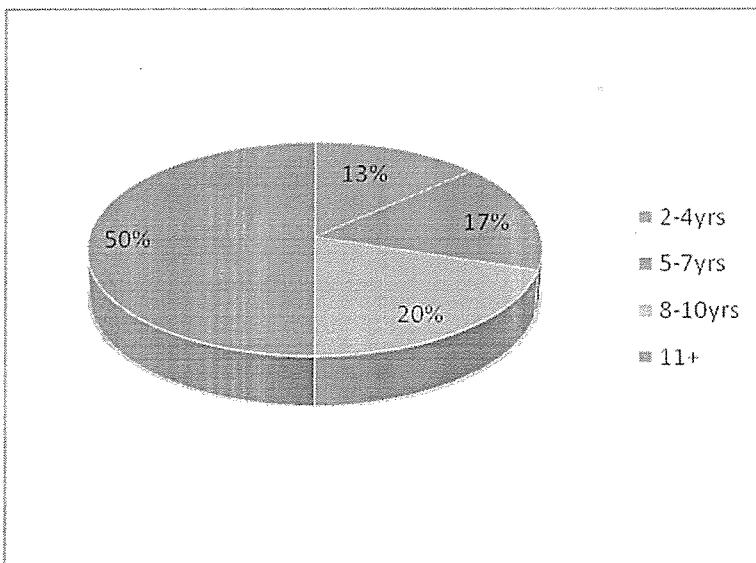
From table 5 and figure 5 above, majority of the respondents were Protestants with 35% followed by other religions with 27.5%, Catholics with 20%, Muslims with 17.5% of the total respondents.

Table 6: Showing Length of respondents being in business

Length	frequency	Percentage
2-4yrs	4	13.33%
5-7yrs	5	16.67%
8-10yrs	6	20%
11+	15	50%
Total	30	100%

Source: primary data

Figure 6: A pie chart showing the length of respondents being in business



Source: primary data

Table 6 and figure 6 show the length of the respondents being in business and medium dealers were interviewed. It shows that majority of the respondents had been in business for at least 11+ years with 50% followed by those who had been in business for a period between 8-10 years with 20% and those who had been in business for a period of 5-7 years with 16.67% and

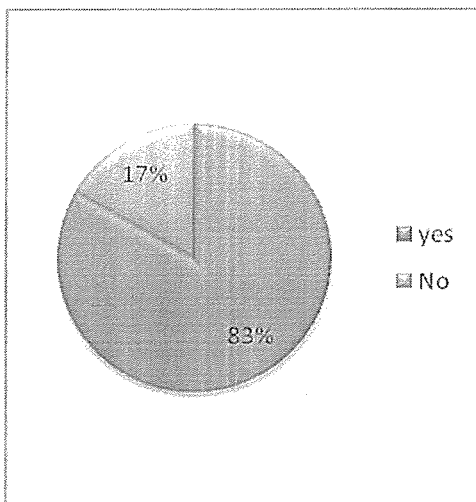
13.33% had been in business for 2-4years.most interviewed respondents had been in business for 11+years so they have experience about business matters, therefore the information delivered was unbiased.

Table 7: Showing whether respondents had ever borrowed money

response	Frequency	Percentage
Yes	25	83.3%
No	5	16.67%
Total	30	100%

Source: primary data

Figure 7: A pie chart showing whether respondents had ever borrowed money



Source: primary data

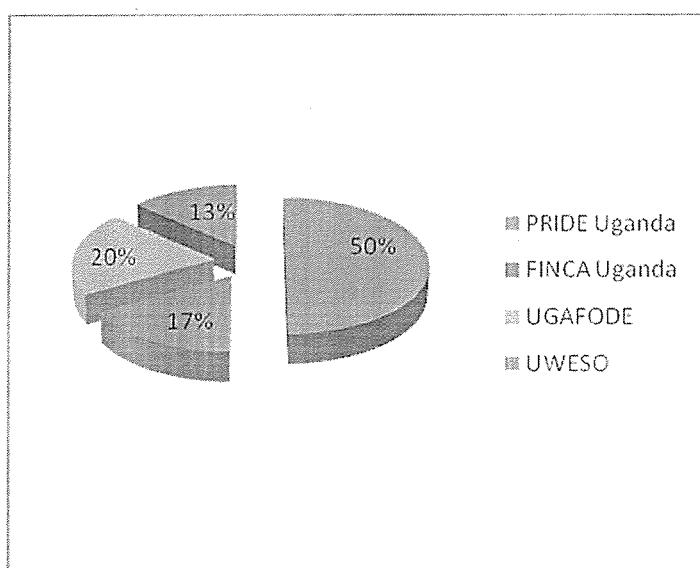
From table 7 and figure 7 above, small scale enterprise dealers were interviewed whether they had ever borrowed money, most respondents had been borrowing loans with 83.3 %(yes) and those who had not borrowed (No) 16.67%.which means that most respondents did business by borrowing from micro finances .In fact almost three quarters had borrowed money from MFIs and mostly from PRIDE Uganda.

Table 8: Showing the micro finance where respondents borrowed from

Microfinance	Frequency	Percentage
PRIDE Uganda	15	50%
FINCA Uganda	5	16.67%
UGAFODE	6	20%
UWESO	4	13.33
Total	30	100%

Source: primary data

Figure 8: A pie chart showing the microfinance where respondents borrowed from



Source: primary data

Table 8 and figure 8 above show the microfinance institutions the respondents were borrowing from; PRIDE Uganda had the highest number of respondents borrowing from it with 50%, followed by UGAFODE with 20%, then followed by FINCA Uganda and UWESO with 16.67% and 13.33% respectively. PRIDE Uganda had most clients because of simple loan

terms like favorable collateral requirement, manageable interest rates as researched from medium enterprise dealers.

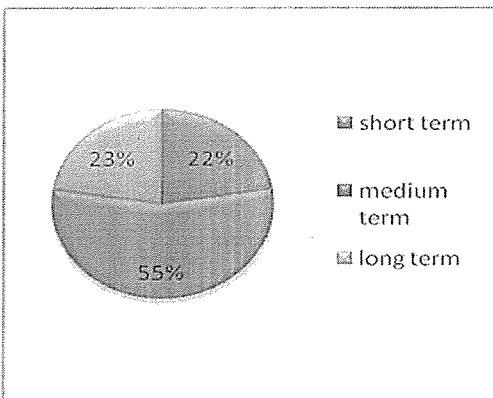
4.1.1 What are the different forms of loans provided by MFIs?

