

**SACCO SERVICES AND GROWTH OF SMALL SCALE ENTERPRISES IN
MBARARA TOWN**

**BY
KASOZI MUHAMMAD
1163-05014-06962**

**A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS
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DECLARATION

I, **Kasozi Muhammad** hereby declare that this is my original work, and to the best of my knowledge, it has never been submitted by any other person for any academic award in any other institution of higher learning.

Signature: *Kasozi Muhammad*

Kasozi Muhammad


Date: *09/10/2019*

APPROVAL

I hereby certify that this research was compiled under my supervision, and is herein submitted for examination with my approval to the college of economics and management of Kampala International University.

Signature: 

Mr. Timbirimu Micheal

Date: 

DEDICATION

This research report is dedicated to my beloved mum Namyalo Aisha, brothers and sisters, Lubega Faisal, Kachwa Edirisa, Mulindwa Isaac, Baziiwane Sadic Nakachwa Sophia and Baziiwane Mitina for the role they have played towards my education. Thank you.

May the Almighty God bless you abundantly.

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LIST OF ACRONYMS

AMFIU	Association of Microfinance Institutions in Uganda
BCI:	Bank of Commerce and Investment
BoU	Banka of Uganda
GDP:	Gross Domestic Product
MCC	Microfinance Competence Centre
OECD:	Organisation for Economic Co-operation and Development
SACCO	Savings and Credit Cooperatives
SPSS:	Statistical Package for Social Scientists

ABSTRACT

The importance of SACCO to eradication of poverty cannot be overemphasized. SACCO offer financial services to active poor who were traditionally neglected by conventional banks with a view towards lifting them out of poverty. Hence, this study sought to establish the effect that commercial bank services have on the growth of small scale enterprises in Mbarara- Town. Even if it is a government policy to ensure that all people have access to financial services but many businesses in Mbarara have continued to suffer from lack of proper skill, the inability to access credit, high interest rate on short-term investment loan which have led to a high failure rate of small scale enterprises in Town. The objectives were to establish the effect of seed capital on the growth of small scale enterprises, to determine the effect of financial skills training on the growth of small scale enterprises and to assess the effect of mobilization of savings by SACCO on the growth of small scale enterprises. The study employed a cross-sectional research design. The data were collected from people operating in small scale enterprises in Mbarara- Town. A sample of 176 respondents were determined from 315 target population. The data was analysed using simple regression analysis. The study findings were that provision of seed capital affect the growth of small scale enterprises by 24.6% implying low effect, skills training have a 49.4% effect on the growth of small scale enterprises and mobilization of savings had 82.1% effect on growth of small scale enterprises. On the first objective the researcher established that seed capital had less effect on the growth of small scale enterprises; meaning that there are other factors that account more for the small scale enterprises growth, even that the argument that seed capital is not provided to starting small scale enterprises is a proof for not growing well. The effect on the second research objective that established financial skills training on the growth of small scale enterprises was low though substantive, the researcher concludes that training could be not so adequately advanced to the small scale enterprises explaining the low growth rate regarding this other factors contributions are considerably low. The third objective established that there was a high significant effect of saving mobilization on growth of small scale enterprises in Mbarara- Town. The researcher recommended that the status of the business operations need to acquire collateral security before operation in order to attain value for seed capital, there is need for more training by SACCO to small scale enterprises and there is need for improving savings through providing attractive interests on savings and other relevant practices.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This study aims to examine the effect of commercial bank services on the growth of small scale enterprises among selected SACCO in Mbarara, Town. This chapter presents the background of the study, the statement of the problem, purpose of the study, objectives of the study, research questions, the scope and significance of the study.

1.1 Background of the Study

1.1.1 Historical Perspective

Small scale business entrepreneurship had its origin in the Eastern Mediterranean (Siropolis, 1977). Many of these enterprises engage in divergent array of businesses that involve in economic activities spanning from micro and rural enterprises to highly industrialized organizations. As a result of this, economists, policy planners, academicians and governments have shown interest in issues pertaining to small scale enterprises all over the world.

In Europe, 8 independent national small business organisations founded in 1998 the European Small Business Alliance (ESBA), a non-party political group, for caring the small business entrepreneurs and the self-employed and for representing them through targeted European Union (EU) advocacy and profiling activities. Small scale enterprises had been representing a keystone of the euro area economy.

In Africa, during the first part of this century, the continent, experienced significant economic growth and this is widely expected to continue for the foreseeable future. This growth was helped by the gradual liberalization and relaxation of the regulatory and business regimes which pertain in many countries in Africa as they sought to attract investment.

In Sub Saharan Africa, over the last 20 years, there was a strong shift towards high and persistent growth in many of the countries in the region. The most important drivers behind this shift were increased public and private investments fuelled by an improved business environment, which also propels small scale enterprises activity. Furthermore, India and China have gradually become important investors and trading partners for these countries. Strong economic growth gave rise to a jump in foreign investment driven by high returns on capital. In fact, Sub-Saharan Africa was the region in the world where US investments had been most profitable during the last 10 years. For the aspect of developing countries, small scale

enterprises played a pivotal role in industrial development and restructuring, satisfying rising local demand for services, allowing for increased specialisation and supporting larger firms with inputs and services. This way, small scale enterprises became engines that sustain growth for long term development. Many countries in Sub-Saharan Africa had a large number of small scale enterprises relative to the size of the economy, but there were almost exclusively micro companies and they were not often part of the formal economy (World Bank, 2006).

In Town, people had been exchanging goods to satisfy their needs. Small scale enterprises existed in Ugandasince the country's independence in 1962. It is argued that small scale enterprises often experienced difficulty in accessing banking credit due to the assumed risk exhibited by the weak or new ones, absence of collateral to support credit, their remote area of operation and the relatively small size of loan required. Consequently, business transaction costs are relatively high and the addition of cost of the loan makes it exorbitantly too high for them to allow a reasonable return on investment.

Prior to the recent recapitalization in the banking industry, the problem was compounded by the fact that most SACCO are controlled by the government and or/ private individuals who exercise very little care in managing these institutions (Idowu, 2010). Despite of this, it is a known fact that small scale enterprises have contributed and will still continue to contribute to the Gross Domestic Product (GDP) of the Townan economy.

According to data from a census of formal firms carried out in 2010 covering the year 2007, Townan micro firms represented 34% of the population of formal firms while small firms represented 46% of the total number of formal firms. Hence, micro firms represented 80% of all the formal firms in Ugandain 2007. With a median size of 7 full time workers, the distribution of the size even within the small size groups is skewed towards the smallest size.

1.1.2 Theoretical Perspective

This study was governed by the collateral pledging theory developed by Gitman in 2003, which suggested that for a borrower to get credit from a commercial bank, he/she has to commit valuable assets to a lender to guarantee or secure the loan (2003). The lender has the right to seize the collateral if the borrower defaults on the obligation. In some cases, the lender may require the borrower to place the pledged assets such as cash or securities in a separate account that the lender controls. Pledged assets are also referred to as hypothecation, does not transfer ownership of the property to the creditor, but gives the creditor the non-possessory interest in

the property. But the lender has a claim against it. In the event of default, the collateral for a loan may be liquidated and sold off by the creditor in order to pay for the unsettled debt. In this case, the borrower loses possession of the collateral properties. All proceeds from the sale of these collateral properties go to pay off debtors obligations.

Collateral is positively related to risk premium among small business loans (Berger and Udell 1990, Degryse and Van Cayseele 2000). To the extent that the risk premium reflect unobserved risk that is signalled through the sorting mechanism of the private information models, these data are not consistent with the prediction of lower unobserved risk for secured credits.

1.1.3 Conceptual Perspective

According to Ono (2010), a bank refers to financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets.

A commercial bank is a privately owned financial institution which accepts demand and time deposits, makes loans to individuals and organizations and provide services such as documentary collections, international banking, trade financing. Since a large proportion of a commercial bank's deposit is payable on demand, it prefers to make short term loans instead of the long term ones.

Fasua, (2012) categorized business that fall under small and medium scale as follow in small scale enterprise, firewood supply, packaging of food items, meat retailing, plantain production, restaurant service, small scale poultry raising, rabbit raising, organizing labor squad, operating a nursery for children, home service, arranging food for parties and host of others. Business under the medium scale accord to Fasua are: soap production, aquaculture/ fish farming, chalk making, foam production, nylon production, concrete block production, hair/body cream productions, chemical production, commercial poultry, professional practice law, accountancy, education, food and beverage production among other.

Keister (2011) defines the SMEs micro-entities as companies which uses up to 10 employees, small companies with up to 50 employees and micro-sized enterprises have up to 250 employees.

Today Uganda has 9 SACCO, 1 development bank, a housing bank and several microfinance institutions. Countrywide, there are 645 access points, with 172 served by SACCO, 264 by

microfinance institutions, 134 by the post office network and 75 ATMs. 33% are located in Mbarara, the capital city. Only 7% of the adult population has an account in a formal financial institution, a far cry from the 23% African average. Among those who have accounts, only 2% have at least one outstanding loan from a regulated financial institution (BRB- Banque de République du Ugandareport, 2014).

In this study, A commercial bank is a privately owned financial institution which accepts demand and time deposits, makes loans to individuals and organizations and provide services such as documentary collections, international banking, trade financing. Since a large proportion of a commercial bank's deposit is payable on demand, it prefers to make short term loans instead of the long term ones.

The term "growth" implies an increase in the amount of output, export and sales. It is also a process of overall business development. Growth has usually been considered as an essential objective for its contribution to small business survival and competitiveness.

Provision of seed capital: According to Dalberg & Morgan (2012), this is the variable described as the initial capital utilized to start a business. This variable is to produce quantitative data that highlights the effect of seed capital provided by SACCO on the growth of small scale enterprises.

Financial skills training: According to Sakthi, G. (2011), this variable is defined as the financial skills training necessary to manage a business. The variable is expected to produce quantitative data that analyses the financial skills acquired by entrepreneurs from SACCO and the effect on the growth of small scale enterprises.

Mobilization of savings: According to Otero & Rhyne (2010), this variable is defined as the money stored by entrepreneurs for future use. This variable is expected to provide quantitative data on the amounts of savings that SACCO accumulate from small scale enterprises and the effect on their growth.

1.1.4 Contextual Perspective

Ugandahas a relatively small developing financial sector which is dominated by banking with over 75% of total economy assets. SACCO in Ugandaoffer a wide range of banking products and services to small and medium size customers such as mortgage finance, loans, corporate, retail and commercial banking services.

European commission report (2013) argued that access to finance is a key determinant for business start-up, development and growth for small and micro size enterprises. It reported that, they have very different needs and faces different challenges with regard to financing compared to large businesses. The report observed that lack of equity capital invested in small firms makes these businesses more irrelevant than other sources such as bank lending and other types of financial products.

Foster and Pytkowska (2013) studied the state of financial institutions in Central and Eastern Europe and found that outreach to the region's poor was very low with the organisations mainly focusing on providing loans to already established small scale enterprises. The study further highlights that financial institutions based their operations around the delivery of simple, short term, relatively high interest, working capital loan products. According to Shreiner and Colombet, 2011, lending institutions require a genuine ability to repay the loans and diverse income sources. The study by Foster, Greene and Pytkowska indicates that financial institutions do not provide seed capital in form of credit to small scale enterprises in the European regions that were sampled however it does not investigate the effect of lack of the provision of seed capital on the growth of small scale enterprises. In contrast there exists an argument by Peters (2012) that equity financing in developed countries has been successful and can also be replicated in developing countries by providing business start-up grants. Evidence of the success of equity and grant start-up capital financing given by the study is not conclusive. It is important to investigate lack of seed capital for business as it could prevent an entrepreneur from starting a business

Zeller (2013) studied micro businesses in Madagascar and concluded that friends were the biggest providers of seed capital for starting-up small scale businesses in the country. In Malawi as highlighted by Okurut, Banga and Mukungu (2014) small scale businesses acquired their start-up capital from money lenders. However the money lenders did not lend to the poorest members of the community as they did not have ability to provide collateral.

SACCO are not usually able to provide seed capital due to their stringent loan requirements and in ability to penetrate rural areas but in South Africa, the banking system as written by FNB (2010) remains the main source of capital to start and grow businesses. The study by First National Bank also highlights that capital is not only catalyst for business success and the entrepreneur plays the most important role by identifying the array of factors that dictate the conditions and circumstances under which a business should thrive that involves skills and

aptitude. Similarly Heide (2016) indicates that finance is a necessary but not a sufficient condition for success of innovative start-ups, entrepreneurial and management skills are as vital therefore financing should be made conditional, only to be provided when the start-up accepts adequate managerial skills coaching to ensure successful business models.

Ahiawodzi and Adede (2012) in a study of Ho- Municipality of Ghana indicate that access to credit exerts a significant positive effect on the growth of small scale enterprises, the result from the regression model shows that there is a positive relationship between access to credit and the growth of small scale enterprises.

A study by King& McGrath (2012) concludes that education is one of the factors that impact positively on growth entrepreneurs with large stocks of capital that includes education and or vocational training are better placed to adapt the constantly changing business environment. “Small scale enterprises are dominated by people with relatively low levels of education in Kenya” (Bowen, Morara& Mureithi 2009, p.14). Similarly in Belgium small scale businesses according to statistics by the Nationale Bank Van België, less than one out of ten employees had participated in formal education. In Zimbabwe Zindiye (2010, P.78) argues that the small scale business sector attracts a low priority to financial training and are often unwilling to participate in programs that require them to finance the costs these enterprises eventually are weak in cash management, marketing strategies and finance. The study further concluded that small scale businesses should be trained in the following financial management skills book keeping, preparing financial statements, debit/ credit control, budgeting and tax calculation to ensure their growth. It can be argued that well designed financial training programs can improve the incomes of small scale enterprises. Therefore SACCO need to create ways of measuring the effect of financial skills training on small scale businesses.

A study of small scale enterprises by the OECD (2013) in New Zealand, United Kingdom, Belgium, Portland, Turkey and Canada outline the following reasons why small scale enterprises do not participate in financial training programs: Lack of time, very expensive and difficulty in accessing its relevance to the needs of the enterprise. Furthermore a conclusion was drawn that firms that did not participate in these training programs did so because they believed they already have or can recruit the skills the enterprise required. Therefore SACCO need to train small scale owners to have skills for specific production, business management and access to markets in order to make profits from the financial resources they receive.

Financial skills as contended by the ILO (2013) can improve productivity and incomes in the informal economy and open opportunities to link with the formal economy this training can support medium term strategies for integration with the mainstream economy while also offering a range of immediate benefits to informal economy entrepreneurs and workers.

Akasamire (2010) wrote that firm growth opportunities has a correlation with liquidity levels, enterprises with more investment opportunities keep higher liquidity levels in order not to limit or cancel their profitable investments projects. It can be argued that these kind of firms would require a reliable savings institution to enable them maximize on their growth opportunities, financial institutions should establish effective savings programs by transforming their capabilities to support small scale industry saving services. However, it should be also noted according to Gray, Saunders and Goregaokar (2012, P.8) that too much liquidity is harmful as small scale enterprises might not spend it wisely effective training on cash flow management is also important.

Small scale businesses is emphasized by Citi's "Susu" in Ghana where 200 to 800 membres save between US Dollars 40,000 and 800,000 per cycle with the accumulated savings being paid out to the members over a 100 week cycle for each week's collection (Bass and Henderson 2011, P.10). This example is a clear evidence of success of savings with financial institutions. However Bass and Henderson (2011) further argue that this success is solely not dependent on the design of the savings products but also on pricing and marketing. The financial institutions must also have a sound management structure and an appropriate management information system to safeguard clients' deposits. This argument may be important to the financial institutions to consider but the growth of small scale enterprises needs to be taken into consideration also to ensure benefits to small scale industry clients, constant growth of small scale industry can improve availability of financial institutions' funds and lower their costs.

Antony (2016) argued that despite the potential role of small scale enterprises to accelerate growth and job creation in developing countries, a number of bottlenecks affect their ability to realize their full potential. He observes that small scale enterprises development is hampered by a number of factors including seed capital, lack of managerial skills, equipment and technology, regulatory issue and access to international financial markets.

1.2 Problem Statement

SACCO have contributed immensely and will still continue to contribute to the Gross Domestic Product (GDP) of the Townan economy (BRB, Annual Supervision Report, 2014). But in spite of these great contribution, there are some constraints to small scale enterprise and commercial bank services in order to increase the development of small scale enterprises through its policies, plans and programmes which have not been addressed.