Table 9: Showing the different forms of loans provided by MFIs

Forms of loans	Frequency	percentage
Short term	9	22.5%
Medium term	22	55%
Long term	9	22.5%
Total	40	100%

Source: primary data

Figure 9: A pie chart showing the different forms of loans provided by MFIs



Source: primary data

From table 9 and figure 9 above, both microfinance staff and medium dealers were interviewed and 55% of the respondents said that medium term loans are the mostly provided, then short term and long-term with 22.5% and 22.5% respectively.

The respondents further stated that limited time to use loans has lowered their business performance. Medium term loans got a lot of respondents because they were at least manageable and have favorable interest rates compared to small term and long term, since it's not simple for clients to pay back in the shortest time possible in case of short term period.

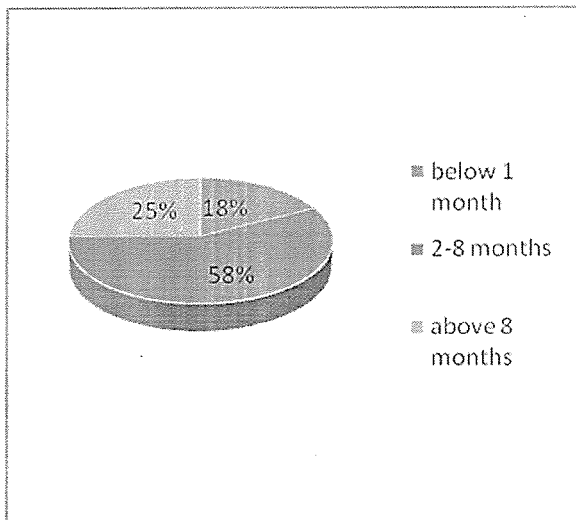
4.1.2 What is the repayment period of loans provided by MFIs to medium enterprises?

Table 10: Showing the repayment period of loans provided by microfinance institutions to medium enterprises.

Repayment period	Frequency	Percentage
Below 1 month	7	17.5%
2-8 months	23	57.5%
Above 8 months	10	25%
Total	40	100%

Source: primary source

Figure 10: A pie chart showing the repayment period of loans provided by microfinance institutions to medium enterprises.



Source: primary data

From table 10 and figure 10 above, both microfinance staff and medium enterprise dealers were interviewed most respondents viewed a period of 2-8 months as the most favored with

57.5%, followed by a period of above 8 months and then 17.5% for a repayment period of below month. The repayment period below 1 month's had few respondents because in one month's time respondents cannot achieve their goals and objectives and also because of high interest rates charged on the loans.

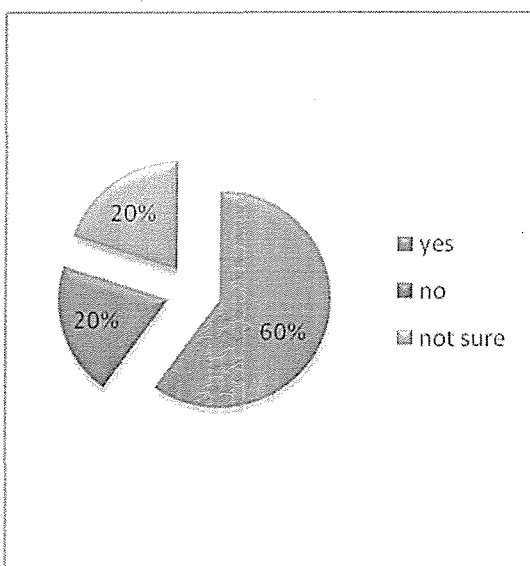
4.1.3 Does the duration of a loan affect its repayment?

Table 11: Showing if the duration of the loan affects its repayment

Response	Frequency	Percentage
Yes	6	60%
No	2	20%
Not sure	2	20%
Total	10	100%

Source: primary data

Figure 11: A pie chart showing if the duration of the loan affects its repayment



Source: primary data

From table 11 and figure 11 above, microfinance staffs were interviewed and majority of the respondents with 60% said yes, 60% said that the duration of the loan affects its repayment, 20% said that the duration of the loan does not affect its repayment and 20% were not sure if

From table 12 and figure 12 above, microfinance staff were interviewed the majority of the respondents viewed the extent of the duration of a loan affecting its repayment as great with 70% and 30% viewed extent of the duration of the loan affecting its repayment as being slightly new, the majority viewed the extent as great because of high interest rate charged on the loans, where by the longer the period the more increase in interest rates.

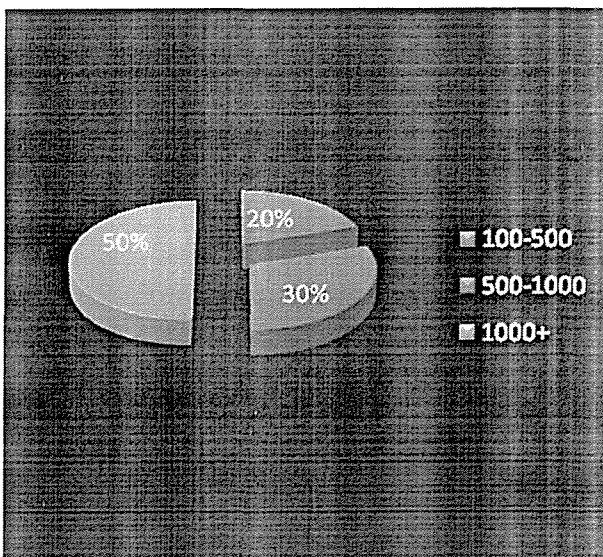
4.1.5 What is the size of the loan provided by MFIs to medium enterprises?

Table 13: Showing the size of the loan provided by MFIs to medium enterprises

Size of loan(000)	Frequency	Percentage
100-500	2	20%
500-1000	3	30%
1000+	5	50%
Total	10	100%

Source: primary data

Figure 13: A pie chart showing the size of the loan provided by MFIs to small scale enterprises



Source: primary data

From table 13 and figure 13 above, microfinance staff were interviewed and the majority said that most clients borrow above 1000000 with 50%, followed by those who borrowed between 500000-1000000 with 30% and the least borrowed between 100000-500000 with 20%.most clients borrowed above 1000000 in that they could invest much and reap much.