Small scale enterprises face many problems both at start up and their growth phase in many developing countries. Lack of proper skill, the inability to access credit, high interest rate on short-term investment loan have led to a high failure rate of small scale enterprises in Uganda(Nkurunziza, 2014). Since the growth of small scale enterprises largely depend on the services provided by the SACCO, their failure leads to loss of jobs and consequently increased insecurity, low liquidity in the economy and decline in economic growth (Pandula, 2013). This has created a hindrance to most small scale enterprises growth because they cannot access easily the bank's services specially fund and this has made them source and obtain finance from family and friends which is not a formal source while medium or large businesses can easily access funds from the bank and other financial institutions which will lend them money willingly because they can easily meet the conditions that they require (Nkurunziza, 2014).

Yet, it is a government policy to ensure that all people have access to financial services but many businesses in Mbarara have continued to suffer from inadequate capital despite their access to commercial bank services. This has motivated the researcher to dig deeper and establish the causes of their failure based on the given objectives in this research study.

1.3 Purpose of the Study

The purpose of the study is to elaborate how commercial bank services affect the growth of small scale enterprises relying on selected SACCO in Mbarara- Town.

1.4 Specific Objectives of the Study

- i. To establish the effect of seed capital on the growth of small scale enterprises in Town.
- ii. To determine the effect of financial skills training on the growth of small scale enterprises in Town.
- iii. To assess the effect of mobilization of savings by SACCO on the growth of small scale enterprises in Town.

1.5 Research Questions

- i. How does provision of seed capital affect the growth of small scale enterprises in Mbarara-Town?
- ii. How does financial skills training affect growth of small scale enterprises in Mbarara-Town?
- iii. What is the effect of mobilization of savings by SACCO on the growth of small scale enterprises in Mbarara-Town?

1.6 Research Hypotheses

To answer the three research questions posed for the study, the following hypotheses were formulated in a null form.

Ho1: Provision of seed capital by SACCO does not have a significant effect on the growth of small scale enterprises in Mbarara-Town.

Ho2: Financial skills training by SACCO does not have significant effect on the growth of small scale enterprises in Mbarara-Town.

Ho3: There is no significant effect of mobilization of savings on the growth of small scale enterprises in Mbarara-Town.

1.7 Scope of the study

1.7.1 Geographical Scope

This research was conducted in Mbarara town located in western Uganda about 200 kilometres from Kampala Capital City in Uganda. They were selected because there are SACCOs/banks in the country with the highest market share in the industry.

1.7.2 Content Scope

The study focused on the services which are provided by selected SACCO and how they affect the small scale enterprises in their growth.

1.7.3 Time Scope

The study concentrated on the services that the selected SACCO have been providing to the small scale enterprises for the past 5years from 2015 up to 2019 for their growth.

1.8 Significance of the study

This study is important to the following group:

1.8.1 Banking Industry

The study is invaluable to the banking industry as they are able to uncover the causes of failure of the small scale enterprises in repayment of their loans and effective ways of financing them, as well as taking appropriate measures against risks facing the small scale enterprises. The study provided an insight on the best approaches SACCO. The banking industry may find the study significant in such a way that it recommends the best approaches that should be taken when financing small scale enterprises in order to prevent the banks from collapsing.

1.8.2 Small Scale Enterprises

This study is useful to the growth of small scale enterprises in such a way that the study highlights what usually restrain them from growing.

1.8.3 The Government

This study acts as a guide to the government in designing appropriate policies that guide SACCO in financing the small scale enterprises.

1.8.4 Future Researchers and Scholars

This study is very beneficial to future researchers as it acts as a basis upon which further studies can be carried out on broad subjects on the impact that SACCO have on the growth of the small scale enterprises.

This study is also significant to scholars who can find this study useful as it provides information on the relationship between lending to small scale enterprises.

1.9 Definition of Key Terms

Commercial bank: it is a type of financial institution that accepts deposits, offers checking account services, makes various loans and offers basic financial products like certificates of deposit (CDs) and savings accounts to individuals and small business. A commercial bank is where most people do their banking, as opposed to an investment bank.

Small scale enterprises: According to BRB (Annual Supervision Report, 2014) these are companies with up to 10 employees.

Seed capital: it is the funding required to get a new business started. This initial funding, which usually comes from the business owner (s) and perhaps friends and family, supports preliminary activities such as market research product research and development and business development.

Collateral: it is an asset that a lender accepts as security for loan. If the borrower defaults on the loan payments, the lender can seize the collateral and resell it to recoup the losses.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focuses on the review of relevant literature on the effect of commercial bank services on the growth of small scale enterprises in Town. It covers literature reviews of the past literature of the study. Credit access from SACCO and the growth of small scale enterprises is critically reviewed. This chapter highlights theoretical literature, empirical literature, critical review of literature, summary of literature, research gap, and conceptual framework.

2.1 Theoretical Review

This section examines the various theories that are used to establish the effect that SACCO have on the growth of small scale enterprises in Town. The study is guided by the following theories:

2.1.1 Collateral Pledging Theory

Gitman (2003) propounded the collateral pledging theory which refers to the extent to which assets are committed by borrowers to a lender as security for debt payment. The assets pledged should be used to recover the principal in case of default. Small scale enterprises in particular provide security in form of fixed assets (houses, a car and anything that could actually bring back the principal) in the event of default on loans. Security for loans must actually be capable of being sold under the normal conditions of the market, at a fair market value and also with reasonable promptness. However, for the reason of securing the loan, the collateral must cover a 100% or more, equal to the amount of credit extended or financial product.

Sometimes the borrowers divert the funds provided by the lenders for their own personal and private use. Therefore, the collateral requirements when in place, can reduce negative consequences that can arise from improper utilization of the funds by small scale enterprises. It is evident that most small scale enterprises are denied and discriminated by the lenders in providing financing. This is because of the high risk associated with them lacking adequate resources to pledge as collateral (Berger, A.N. & Udell, 1995).

Bougheas (2005) contend that collateral is an important prerequisite for small scale enterprises in order to access bank finance. Collateral reduces the riskiness of a loan by giving the financial

institution a claim on the tangible asset without diminishing its claim on the outstanding debt. Coco (2010) points out that collateral is the lender's second line of defence.

Collateral can solve problems derived from asymmetries in valuation of projects, uncertainty about the quality of projects and the riskiness of borrowers, and the problems related to the cost of monitoring or supervising borrowers' behaviour. The comfort provided by collateral allows financial institutions to offer credit on favourable terms to small scale enterprises even if uncertainty and information opaqueness characterize the firm. If the firm cannot determine a borrower's riskiness, then the collateral may serve as a screening device to differentiate between good and bad borrowers and to mitigate the adverse selection problem. Investors with low probability of default will reveal themselves by accepting collateral requirements which would be unattractive for borrowers categorized as high risk.

Collateral requirements serve as an incentive mechanism because higher collateral enforces a selection of less risky projects (Bester, 2007). This is due to the fact that a lower-risk borrower has a greater incentive to pledge collateral than a high-risk borrower, because of his lower probability of failure and loss of collateral. The willingness of the entrepreneur to pledge collateral positively influences the quality of credit request as perceived by the bank. Borrowers signal the real value and belief in the quality of the project to the bank. Thus, low-risk borrowers can signal their status through the provision of collateral, even though literature identifies collateral as a key, contracting tool employed by lenders to reduce the problem associated with asymmetrical information.

According to Stiglitz and Weiss (1981) collateral costs as an indicator of the borrower's creditworthiness. The bank screens firms by offering both loan contracts with higher collateral value with lower interest rates and loan contracts with lower collateral with higher interest rates. Although risk factors may not be readily observable, lower risk borrower will nonetheless pledge more and better collateral value than riskier borrowers because this pledge is less costly for borrowers who have lower likelihoods of losing the pledged collateral. The probability of losing collateral acts as a disciplinary tool for the borrower. Thus, the pledge of collateral leads to a higher level of effort to satisfy loan conditions and meeting loans obligations, reducing a borrower's default probability. Collateral therefore serves as a tool for resolving moral hazard problems (Aghion and Bolton, 2012).

Gangata and Matavire (2013) in their study on challenges facing small businesses in accessing finance from financial institutions, found out that very few small businesses succeed in accessing funding from financial institutions, the main reason being failure to meet lending requirements, chief among them being provision of collateral security.

2.1.1.1 Tangible Assets Availability

Previous researchers suggest that bank financing will depend on whether the lending can be secured by collateral (Storey, 1994; Berger and Udell, 1998). When other factors are held constant, firms with more intangible assets have limited access to financing, compared to firms with more tangible assets. Small scale enterprises have fewer collateralizable assets than large firms. This may partly relate to the stage of growth the firm is in. In the earlier stages of the firm, it may have lower retained profits which may hinder it from purchasing fixed assets compared to the larger firms which have a longer history. Another reason why small firms have a smaller proportion of fixed assets is the capital constraints faced by them. Because of the need to raise large amounts of capital, it becomes difficult for them to acquire substantial fixed assets.

Access to formal finance is also poor because of the high risk of default among small scale enterprises due to inadequate financial facilities (Cook, 2009). Matavire et al., (2013), in their study on challenges facing small enterprises in accessing finance from financial institutions; A case of Belaway, Zimbabwe found out that small scale enterprises fail to secure loans because of restrictive requirements of the financial institutions, top among them being lack of collateral. Among their recommendations was that the government should play its role of enabling SMEs to access finance from financial institutions. Makena, et al., (2014), in their study on challenges facing women entrepreneurs in accessing business finance in Kenya: A case of Ruiru Township, Kiambu County, and lack of fixed assets was one of the objectives. However, the study found out that lack of tangible collaterals like land was a greater hindrance to credit accessibility by women entrepreneurs. Among their recommendations was that the government should play its role of enabling small scale enterprises to obtain finance from financial institutions.

2.1.1.2 Group Guarantees Availability

As indicated by Ono (2010) Small scale industry in Africa can once in a while meet the conditions set by money related organizations, which see small businesses as an unsafe in view of poor certifications and absence of satisfactory data about their capacity to reimburse advances. The money related markets in the greater part of Africa are immature nonetheless

thus gives less monetary instruments. Capital markets are in their early stages, shareholding is uncommon and no long-haul financing is accessible for small businesses. Non-bank monetary mediators, for example, Micro Finance Institutions, which could have been of a major help in loaning cash to the little small scale enterprises don't have the assets to catch up their clients when they extend (Hempel, 2007).

Atieno (2008) led a review on SMEs exhibitions in country regions in focal Kenya and discovered that absence of underwriters by smallholders is ordinarily observed as one of the requirements constraining them to profits by credit offices. In any case, much of the time they get to issue, particularly among formal monetary establishments, is one made by the foundations for the most part through their loaning approaches. This is shown as endorsed least advance sums, entangled application methods and confinements on layaway for particular purposes (Schmidt, 2009).

Oketch (2007) conducted a study on 16 financial institutions to determine the demand and supply of credit to the small scale enterprise sector. The study revealed that the demand and supply for credit have been on the increase since 1991. It also revealed that the demand has only been met by a small percentage of what is required. The study also revealed that although financial institutions lend to prime borrowers with collateral security, there is need for these institutions to increase their lending to small scale enterprises.

2.1.2 Transaction Cost Approach

Transaction cost approach to the theory of the firm was created by Ronald Coase (1970) in his article "The Problem of Social Cost". "In order to carry out a market transaction it is necessary to discover who it is that one wishes to deal with, to conduct negotiations leading up to a bargain to draw up the contract to undertake the inspection needed to make sure that the terms of the contract are being observed and so on". More succinctly transaction costs are: Search and information costs, bargaining and decision costs, and policing and enforcement costs. The transaction costs can be conceptualized as a non-financial cost incurred in credit delivery by the borrower and the lender before, during and after the disbursement of the loan. The cost incurred by the lender include cost of searching for funds to loan, cost of designing credit contracts, cost of screening borrowers, assessing project feasibility, cost of scrutinizing loan application, cost of providing credit training to staff and borrowers, and the cost of monitoring and putting into effect loan contracts. On the other hand, the borrowers that is small scale

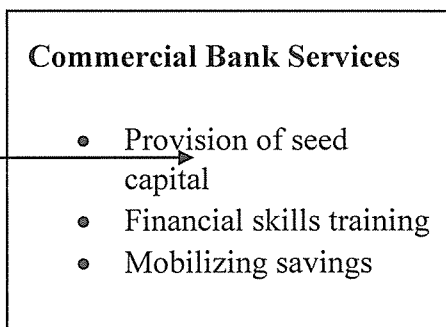
enterprises for this case may incur cost ranging cost associated in screening group member, cost of forming a group, cost of negotiating with the lender, cost of filling paper work, transportation to and from the financial institution, cost of time spent on project appraisal and cost of attending meetings. The parties involved in a project will determine the transaction cost rate. They have the sole responsibility to reduce the risk they may come across, Stiglitz (1990).

2.2 Conceptual Review

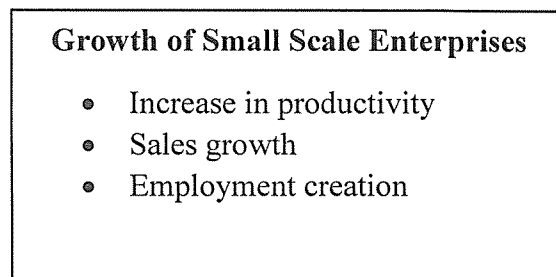
The conceptual framework in this study examines the relationship between the variables in study. It explores how the independent variable influences or determines the dependent variable.

Figure 2.1 Conceptual Framework

Independent Variable



Dependent Variable



Source: Adopted from Ali et all (2013) and Antony (2012)

Grimsley (2016) defined a commercial bank as a financial institution that is authorized by law to receive money from businesses and individuals and lend money to them. SACCO are open to the public and serve individuals, institutions and businesses. A SACCO is certainly the type of bank that most people regularly use. Banks are regulated by federal and state laws depending on how they are organized and the services they provide. SACCO are also monitored through Federal Reserve System.

A study by King& McGrath (2012) concludes that education is one of the factors that impact positively on growth entrepreneurs with large stocks of capital that includes education and or vocational training are better placed to adapt the constantly changing business environment. “Small scale enterprises are dominated by people with relatively low levels of education in Kenya” (Bowen, Morara& Mureithi 2009, p.14). Similarly in Belgium small scale businesses

according to statistics by the Nationale Bank Van België, less than one out of ten employees had participated in formal education. In Zimbabwe Zindiye (2010, P.78) argues that the small scale business sector attracts a low priority to financial training and are often unwilling to participate in programs that require them to finance the costs these enterprises eventually are weak in cash management, marketing strategies and finance. The study further concluded that small scale businesses should be trained in the following financial management skills book keeping, preparing financial statements, debit/ credit control, budgeting and tax calculation to ensure their growth. It can be argued that well designed financial training programs can improve the incomes of small scale enterprises. Therefore SACCO need to create ways of measuring the effect of financial skills training on small scale businesses.

According to Gardiol, saving is the action of putting aside a part of current income in order to consume or invest it later on. The money saved can be kept at home, deposited in a savings account or invested in different types of capital". Saving is a critical services for entrepreneurs who want secure and convenient deposits services that allow for small transactions and offer easy access to their funds (Gardiol, 2014, P.3).

Lending institutions can either provide savings services directly through deposit taking or make arrangements with other financial institutions to provide savings facilities to tap small savings in a flexible manner. Savings facilities make large scale lending operations possible (Wanjohi et ell, 2008).

SACCO can either provide savings services directly through deposit taking or make arrangements with other financial institutions to provide savings facilities to tap small savings in a flexible manner. Savings facilities make large scale lending operations possible (Wanjohi at ell, 2008).

Productivity is the relationship between the quantity of output and the quantity of input used to generate said output. It is basically the measure of the effectiveness and efficiency of the business in generating output using the resources available (Asian Productivity organisation, 2015).

High sales growth leads to strong employment growth and earnings growth, which in turn drives GDP growth and is therefore an important metric to follow. High growth rates come from finding new ways of selling goods and services, charging higher prices, developing and selling

new goods and services, and by exploiting synergies gained by buying other companies. Sales growth is a good indicator of economic activity (Seens, 2015).