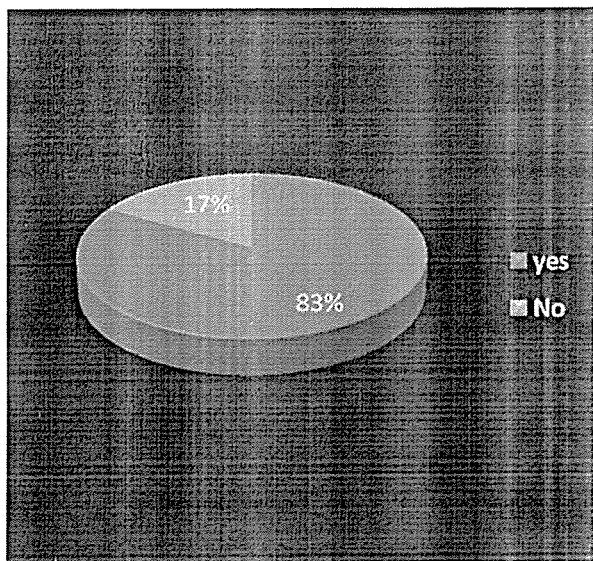
4.1.6 Are respondents are engaged in any type of business?

Table 14: Showing if respondents are engaged in any type of business

Response	frequency	percentage
Yes	25	83.33%
No	5	16.67%
Total	30	100%

Source: primary data

Figure 14: A pie chart showing if respondents are engaged in any type of business



Source: primary data

From table 14 and figure 14 above, medium enterprise dealers were interviewed and most respondents were engaged in a certain business with 83.33% while 16.67% were not engaged in any type of business.

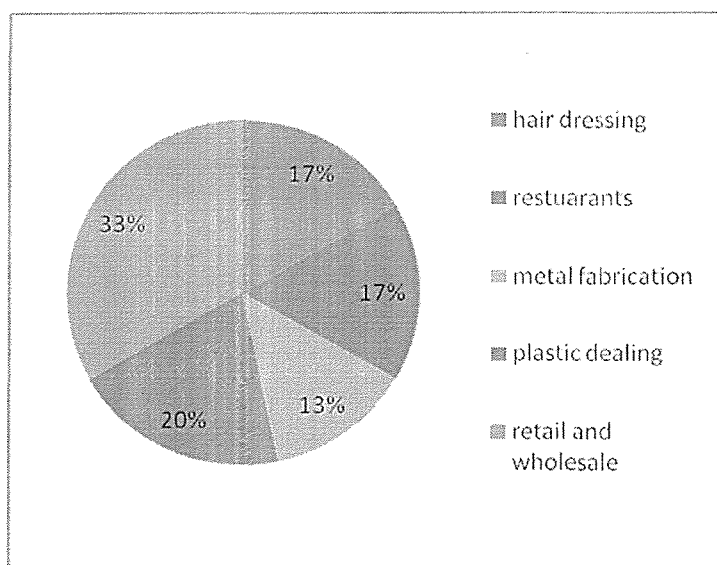
4.1.7 The type of business the respondents are engaged in?

Table 15: Showing the type of business the respondents are engaged in

Type of business	frequency	Percentage
Hair dressing	5	16.67%
Restaurants	5	16.67%
Metal fabrication	4	13.33%
Plastic dealing	6	20%
Retail and whole sale shops	10	33.33%
Total	30	100%

Source: primary data

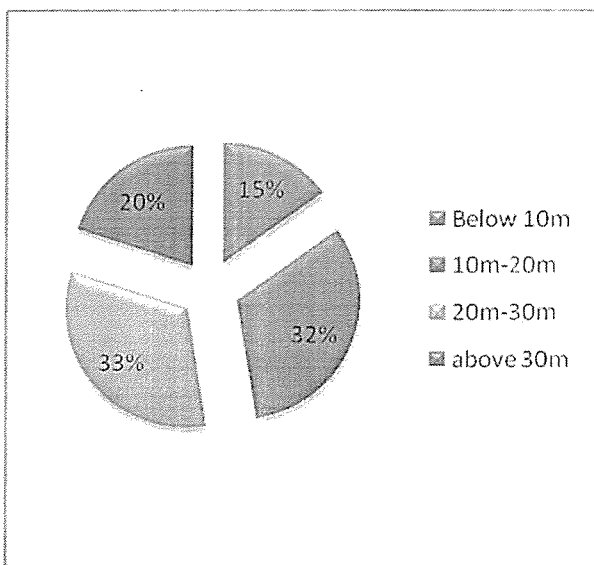
Figure 15: A pie chart showing the type of business the respondents are engaged in



Source: Primary data

From table 15 and figure 15 above, the small scale enterprise dealers were asked and majority of the respondents were engaged in retail and whole sale shops with 33.33%, followed by plastic dealers with 20%, followed by hair dressing and restaurants with 16.67% each then least number of respondents engaged themselves in metal fabrication with 13.33%. retail and whole sale shops had a lot of respondents because they are the most profitable according to the respondents interviewed.

Figure 16: A pie chart showing the performance level of recipient MEs



Source: Primary data

From table 16 and figure 16 above, both microfinance staff and small scale dealers were interviewed where majority respondents said that they earn between 10m-20m and 20m-30m with a percentage of 32.5% in each range which means that microfinance loans contribute to the high performance of MEs, followed by those earning above 30m with 20%, this shows that a large number of respondents benefit a lot from using MFI loans and get enough profits, then some said they earned below 6m, so the respondents said that MFI loans did not help them much.

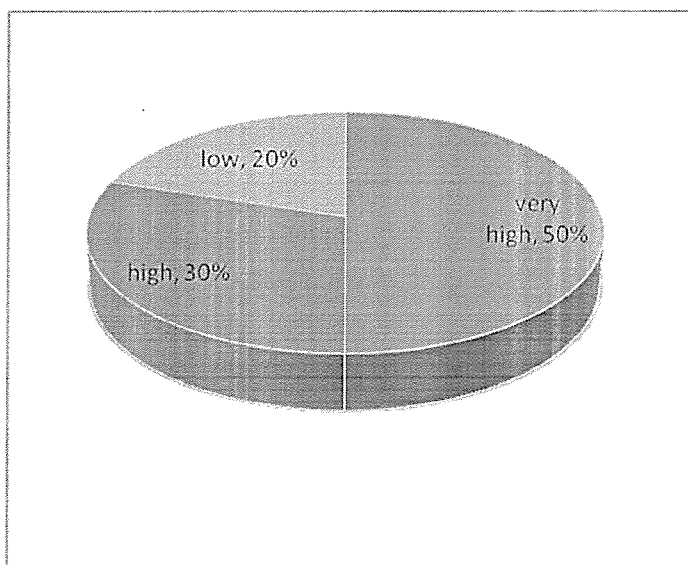
4.2.2 What the perception of performance level of medium enterprises?

Table 17: Showing the perception of performance level of MEs

Perception	frequency	Percentage
Very high	5	50%
High	3	30%
Low	2	20%
Total	10	100%

Source: primary data

Figure 17: A pie chart showing the perception of performance level of MEs



Source: Primary data

From table 17 and figure 17 above, microfinance staffs were interviewed and majority of respondents' perception of performance level of MEs was very high, in that they viewed MEs to have a high performance level, followed by 30% whose perception level was high then 20% said their perception of performance level of MEs was low.

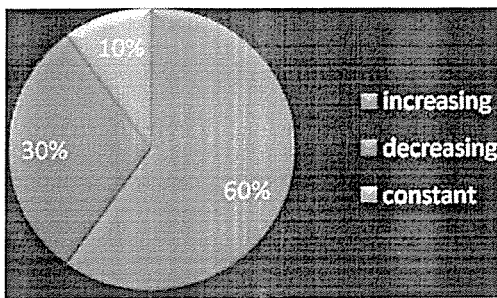
4.2.3 What is the trend of performance of medium enterprises?

Table 18: Showing the trend of performance of MEs

Trend	Frequency	Percentage
Increasing	6	60%
Decreasing	3	30%
Constant	1	10%
Total	10	100%

Source; primary data

Figure 18: A pie chart showing the trend of performance of MEs



Source: Primary data

From table 18 and figure 18 above, microfinance staff were interviewed and majority microfinance staff said that the trend of performance of MEs was increasing with 60% which means that small scale enterprises were making profits and so their performance was increasing, followed by 30% who said the trend of performance of MEs was decreasing which means they were not making profits and then 10% said the trend was constant, in that MEs were neither making profits nor losses.

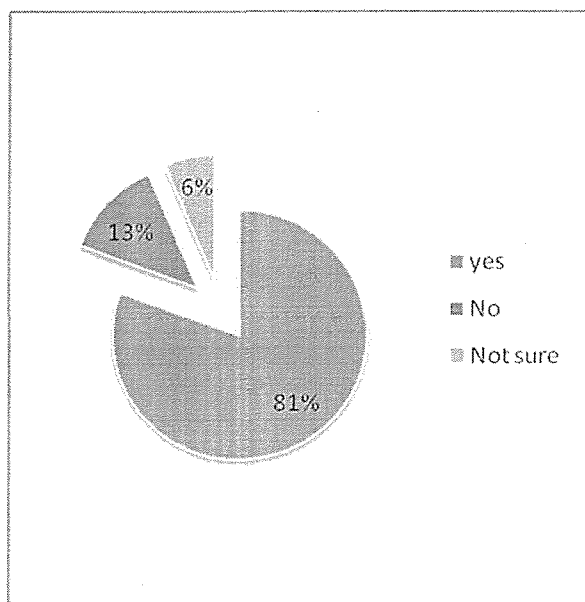
4.2.4 Do respondents generate enough profits for repaying back the loan?

Table 19: Showing whether respondents generated enough profits for repaying back the loan.

Response	Frequency	Percentage
Yes	25	83.33%
No	4	13.33%
Not sure	1	6.7%
Total	30	100

Source: primary data

Figure 19: A pie chart whether respondents generate enough profits for repaying the loan



Source: Primary data

From table 19 and figure 19, medium enterprise dealers were interviewed and majority of respondents said that they generated enough profits for repaying back the loan with 83.33%, which means that MFI loans terms are so tight and so they favor MEs high profit generation, 13.33% said that they did not generate enough profits for repaying back the loan, they said the reason was because MFI interest rates were a bit high and so leading to

generation of low profits and hence were not able to use the little profits for repaying back the loan,6.7% were not sure whether they generated enough profits for repaying back the loan.

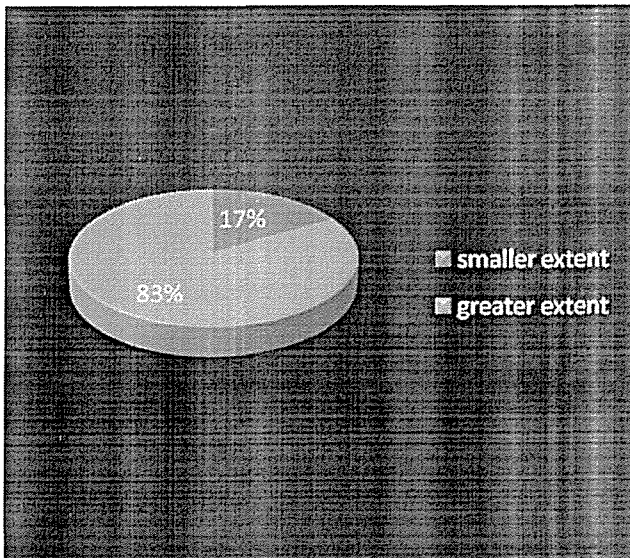
4.2.5 To what extent do the respondents generate enough profits to repay back the loan?

Table 20: Showing the extent the respondents generate enough profits to repay back the loan

Extent	frequency	Percentage
Smaller extent	5	16.67%
Greater extent	25	83.33%
Total	30	100

Source: primary data

Figure 20: A pie chart showing the extent to respondents generate enough profits to repay back the loan.



Source: Primary data

From table 20 and figure 20 above, medium dealers were interviewed where by majority of the respondents said to a greater extent they generated enough profits to repay back the loan, which means that they make a lot of profitable sales, 16.67% said that to a smaller extent do they make enough profits to repay back the loan, which means these respondents did not make enough profits.