Concerning the employment Creation, Small scale enterprises play a pivotal role in modern society, globally, small scale enterprises can play an important role in providing employment and therefore empowering the poor and providing assets (both financial and human) to enhance poverty reduction. There is a widely held view, however, that due to their often short life span, small scale enterprises do not generate many jobs. Strategies and programs are needed to boost job creation among small scale enterprises. But this employment creation will remain just a dream if small scale enterprises still continue to lack access to financial services.

2.3 Review of Related Literature

A study on manufacturing firms in six African countries (Tanzania, Cameroon, Cote d'Ivoire, Ghana, Kenya and Zimbabwe) found that only a quarter of firms that demand for credit managed to secure a formal bank loan and that micro and small firms were less likely to be successful than large firms. Indeed, access to credit seems to increase monotonically with size (Bigsten et al, 2013). In Tanzania, according to the same study, 51 percent of the firms in the sample had no demand for credit, 34 percent had their demand rejected while 15 percent of applications were successful. These statistics are generally close to the sample means, implying that comparatively, Uganda reflected the average picture. However, it is worth noting that Uganda had the second highest real interest rate in the sample (8 percent, the highest being Ghana's 10 percent) so some firms may have expressed that they did not need credit given this high interest rate. Uganda and Cote d'Ivoire happen to be the two countries with the highest proportion of firms (31 percent) that did not apply for loans because interest rates were too high.

The limited access of micro and small firms to formal credit in Uganda could partially explain why firms have a relatively slow rate of growth. Indeed, the literature on the effect of credit on firm growth in Africa suggests that surviving firms using credit seem to grow faster than those not using credit even when controlling for other determinants of firm growth (Nkurunziza, 2010; 2015). This has implications for firm efficiency given that the process of growth enables firms to accumulate knowledge through learning while doing them to reach their most efficient scales (Sleuwaegen and Goedhuys, 1998; Nkurunziza, 2010). In this regard and in view of the objective of this paper, the analysis of the determinants of firm growth may be the best way of gauging the effect of firms' access to financial resources on welfare.

2.3.1 Seed Capital and Growth of Small Scale Enterprises

Financial institutions provide seed capital to small scale enterprises by lending them money and capacity equipment purchase. This requires the financial institution to have effective management of credit risk. The small scale enterprises must organize themselves to be able to meet credit terms set by the financial institutions. These credit terms can affect the profitability of small scale enterprises as failure to repay their loans could result in fines and other penalty related costs.

Forster and Pytkowska (2013) studied the state of SACCO in central and Eastern Europe and found that outreach to the region poor was very low with the organizations mainly focusing on providing loans to already established small scale businesses. The study further highlights that SACCO based their operations around the delivery of simple, short term, relatively high interest working capital loan products. "Commercial bank lending requires a genuine ability to repay the loan and diverse income source" (Shreiner and Combet 2011). The study by Forster, Greene and Pytkowska indicates that SACCO do not provide seed capital to small scale enterprises in the European regions that were sampled. However it does not investigate the effect of lack of provision of seed capital on small scale enterprises. In contrast, there exists an argument by Peters (2012) that equity financing in developed countries has been successful and can also be replicated in developing countries by providing business start-up grants. Evidence of the success of equity and grant start-up capital financing given by the study is not conclusive. It is important to investigate lack of seed capital for business as it could prevent an entrepreneur from starting a business.

Zeller (2013) studied micro enterprises in Madagascar and concluded that friends and relatives were the biggest providers of seed capital for starting up small scale enterprises in this country. In Malawi as highlighted by Okurut, Banga and Mukungu (2014) small scale enterprises acquired their start-up capital from money lenders. However the money lenders did not lend to the poorest members of the community as they did not have the ability to provide collateral.

SACCO may not be able to provide seed capital due to their stringent loan requirements and inability to penetrate rural areas but in South Africa, the banking system as written by FNB (2010) remains the main source of capital to start and grow businesses. Financial services group like First Rand have an entrepreneurial tradition and have spurred successful entrepreneurial ventures like Discovery and Outsurance. The study by first National bank also highlight that

capital is not the only catalyst for business success and the entrepreneur plays the most important role by identifying the array of factors that dictate the conditions and circumstances under which a business should thrive that involves skills and aptitude. Similarly, Heide (2016) indicated that finance is a necessary but not sufficient condition for success of innovative start-ups, entrepreneurial and managements skills are as vital therefore financing should be made conditional, only to be provided when the start-up accepts adequate managerial skills coaching to ensure successful business models.

Another study however indicated "75 percent of application for credit by new businesses in South Africa are rejected and only 2 percent of business seeking private equity are successful" (Dalberg and Morgan 2012, p.4). In Ireland the second most significant source of funding of small scale enterprises as highlighted by Inter Trade Ireland (2013,p.13) is external equity finance as represented by seed capital, venture capital and business angel finance. However it is mainly targeted at a small number of business sector mainly Information and Communications Technology, Professional, Scientific and Technical Services, Manufacturing and Medical Services.

These studies provide an important base for assessing the effect of seed capital on growth of small scale enterprises. However it does not give a detailed analysis of the role of seed capital on the growth of small scale enterprises. Ahiawodzi and Adede (2012) in a study of Ho Municipality of Ghana indicate that access to credit exerts a significant positive effect on the growth of small scale enterprises, the result from the regression model shows that there is a positive relationship between the growth of small scale enterprises an access to credit while this study addresses effect of access to credit on growth of small scale enterprises it does not specifically mention seed capital.

2.3.2 Financial Skills Training and Growth of Small Scale Enterprises

Financial education training provides material capital to a businessperson empowering the person to participate in the economy and society. SACCO train entrepreneurs on financial management, business planning and projection.

However, Wright (2010) is not enthousiastic about the role of SACCO training to small scale enterprises and thinks that these funds should be diverted to other projects desperately needed such as health of the people in the organization and there is inadequate learning from the training programs offered by commercial bank funds could be used in other projects that might

help the small scale enterprises more. It could also be noted that money given to small scale enterprises without proper management could result in spending on social entertainment such as alcohol or gambling.

Similarly another study by King and McGrath (2012) concludes that education is out of the factors that affect positively on growth entrepreneurs with large stocks of capital that includes education and or vocational training are better placed to adapt the constantly changing business environment. "Small scale enterprises are dominated by people with relatively low levels of education in Kenya" (Bowen, Morara and Mureithi 2009m p.14). Similarly in Belgium small scale businesses according to statistics by the Nationale Bank Van Belgie, less than one out of ten employees had participated in formal education. In Zimbabwe Zindiye (2010,p.78) argues that the small scale enterprises sector attracts a low priority to financial training and are often unwilling to participate in programs that require them to finance the costs these enterprises eventually are weak in cash management, marketing strategies and finance. The study further concluded that small scale enterprises should be trained in the following financial management skills book keeping, preparing financial statements, debit and credit control, budgeting and tax calculation to ensure their growth. It can be argued that well designed financial training programs can improve the incomes of small scale enterprises. Therefore SACCO need to create ways of measuring the effect of financial skills training to the small scale enterprises.

A study of small scale enterprises by the OECD (2013) in New Zealand United Kingdom, Belgium, Portland, Turkey and Canada outlined the following reasons why small scale enterprises do not participate in financial training programs: lack of time, very expensive and difficulty in accessing its relevance to the needs of the enterprise Furthermore a conclusion was drawn that firms that did not participate in these training programs did so because they believed they already have or can recruit the skills the enterprise required Therefore, SACCO need to train small scale owners to have skills for specific production, business management and access to markets in order to make profits from the financial resources they receive.

Financial skills as contended by ILO (2013) can improve productivity and incomes in the informal economy and open opportunities to link with the formal economy this training can support medium term strategies for integration with the mainstream economy while also offering a range of immediate benefits to informal economy entrepreneurs and workers.

2.3.3 Mobilization of Savings and Growth of Small Scale Enterprises

Gardiol defines savings as the action of putting aside a part of current income, in order to consume or invest it later on. The money saved can be kept at home, deposited in a savings account or invested in different types of capital. Savings is a critical service for entrepreneurs who want to secure and convenient deposit services that allow for small transactions and offer easy access to their funds (Gardiol, 2014, p.3).