4.3 OBJECTIVE 3

To establish the relationship between microfinance loans and performance of small scale enterprises

RESEARCH QUESTION 3

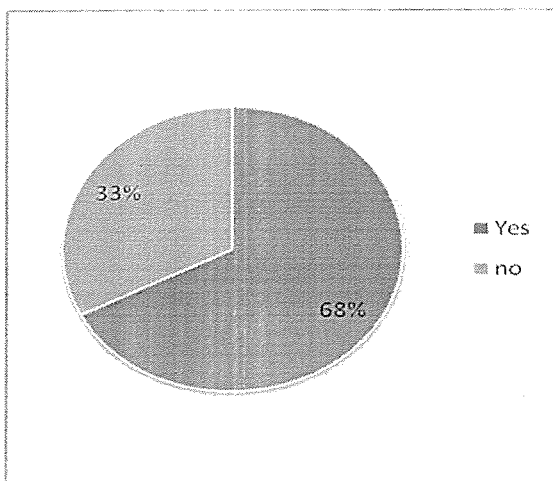
What is the relationship between microfinance loans and performance of medium enterprises?

Table 21: showing whether microfinance loans affect the performance of MEs

Response	Frequency	Percentage
Yes	27	67.5%
No	13	32.5%
Total	40	100%

Source: primary data

Figure 21: A pie chart whether microfinance loans affect the performance of MEs



Source: Primary data

From table 21 and figure 21 above, both microfinance staff and small scale dealers were interviewed and the majority of the respondents with 67.5% said that microfinance loans affect the performance of small scale enterprises, where by this effect was both positive and negative in that on appositive side, respondents said that they generate enough profits to inject back to businesses while on a negative side, the respondents said that the microfinance interest rates were not favorable for them to make profits.32.5% said there was no effect ,whereby they did not realize profits or losses.

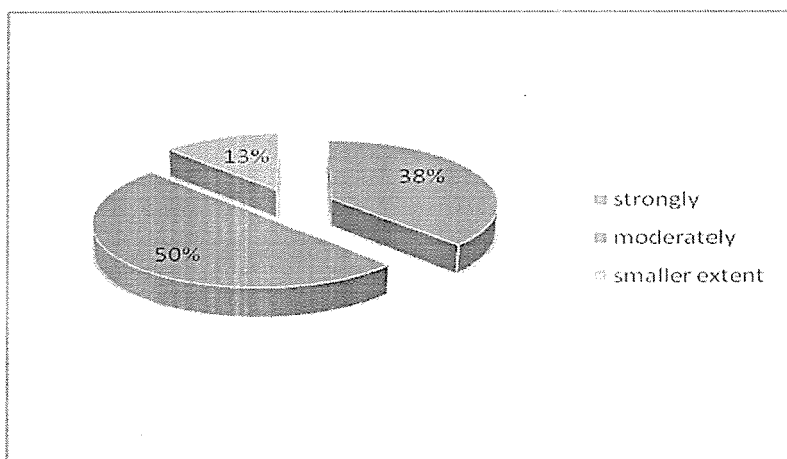
4.3.2 What is the extent of the effect of microfinance loans on the performance of medium enterprises?

Table 22: Showing the extent of the effect of microfinance loans on the performance of MEs

Extent	Frequency	Percentage
Strongly	15	37.5%
Moderately	20	50%
Smaller extent	5	12.5%
Total	40	100%

Source: primary data

Figure 22: A pie chart showing the extent of the effect of microfinance loans on the performance of MEs.



From table 22 and figure 22 above, most respondents said the extent of the effect was moderate with 50%, in that microfinance loans were favorable, 37.5% said the effect was strong in fact that's why most medium dealers were borrowing loans from MFIs and 12.5% said the effect was to a smaller extent, where by these respondents did not realize the different between borrowing and not borrowing.

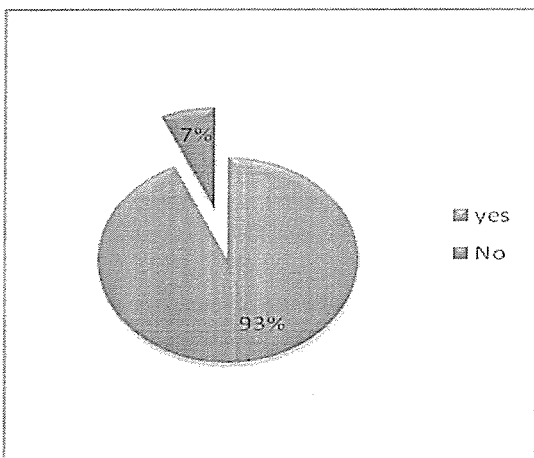
4.3.3 Do sales revenues increase as a result of using a loan?

Table 23: showing whether sales revenues had increased as a result of using a loan

Response	Frequency	Percentage
Yes	28	93.3%
No	2	6.67%
Total	30	100%

Source: primary data

Figure 23: A pie chart showing whether sales revenues had increased as a result of using a loan



From table 23 and figure 23 above, only medium dealers were interviewed and most respondents with 93.3% said that their sales revenues or profits had increased as a result of using MFI loans in that those loans lead to high investments hence the more the profits, 6.67% said their sales revenues had not increased as a result of using a loan, they said it is because interest rates were not favorable for them.

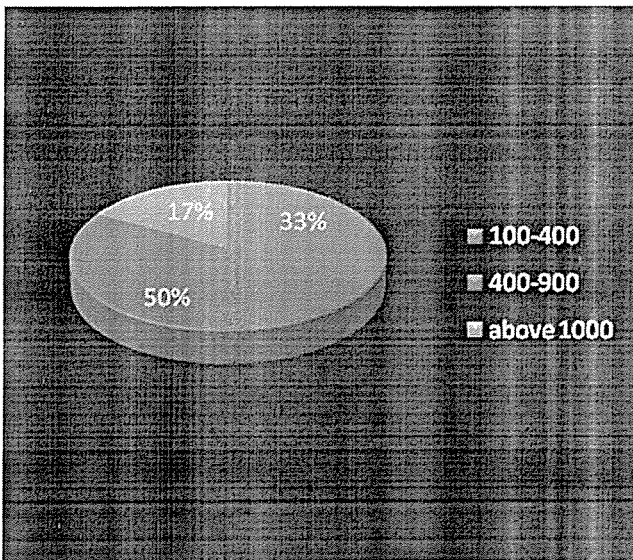
4.3.4 If yes, in which range weekly?

Table 24: showing the range weekly in which the sales revenues had increased.

Range(000)	frequency	Percentage
100-400	10	33.3%
400-900	15	50%
Above 1000	5	16.67%
total	30	100%

Source: primary data

Figure 24: A pie chart showing the range of increase of sales revenues weekly.



From table 24 and figure 24 above, the medium dealers were interviewed and most respondents with 50% said that their sales revenues were between 400000-900000, which means that they make a lot of profits from using loans, 33.3% said that their sales revenues were between 100000-400000, which means their profits were moderate and 16.67% made very high profits from the use of loans.

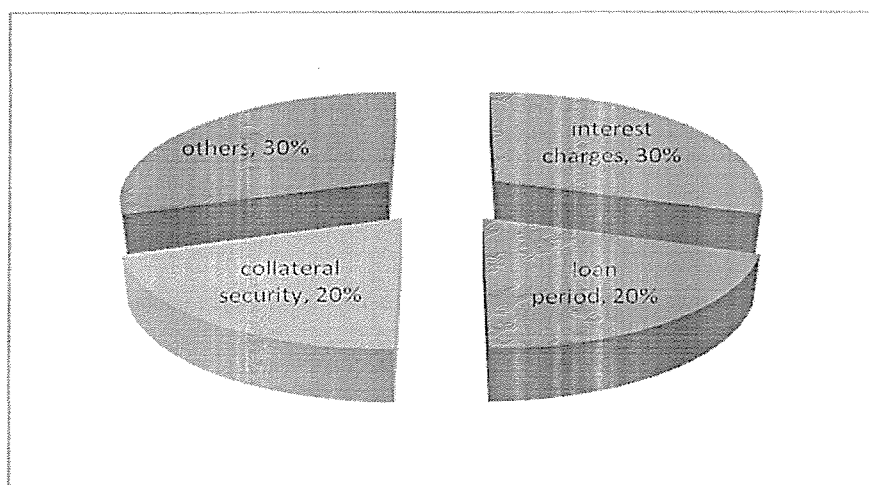
4.3.5 What are the stipulations under which credit is granted?

Table 25: showing the stipulations under which credit is given

Stipulations	Frequency	Percentage
Interest charges	3	30%
Loan period	2	20%
Collateral security	2	20%
Others	3	30%
Total	10	100%

Source: primary data

Figure 25: A pie chart showing the stipulations under which credit is granted.



Source: Primary data

From table 25 and figure 25 above, microfinance staff were interviewed and most of them said that interest charges with 30% was the one mostly used stipulation under which credit was granted, the micro finances give loans by considering interest rate, 20% said collateral security was also considered and other stipulations had 30%.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS, RECOMMENDATIONS AND AREAS OF FURTHER STUDY

5.0 Introduction

This chapter gives a summary of findings basing on the research objectives and their sub questions as indicated in chapter four. And what the researcher recommend to be done to improve microfinance loans and bring about better performance of MEs.

5.1 Summary of major findings

The summary of major findings are discussed below

5.1.1 Demographic characteristics

Most respondents involved were females with 65% and males were 35%,most businesses were set up by women, most businesses were run by respondents of 56 years and above and their businesses were doing well because they had experience due to spending a lot of time in business. Also most respondents involved in business had degrees, because of high levels of unemployment most respondents set up their own businesses. More still, most respondents had spent 11 years and above and these had experience and so information delivered was unbiased.

Objective 1

5.2 To assess the nature of microfinance loans to medium enterprises

5.2.1 What are the different forms of loans provided by MFIs?

The different forms of loans that were available were; short term, medium term and long term loans. Medium term loans were the most preferred because clients were able to pay back in time unlike the short term that was difficult to be paid in the shortest time possible.

5.2.2 What is the repayment period of loans provided by MFIs to medium enterprises?

The repayment periods available were; below 1 month, 2-8 months and above 8 months. most respondents were in favor of a period between 2-8 months in that in 1 months' time the respondents could not achieve their goals and objectives and the interest rates charged on a period of 1 months was very high.

5.2.3 Does the duration of a loan affect its repayment?

Microfinance staffs were interviewed and majority said that the duration of a loan affects its repayment in that the higher the duration the higher the interest rate and high interest rates sometimes hinder payments.

5.2.4 What is the extent of the duration of the loan affecting its repayment?

The microfinance staffs were interviewed and the majority viewed the extent as great because of the high interest rates charged on the loans in that the longer the period the higher the interest rate.

5.2.5 What is the size of the loan provided by MFIs to medium enterprises?

The sizes of loans provided by MFIs included; 100000-500000, 500000-1000000 and 1000000 and above, most clients borrowed above in that they could much and reap much at the end of the day.

5.2.6 Are respondents engaged in any type of business?

Most respondents were at least engaged in a certain type of business, the business included; hair dressing, restaurants, metal fabrication, plastic dealing, retail and whole sale shops. Majority were engaged in plastic selling because according to the respondents that business was the most profitable.

In conclusion, the respondents revealed that the forms loans like short term, medium term and long term, however the findings go ahead to assess that these forms of loans need to be improved to enable better performance of small scale enterprises. The findings further indicate that the time given to use and service the loan is not enough. High interest rates on loans were found to be an over whelming constraint among the medium enterprise owners. These constraints were found to diminish interests of business owners from accessing microfinance

loans; their existence prompts a strategic dilemma as how to break the persistently imposing vicious cycle of a loan deprivation.

Objective 2

5.3 To establish the level of performance of recipient medium enterprises

5.3.1 What is the performance level of medium enterprises?

The performance levels were; below 10m, 10m-20m, 20m-30m and above 30m, majority of the respondents performed between 10m-20m and 20m-30m, this performance indicated that a large number of respondents benefit a lot from using microfinance loans and get a lot of profits.

5.3.2 What is the perception of performance level of medium enterprises?

The microfinance staffs were interviewed and most respondents' perception of the performance was high, whereby they viewed MEs to be performing highly.

5.3.3 What is the trend of performance of medium enterprises?

The trends of performance given were; increasing, decreasing and constant. Majority of the respondents said that the trend of performance of MEs was increasing which means that small scale owners were making profits and so their performance was increasing. Some said the trend was decreasing which means they were not making profits and where it was constant the respondents were neither making profits nor losses.

5.3.4 Do respondents generate enough profits for repaying back the loan?

Majority of respondents said that they generated enough profits and some other respondents said that they did not generate enough profits for repaying back the loan because the loan terms are tight such as the high interest rates and so they could not generate any profits.

5.3.5 To what extent do the respondents generate enough profit to repay back the loan?

Majority of medium owners said to a greater extent they generated enough profits to repay back the loan and some others said that they did not get enough profits to repay back the loan due to the high interest rates as earlier said above.