A study by Kurgat (2017) of the Kenya Women Finance Trust shows that clients preferred credit and savings services in the SACCO with their reason for saving being to expand their business (62%), education for their children (40%) and for emergencies (26%) additionally 71% of the clients viewed compulsory savings as an opportunity to save. In this study, it is concluded that savings mobilization is important for the improved financial performance and outreach especially in the rural areas where access to financial services is challenging.

Akasimire (2010) wrote that firm growth opportunities has a correlation with liquidity levels, enterprises with more investment opportunities keep higher liquidity levels in order not to limit or cancel their profitable investments projects. It can be argued that these kind of firms would require a reliable savings institution to enable them maximize on their growth opportunities. SACCO should establish effective savings programs by transforming their capabilities to support small scale saving services. However it should also be noted according to Gray, Saunders and Goregaokar (2012,p.8) that too much liquidity is harmful as small scale enterprises might not spend it wisely effective training on cash flow management is also important.

A study in Uganda by Akisimire (2010) found that commercial bank savings products to small scale enterprises have encountered stiff competition at the market place with the entry of new SACCO and downscaling of old banks while competition may be beneficial to the small scale enterprises because of higher interest rates on savings, it could affect the SACCO by reducing the revenue available in order to lend. Similarly Yeboah (2010) contends that little progress has been made to establish SACCO as full-fledged financial intermediaries and SACCO offer only credit, and saving mobilization remains the forgotten half of SACCO. SACCO can gain outreach to small scale enterprises by providing appropriate savings products. SACCO should conduct research that ensures that the pricing of their savings products will ensure financial sustainability.

Small scale enterprises are emphasized by Citi's "susu" in Ghana where 200 to 800 members save between US Dollar 40,000 and 800,000 per cycle with the accumulated savings being paid out to the members over a 100 week cycle or each week's collection (Bass and Henderson 2011,p.10).

This example is a clear evidence of success of saving with SACCO, however Bass and Henderson (2011) further argue that this success is solely not dependent on the design of the savings product but also on pricing and marketing. SACCO must also have a sound management structure and an appropriate management information system that safeguards client deposits. This argument may be important for the SACCO to consider but the growth of small scale enterprises needs to be taken into consideration also to ensure benefits to small scale enterprises clients, constant growth of small scale enterprises can improve availability of micro financial funds and lower their costs.

2.4 Empirical Review

Kushoka (2013) adapted a research to examine the contribution of SACCO on enterprise development in Tanzania. The article is aimed at moving poor small scale entrepreneurs and or would be entrepreneurs from low growth enterprises to high growth enterprises using SACCO. The study employed both descriptive and explanatory approached to seek answers to the research questions. The study reveals that there is an increase in the number of employees and amount of working capital of entrepreneurs often using the services of SACCO are key players in entrepreneurship development. It is recommended that SACCO should package their services together (financial and non-financial) in order to positively boost growth of small scale enterprises.

Sakthi (2011) conducted a research study about the role of SACCO in the development of entrepreneurs in Africa. The study is focused on entrepreneurs who want to run a business and yet cannot afford a piece of equipment and merchandise. The research whereby providing equipment or merchandise to enable the project to run a self-funding profitable project.

Mamun (2009) did his studies of SACCO in Bangladesh for graduation master's degree program for the University of Glamorgan, UK. The aim of the study was to assess the factors that led to the success of SACCO, I particular, Grameen bank in Bangladesh. The study was investigating the innovation design and implementation of Grameen Bank. Besides the research also examined the adaptation and learning practice of Grameen bank and the motivation and

contribution of Grameen bank and some environmental factors that supported Grameen bank especially in Bangladesh. The study findings were in relation to the purpose of this research. The study revealed that some innovation, design and implantation of Grameen bank such as group based lending, the collateral free lending system, peer group monitoring system, the designed training staff of Grameen bank were the majors factors that contributed to the success of SACCO; the adaptation and learning practice such a s flexibility of obtaining a loan, a housing loan with lower interest rate, mandatory and voluntary savings were the most significant issue; the motivation of Grameen bank such as incentive schemes to staff, encouragement for financial independent by the borrowers of Grameen bank, borrowers motivated to mobilize and allocate resources were also the most leading issue, the contribution of Grameen bank such as microfinance program contributed to female's control over resources and decision making at family level enormously as well as the environmental issues such as on-going population growth that favoured Grameen bank very significantly. Finally, the researcher recommended that Grameen bank should necessitate the expansion of the organizational capability to recognize the appropriate innovation, creating the cultural innovation, sustainable development program on the basis of demands and problems of the borrowers, the initiative for an appropriate macroeconomic policy and financial designs in order to alleviate the poverty from the rural economy.

Olu (2013) investigates the effect of SACCO on entrepreneurial development of small scale enterprises that are craving for growth and development in a stiffened economy called Nigeria. The study reveals that (a) there is a significant difference in the number of entrepreneurs who used SACCO and those who do not use them; (b) there is a significant effect of commercial bank activities in predicting entrepreneurial productivity; and (c) that there is no significant effect of SACCO activities in predicting entrepreneur development. The researcher concluded that SACCO world over and especially in Nigeria are identified to be one of the key players in the financial industry that have positively affected individuals, business organizations, other financial institutions, the government and the economy at large through the services they offer and the functions they perform in the economy.

Yasin (2013) adopted a study if commercial bank relevance to the business in Mogadishu, Somalia. The main objective of the study was to examine the challenges faced by small businesses in accessing commercial bank services in Mogadishu. Purposive sampling technique was employed in selecting the 100 small businesses that constituted the sample size of the research. The study identifies that small businesses in Mogadishu are facing challenges to

access loan from SACCO and this results many small businesses to demise soon or may not be started due to the lack of ability to overcome the challenges.

Therefore, since the researchers mentioned that there is a challenge faced by small scale enterprises in accessing commercial bank, this research covered the extent of how these challenges of services from SACCO affect the growth of small scale enterprises in Mbarara, Town.

2.5 Research Gap

This study is about commercial bank services and the growth of small scale industry in Mbarara, Town. Most of the studies related to this topic are carried out in environments outside of Ugandalike Herr (2012) and Newberry (2016) who undertook studies which revealed that access to finance is an important ingredient to development of small scale enterprises. They have few alternatives of accessing finance other than relying on their retained earnings to finance their investments, Ayyagari et al. (2011) investigated the effect of access to finance, property right protection, provision of infrastructure, inefficient regulation and taxation, and broader governance features such as corruption, macroeconomic and political stability on firm growth. They showed that finance, crime and political instability are the only obstacles that have a direct effect on firm growth and finance is the most robust one among those. The studies conducted present a geographical gap besides the studies presented also are not dimensioned on the seed capital, financial skills training and savings mobilization. The research therefore presents a content gap on the aspects mentioned that the researcher intend to address.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter describes the research design and methodology that was used by the researcher in this study. It highlights the research design, the target population, the sample size, the sampling procedures, the research instruments, validity and reliability, data collection instruments, data analysis, ethical consideration and limitation of the study.

3.1 Research Design

This study employed a cross-sectional research design. It also provided for the examination of the co-relationship between the study variables (Mugenda and Mugenda, 2003). The study also used survey design, this was used to collect data from a large sample of respondents. The study also followed a descriptive research design, whereby quantitative research approach was used to gain insight to variables, it was descriptive in that it described the characteristics of respondents.

3.2 Target Population

The study population comprised of 315 small scale enterprises existing in Mbarara, Town. (Source: Primary data, 2016). This population comprised of boutiques and beauty shops, electronic and accessories, pharmaceuticals, restaurants and catering firms.

3.3 Sample Size

The researcher could not access all the respondents because of time and resources. Out of the total population of the study, the researcher selected a sample of 176 respondents who were identified from the total population of 315. This number was arrived at by use of the Slovene's formula as illustrated below.

$$n = \frac{N}{1 + N(e)^2} \dots\dots\dots (i)$$

Where

n= Sample size

N= Total number of small scale enterprises operating within Mbarara city (315)

e= Error or confidence level. The conventional confidence level is 95%

$$n = \frac{315}{1 + 315(0.0025)}$$
$$= \frac{315}{1.7875}$$

n= 176

Hence, out of the total population of 315 small scale enterprises, a sample of 176 was taken.

Table 3.1: Showing Breakdown of Population and Sample of Respondents

Small Scale Enterprises	Frequency	Sample Size
Boutiques and Beauty shops	149	83
Electronics and Accessories	58	33
Pharmaceuticals	45	25
Restaurants	42	23
Catering firms	21	12
Total	315	176

Source: Field Survey, 2016

Therefore, the sample size figure is 176 consisting of 83 businesses of Boutiques and Beauty shops, 33 businesses of electronics and accessories, 25 businesses of pharmaceuticals, 23 businesses of restaurants and 12 businesses of catering firms.

In this study, the unit of analysis was the small scale enterprises existing in Mbarara, Town. The unit of inquiry was the owner or manager of the small scale enterprises existing in Mbarara, Town.

3.4 Sampling procedure

The researcher employed stratified random sampling technique dividing the population into groups or strata. This technique was preferred since all small businesses in Mbarara had equal chance to be sampled.

3.5 Sources of Data

The study was conducted using the raw data that was collected from the field. The data was collected using the research instruments of questionnaire. This enabled the collection of data appropriate for the study to depict the situation prevailing at a time in the study.

3.6 Research Instruments

3.6.1 Questionnaire

These are questions relating to the topic of study. During the course of the study, the researcher printed the questions and distributed them to the selected respondents and they answered the questions and returned them to the researcher.

The questionnaire was useful since it enabled coverage of the sample population with little time, personnel and cost, anonymity of the respondents helping them to be honest with their responses; it helped to avoid bias due to characteristics of interviews, allowed respondents enough time to answer questions to avoid hasty responses and it helped the researcher to cover a wide area.

Questions were specific with a fixed range of answers. The structured questionnaire was multiple-choice questions in which the researcher provided a choice of answers and respondents were asked to select one alternative. The study employed closed ended questionnaires. This type of questionnaire composed a structured questions that compelled the respondents to select from a list of options the one that best described their sentiments. Sections of questionnaire were composed of questions that required the respondent to select from five options which were:

1= Strongly Disagree, 2= Disagree, 3= Not Sure, 4= Agree and 5= Strongly Agree

3.6.2 Secondary Source

Although the result of the research was highly dependent on the primary sources that were collected from the structured questionnaire, it also required some secondary sources to understand the various views that were shared by respondents. The researcher used Government publications, magazines and articles that have been written, articles and thesis, internet sources were also used as a secondary sources. Besides, Google scholars were used to find a suitable research material.

3.7 Validity and Reliability of Instruments

3.7.1 Validity

Validity refers to the degree to which a test samples the content area which is to be measured (Ary and Razavieh, 1972). Kasomo (2006) defines Validity as the qualitative procedure of pre-testing or a prior attempt to ascertain that research instruments are accurate, correct, true, meaningful and right in eliciting the intended data for the study. According to James, validity is the degree to which a test measures what is supposed to measure. It is asking the question “are we really measuring what we want to measure?” To obtain internal validity, the researcher made personal and physical contacts in collecting the data. Also the researcher availed the questionnaire to two experts to check each item for language, clarity, relevance and comprehensiveness of the content.

Amin (2005) says validity can be assured in this case by use of Content Validity Index (C.V.I) where the following results will be obtained from questionnaires

$$C.V.I = \frac{\text{no of questions declared valid}}{\text{total number of questions}} \dots\dots\dots (ii)$$

$$CVI = \frac{144}{176}$$
$$= 0.82$$

The C.V.I indicated a valid research instrument.

3.7.2 Reliability

The reliability of research instruments was established using Cronbach Alpha Coefficient test. If the figure for Cronbach's Alpha is above 0.7, the instrument is declared reliable. This test would have cronbanked that the instruments have ample internal consistency.

Study Variables	Reliability Coefficient Cronbach's Alpha
Commercial bank services	0.836
Growth of small scale enterprises	0.889

SPSS version 16 was used to calculate the Cronbach's Alpha, since the value was above 0.824 which is above 0.70, hence declaring an instrument reliable.

3.8 Data Collection Procedure

3.8.1 Before Data Collection

In this stage the researcher obtained a reference letter from the College of Economics and Management, Kampala International University, which she presented to the authorities in the field. She made preparations based on the condition in the field of study. The researcher made an assessment of the weather conditions, physical locations and linguistic characteristics in the study area so as to determine the best methods to use as well as preparing questionnaires and interview guide.

3.8.2 During Data Collection

At this stage the researcher made appointment schedules with all respondents so as to enable her meet all respondents at the scheduled time. This helped the researcher to keep time and ensure the convenience of respondents.

3.8.3 After Data Collection

At this stage, the researcher organized the data obtained from the field systematically in preparation, analysis and interpretation.

3.9 Data Analysis

Regression analysis was used to analyse data on the three variables. This aimed at determining the effect between the variables. The frequency and percentage distribution were used to determine the demographic characteristics of the respondents. The mean and standard deviations were applied for the extent of commercial bank services and growth of small scale enterprises and the interpretation is indicated in the table below.

Mean ranges	Response mode	Interpretation
4.21-5.00	Strongly Agree	Very High
3.41-4.20	Agree	High
2.61-3.40	Not Sure	Moderate
1.81-2.60	Disagree	Low
1.00-1.80	Strongly Disagree	Very low

Simple regression analysis was used to establish the effect of each commercial bank services on the growth of small scale enterprises. Multiple regression analysis was used to test the highest predictor variable. Commercial bank services were quantified from 1-5 Likert scale questions.

The hypothesis testing was done by the linear regression model to determine where to accept or reject the hypothesis. The decision rule is as follows:

Accept H_0 If (Sig.F) > 5%

Accept H_1 If (Sig.F) < 5%

3.10 Ethical Consideration

This involved seeking permission by the researcher from the relevant authorities. Permission was also sought from the relevant authorities with respect to the respondents' views.

It also involved explanation to the respondents the purpose of the study. Respondents were assured that the information obtained from them were to be used for academic purposes only.

The researcher made sure that she used only those techniques for which she was qualified by education, training and experience. Whenever in doubt, the researcher sought clarification from the research community especially the immediate supervisor and research colleagues.

The researcher ensured that the data were interpreted according to general methodology standard and made sure that the elements that were irrelevant to data interpretation were excluded from the report.

The researcher kept all the information given to her very confidential and used it only for purposes indicated as the justification of the study.

The researcher tried to respect participants' right and privacy. The findings of the research were presented without any deviation from the outcome of the research. In addition, the researcher gave full acknowledgements to all the reference materials that were used in the study.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter gives the presentation, analysis and interpretation of the results of the study on the effect that commercial bank services on the growth of small scale enterprises in Mbarara-Town. The data analysis and interpretation was based on the research questions as well as research objectives. The analysis was based on the three instruments used in data collection, the presentation was divided into three parts. The first sub section presents the respondents demographic information, while the second part deals with presentation, interpretation and analysis of the findings based on the research objectives. The entire study was based on the study topic of commercial bank services and the growth of small scale enterprises in Mbarara-Town.

4.1 Response Rate

Table 4.2. Table Showing the Response Rate of Respondents

	Response Frequency	Percentage rate
Number that filled and returned	144	81.9
Number that did not return	32	18.1
Total	176	100

Source: Primary Data, 2019

For the purpose of this study, 176 questionnaires were administered to the small scale enterprises in Mbarara- Town. Out of the 176, 144 were successfully filled, returned and were considered with a response percentage rate of 81.9%, while the non-respondents were 32 with a percentage of 18.1%.

4.2 Demographic profile of the respondents

This sub section presents the background information of the respondents who participated in the study. The purpose of this background information was to find out the characteristics of the respondents and show the distribution of the respondents in the study in terms of gender, age,

academic qualifications and marital status. The findings were elaborated in the subsequent sub-sections.

Table 4.3. Demographic characteristics of respondents

		Frequency	Percent
Gender	Male	81	56.3
	Female	63	43.8
	Total	144	100
Age	20-30 years	36	25
	31-40 years	66	45.8
	41-50 years	35	24.3
	51 years and above	7	4.9
	Total	144	100
Education	Primary	51	35.4
	Secondary	67	46.5
	Tertiary	26	18.1
	Total	144	100
Marital status	Single	28	19.4
	Married	84	58.3
	Widowed	32	22.2
	Total	144	100

Source: Field data, 2019

The results in table 4.3 show that on the gender of respondents, 56.2% of the respondents were male while 43.8% were female. This indicates that both genders were adequately represented in the study. Documenting the gender differences of the respondents was important in determining the gender distribution of roles and responsibilities in the various selected small scale enterprises in Mbarara- Town.