In conclusion, having looked at performance in aspects of perception of performance, trend of performance, level of profits, respondents revealed that the performance of most MEs in Kampala was fair, thus, not up to the required standards. Respondents argued that it was basically due to the continued lack of access to microfinance because of unfavored loan terms like high interest rates.

Objective 3

5.4 To establish the relationship between microfinance loans and performance of medium enterprises.

5.4.1 Do microfinance loans affect the performance of medium enterprises?

Majority of the respondents said microfinance loans affect the performance of medium owners where by some said they generated profits and some said they did not generate enough profits because the interest rates were not favorable for them to make profits.

5.4.2 What is the extent of the effect of microfinance loans on the performance of medium enterprises?

The extent of the effect was classified as strongly, moderately and smaller extent, most respondents said that the effect was moderate which implied that microfinance loans were a little bit favorable and some said the effect was to a smaller extent and thus loans were not favorable.

5.4.3 Do sales revenues increase as a result of using a loan?

Most medium owners said that sales revenues increased as a result of using a loan where by loans led to higher investments and so leading to the generation of high profits and some others said their revenues did not increase as a result of using a loan due to high rates of interest.

5.4.4 If yes, in which range weekly?

The ranges given were 100000-400000, 400000-900000 and above 1000000, most of the respondents said their sales revenues were between 400000-900000, which means that they made some profits from using the loans, some others had revenues in arrange of 100000-400000, which means their profits were moderate and others made above 1000000 showing high rate of profits made.

5.4.5 What are the stipulations under which credit is granted?

Credit was granted under the following stipulations; interest charges, loan period, collateral security, where the respondents said that most used stipulation is interest rate.

In conclusion, on the relationship between the variables, it was found out that there is appositive relationship between the two variables of microfinance loans and performance of small scale enterprises. This means that the review of microfinance loans and their stipulation such as interest rates, collateral security, and loan period would make the performance of small scale enterprises be very high.

Recommendations

Following the discussion of the findings in chapter four and conclusions made, the researcher recommends the following;

5.5 Recommendation on the nature of microfinance loans to medium enterprises

5.5.1 What are different forms of loans provided by MFIs?

From the findings of the study, there is need for the microfinance institutions to improve and review their forms of loans provided.

5.5.2 What is the repayment period of loans provided by MFIs to medium enterprises?

The repayment period (time to use and service the loan) should be partially determined by the client basing on his capacity to pay back and the amount required.

5.5.3 Does the duration of the loan affect its repayment?

From the findings, a grace period should be offered so that borrowed can have enough time to make good use of the borrowed funds.

5.5.4 What is the size of the loan provided by MFIs to medium enterprises?

Microfinance loans institutions should explore the possibility of granting medium term loans to enable their clients acquire long term assets like machinery, land

5.5.5 Are respondents engaged in any type of business?

The medium owners should engage themselves in many types of businesses such as home based business such as poultry rearing so as to meet their financial needs.

5.6 Recommendation on establishing the level of performance of recipient small scale enterprises.

5.6.1 What is the performance level of recipient small scale enterprises?

The researcher recommends that the microfinance institutions to review their loan terms in that business owners are able access the required loan, the business owners should also be allowed to apply the loan amounts suitable to the size and requirement of the individual business.

5.6.2 What is the trend of performance of small scale enterprises?

The structures of SSEs need to be reviewed and commitment to quality products should be given priority, team work is very important and it should be given priority and this will help the business employees to move towards achieving goals and objectives geared to better performance.

5.6.3 Do respondents generate enough profits for repaying back the loan?

The researcher recommends on aggressive research which will help medium enterprises to understand the needs of customers as regards company products. This will be crucial in increasing profits and efficiency of the businesses.

5.7 Recommendation on the relationship between microfinance loans and performance of medium enterprises.

5.7.1 Do the microfinance loans affect the performance of MEs?

There is need to provide adequate information to small scale enterprise owners about the requirements for loan borrowing, this will help the MEs owners to understand the advantages and disadvantages involved in borrowing money for microfinance institutions.

5.7.2 Do sales revenues increase as a result of using a loan?

Research especially on how to integrate modern technology in manufacturing process of the products should be carried out, there is also need to create customers relations between microfinance and MEs, and this will help the enterprise owners to plan appropriately for loan servicing.

5.7.3 What are the stipulations under which credit is granted?

From the findings of the study, there is need to improve and review their loan stipulations, the researcher thus recommends that the interest rates charges on loans and collateral should be reduced to enable business owners access the required loan.

5.8 Areas of further research:

This study has examined microfinance loans and performance of MEs. However; it has not discussed other issues that affect performance of MEs like factors of production. It would thus be of interest, if further research was carried out to investigate production factors like labour, raw materials and performance of small scale enterprises.

REFERENCES

- Association of Micro Finance Institution Uganda, Brochure (2002)
- Balunywa, W. (1993), Creating Competitiveness in Uganda's Businesses. Discussion paper, Makerere University Business School.
- Bank of Uganda annual report, (1999/2000) Performance of the Financial Sector
- Bernard, L. (2005) Small and Medium Scale Enterprises in Botswana; Their characteristics, sources of finance and problems
- Bibangambah J.R (1995), Towards Optimum Utilization of Credit in Uganda; the Uganda Bankers Vol 5 1995
- Biryabarema, E (1998), Small Scale Business and Commercial Banks in Uganda.
- Byaruhanga, J.K. and Musaazi MK, (1999) Improvement of Profitability in Small Scale Enterprises
- Cohany, J (2001) Financial Services and Micro-Enterprises. The Uganda Bankers, Vol 41 Pg 23 – 26.
- Directory of Micro Finance Institution in Uganda, (2000)
- Draker, F.P (1993), Innovation and Entrepreneurship, Practice and Principle.
- Graham, A.N (2000), Drop outs amongst Ugandan Micro Finance Institutions, World Bank Discussion papers.
- Haapwood, E.R (2004), Evaluating the Impact of Special Credit Programme in Indonesia, Journal of Development Studies Vol 23 pg 299 – 312.
- Kabuchu, H. & Drito. A (1999) "Are Micro Credit Institution Exploiting the Poor?"
- Kakuru J. (2005), Financial Decision and Business 2nd Edition, Business Publishing Group Kampala.
- Khandel P.(1996), "Lessons from the Grameen Bank of Bangladesh." Bank of Uganda Report.
- Kalyowa Geoffrey(1998), "The Role of Micro Finance Institutions to Small Scale Businesses in Uganda."

- Ledger, W.J. (1999 – 2000) Micro finance Handbook. An institutional and Financial Perspective, World Bank Washington DC.
- Marguerite, S.R. (2001). The Micro Finance Revolution, Sustainable Finance for the Poor Vol.1 Ministry of Finance Planning and Economic Development (2001), Statutory Report for Micro Finance Forum (MFF), Micro and Small Scale Enterprises Unit.
- Micro Finance Information Exchange – Mix, (2010)
- Muhwezi. D. (1994), Growth potential in Small Scale Manufacturing Enterprises in Kampala.
- Mutesasira (1999), Micro Save Uganda, Promoting Secure Quality Savings for Poor People.
- Nabaguzi E.(1993), “Informal and Institutional Credit in Uganda,”Research paper No.2/93 Makerere Institute of Social Research.
- Nanziri Rhene (1999), “Micro Finance Institutions Assistance and Micro Enterprises Performance.”
- Musinguzi P.(1999), “The Micro Finance Industry in Uganda:The way forward.”
- MFEPD (2000), “Ministry of Finance, Economic Planning and Development Report.”
- O’Mara, (1995) Performance Measurements and Strategic Change, Strategic Management Journal Vol 8.
- Pandey I.M (1999) Financial Management
- Rutherford, M.S (1995) Rural Financial Intermediation; Lessons from Indonesia
- Republic of Uganda, (1999) Public Investment Plan, Poverty Education Action Plan Vol II (1999/2000 – 2001/2002)
- Rutashobya K and Olomi R.D.(1999), “African Enterprenuership and Small Business Development.”
- Uganda Micro Finance Industry Assessment Report, (2008)
- Webster .L (1991), World Bank Lending for Small and Medium Enterprises.
- World Bank (1991), The Republic of Uganda, Enterprise Development Project.
- Wright G, (1999) Micro Finance System, Designing Quality services for the poor.

APPENDIX

QUESTIONNAIRE FOR MICROFINANCE EMPLOYEES

Dear respondent,

I am **Natwongyera Prossy** a student of Kampala International University (KIU) doing research on a topic “**Microfinance Loans and Performance of Medium Enterprises.**” I am kindly requesting you to spare some of your valuable time and respond to my questionnaire, all the information provided will be treated with at most confidentiality

SECTION A

1. What is the sex/gender of respondents?

Female

Male

2. What is the age range of the respondents?

18-25yrs

26-35yrs

36-45yrs

46-55yrs

56+

3. What is the level of education of respondents?

Secondary

Diploma

Degree

4. What is the marital status of the respondents?

Single

Married

Divorced

5. What is the religion of respondents?

Protestants

Catholics

Muslims

Others specify.....

SECTION B

REVIEW OF RESEARCH QUESTION ONE

What is the nature of microfinance loans to medium enterprises?

6. What are different forms of loans provided by MFIs?

Short term

Medium term

Long term

7. What is the repayment period of loans provided by MFIs to MEs?

Below 1 month

2-8 months

Above 8 months

8. Does the duration of the loan affect its repayment?

Yes

No

Not sure

9. If yes, to what extent?

Slightly new

Greatly new

10. What is the size of the loan provided by MFIs to MEs?

100000-500000

500000-1000000

Above 1000000

REVIEW OF RESEARCH QUESTION TWO

11. What is the performance level of recipient MEs?

Below 10m

10m-20m

20m-30m

Above 30m

12. What is the perception of performance level of MEs?

Very high

High

Low

13. What is the trend of performance of SSEs?

Increasing

Decreasing

Constant

REVIEW OF RESAERCH QUESTION THREE

What is the relationship between microfinance loans and performance of MEs?

14 Do the microfinance loans affect the performance of MEs?

Yes

No

If yes, to what extent?

Strongly

Moderately

Small extent

15. What are the stipulations under which credit is granted?

Interest charges

Loan period

Collateral security

Others.....

16. Briefly, what is your view about loan performance on SSEs?

.....
.....
.....

THANK YOU VERY MUCH FOR YOUR CO-OPERATION

QUESTIONNAIRE FOR MEDIUM ENTERPRISE OWNERS

Dear respondent,

I am **Natwongyera Prossy** a student of Kampala International University (KIU) doing research on atopic “**Microfinance Loans and Performance of Medium Enterprises.**” Am kindly requesting you to spare some of your valuable time and respond to my questionnaire, all the information provided will be treated with at most confidentiality.

SECTION A

1. What is the sex/gender of respondents?

Female

Male

2. What is the age range of the respondents?

18-25yrs

26-35yrs

36-45yrs

46-55yrs

56+

3. What is the level of education of respondents?

Primary

Secondary

Diploma

Degree

4. What is the marital status of the respondents?

Single

Married

Divorced

5. What is the religion of respondents?

Protestants

Catholics

Muslims

Others

6. What is the length of the period you have been in business?

2-4yrs

5-7yrs

8-10yrs

11+

7. Have you ever borrowed money?

Yes

No

8. If yes where did u borrow from?

PRIDE Uganda FINCA Uganda UGAFODE UWESO

SECTION B

REVIEW OF QUESTION ONE

What is the nature of microfinance loans on the performance of MEs?

9. What are different forms of loans provided by MFIs?

Short term Medium term Long term

10. What is the repayment period of loans provided by MFIs to MEs?

Below 1 month 2-8 months Above 8 months

11. Are you engaged in any type of business?

Yes No

12. If yes, what type of business?

Hair dressing Restaurants Metal fabrication

Plastic dealing Retail and whole sale shops

REVIEWS OF RESEARCH QUESTION TWO.

13. What is the performance level of recipient SSEs?

Below 10m 10m-20m 20m-30m Above 30m

14. Do you generate enough profits for repaying the loan?

Yes No Not sure

15 if yes, to what extent?

Smaller extent Greater extent

REVIEW OF RESEARCH QUESTION THREE

What is the relationship of microfinance loans on the performance of SSEs?

16. Do microfinance loans affect the performance of SSEs?

Yes No

If yes, to what extent?

Smaller extent Greater extent

17. Have sales revenues increased as a result of using a loan?

Yes No

18. If yes, in which range weekly?

100000-400000 400000-900000 Above 1000000

What is the likely outcome if SSEs continue using microfinance loans?

.....
.....
.....

THANK YOU VERY MUCH FOR YOUR CO-OPERATION