Regarding the age categories of respondents, the results indicate that 25% of the respondents were aged between 20-30 years old, 45.8% of respondents were aged between 31-40 years old, 24.3% of respondents were aged between 41-50 years old and 4.9% of the respondents were 51 years and above. This indicates that the respondents were sourced from various categories of people working within the various selected small scale enterprises operating in Mbarara- Town.

Information on the education levels of respondents indicates that 35.4% of the respondents have only done the primary level of education, 46.5% of the respondents have completed their secondary school, and 18.1% of the respondents were certificate holders. This implies that respondents were from the various educational backgrounds, which helped to expand the pool of information collected, from the least to the most qualifies respondent.

The information regarding the respondents' marital status indicates that 19.4% of the respondents were single, 58.3% of the respondents were married and 22.2% of the respondents were widowed. The information on the marital status of respondents was gathered and considered for purpose of determining the level of individual responsibility of the various respondents. And the results show that majority of the respondents were married.

4.3 Descriptive Statistics for Commercial Bank Services

This section provides descriptive statistics for commercial bank services which were measured using the following variables: Provision of seed capital, financial skills training and mobilization of savings. Mean and standard deviation were used in the description of commercial bank services.

4.3.1 Provision of Seed Capital

The first specific objective of the study was to examine the effect of provision of seed capital on the growth of small scale enterprises in Mbarara-Town. The information from the findings is presented in the following table.

Table 4.4: Provision of Seed Capital

Statement	Mean	Std. dev.	Interpretation
I attained my seed capital from a commercial bank	2.30	0.55	unsatisfied
Loans application and approval process at SACCO are fast enough to my satisfaction.	2.38	0.51	unsatisfactory
Loans interest rate at SACCO are fair	2.40	0.53	unsatisfactory
I always attain capital for business re-engineering from SACCO	2.64	0.60	Satisfactory
The seed capital is sufficient to meet my needs of business operations	2.63	0.51	Satisfactory
There is no collateral security required for the attainment of seed capital	2.22	0.50	unsatisfactory
Mean Average	2.42	0.53	unsatisfactory

Source: Field data, 2019

Table 4.4 revealed the results from the respondents' responses on how the provision of seed capital affect the growth of small scale enterprises. The findings present a mean above average on seed capital affects growth of small scale enterprises as elaborated.

According to findings, I attained seed capital from a commercial bank had a mean of 2.30, standard deviation of 0.55 interpreted as unsatisfactory. Loans application and approval process at SACCO are fast enough to my satisfaction had a mean of 2.38, standard deviation of 0.51 interpreted as unsatisfactory according to the scale. Loans interest rate at BCB are fair had a mean of 2.40 with a standard deviation of 0.53 interpreted as unsatisfactory. I always attained capital for business re-engineering from SACCO had a mean of 2.64 with a standard deviation of 0.60 interpreted as satisfactory. The responses from respondents attain capital for business re-engineering from the SACCO.

The seed capital is sufficient to meet my needs of business operations had a mean of 2.63 with a standard deviation of 0.51 interpreted as satisfactory. There is no collateral security for attainment of seed capital had a mean of 2.22 and standard deviation of 0.50 interpreted as unsatisfactory meaning that according to the findings the respondents were not being supported by SACCO without the collateral security when they need seed capital.

The average mean of 2.42 on seed capital affects the growth of small scale enterprises with a standard deviation of 0.53 was presented and interpreted as unsatisfactory according to the scale. This critically shows that the respondents were not in support to the process followed by the SACCO to offer seed capital in Mbarara-Town.

4.3.2 Descriptive Statistics for Financial Skills Training

The second specific objective of the study was to examine the effect of financial skills training on the growth of small scale enterprises in Mbarara- Town. The information from the findings is presented in the following table.

Table4.5.Financial Skills Training

Statement	Mean	Std. dev	Interpretation
SACCO provide saving and deposit facilities training	2.27	0.59	Unsatisfied
There is provision of loan facilities acquisition training	2.37	0.54	Unsatisfied
SACCO provide repayments and consequences of defaults	2.41	0.54	Unsatisfied
SACCO provide business initiation skills	2.47	0.51	Unsatisfied

There is provision of business administration skills in an organization	2.52	0.51	Satisfied
Mean Average	2.40	0.53	Unsatisfied

Source: Field data, 2019

Table 4.5 revealed the results from the respondents' responses on how financial skills training affect the growth of small scale enterprises in Mbarara- Town. The findings presented were interpreted as below by considering the mean and standard deviation.

According to the findings, SACCO provide saving and deposit facilities training had a mean of 2.27 with a standard deviation of 0.59 interpreted as unsatisfactory. There is provision of loan facilities acquisition training had a mean of 2.37 with a standard deviation of 0.54 interpreted as unsatisfactory. SACCO provide repayments and consequences of defaults had a mean of 2.41 with a standard deviation of 0.54 interpreted as unsatisfactory .SACCO provide business initiation skills had a mean of 2.47 with a standard deviation of 0.51 interpreted as unsatisfactory.

There is provision of business administration skills in an organization by SACCO had a mean of 2.52 with a standard deviation of 0.51 interpreted as satisfactory according to the scale. The overall mean on financial skills training on growth of small scale enterprises had a mean of 2.40 with a standard deviation of 0.53 interpreted as unsatisfactory implying that according to the responses from the correspondents, financial skills training provided by SACCO are adequately low.

4.3.3 Descriptive Statistics for Mobilization of Savings

The third specific objective of the study was to examine the effect of mobilization of savings on the growth of small scale enterprises in Mbarara- Town. The information from the findings is presented in the following table.

Table 4.6. Mobilization of Savings

Statement	Mean	Std. dev	Interpretation
SACCO enable us in saving our money	3.69	0.46	Satisfied
SACCO enable us to easily access the savings	3.61	0.55	Satisfied
There is mobilization of savings by the SACCO	3.13	0.73	Satisfied
We attain interest on the savings made by the SACCO	3.66	0.47	Satisfied

There is adequate storage of the savings made by the SACCO	3.16	0.64	Satisfied
There is assurance that the savings made by SACCO are safe	3.55	0.67	Satisfied
Mean Average	3.46	0.9	Satisfied

Source: field data, 2019

Table 4.6 revealed the results from the respondents' responses on how mobilization of savings affect the growth of small scale enterprises in Mbarara- Town. The findings presented were interpreted as below by considering the mean and standard deviation.

According to the findings, SACCO enable us in saving our money had a mean of 3.69 with a standard deviation of 0.46 interpreted as satisfactory. SACCO enable us to easily access the savings had a mean of 3.61 with a standard deviation of 0.55 interpreted as satisfactory. This implies that according to the respondents, they were not in support of that SACCO provide easy access to their savings.

There is mobilization of savings by SACCO had a mean of 3.13 with a standard deviation of 0.73 interpreted as satisfactory according to the scale. We attain interest on the savings made by the SACCO had a mean of 3.66 with a standard deviation of 0.47 interpreted as satisfactory. There is adequate storage of the savings made by SACCO had a mean of 3.16 with a standard deviation of 0.64 interpreted as satisfactory. There is assurance that the savings made by SACCO are safe had a mean of 3.55 with a standard deviation of 0.67 interpreted as satisfactory. This implies that according to the respondents there is assurance that the savings made by SACCO are safe.

The overage mean on mobilization of savings on growth of small scale enterprises had a mean of 2.48 with a standard deviation of 0.55 interpreted as satisfactory. This implies that mobilization of savings.

Table 4.7: Effect of Seed Capital on the Growth of Small Scale Enterprises in Mbarara-Town

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,496 ^a	,246	,241	,49490

a. Predictors: (Constant), Seed Capital

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,496 ^a	,246	,241	,49490

b. Dependent Variable: Growth of Small Scale Enterprises

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11,343	1	11,343	46,310	,000 ^a
	Residual	34,780	142	,245		
	Total	46,122	143			

a. Predictors: (Constant), Seed Capital

b. Dependent Variable: Growth of Small Scale Enterprises

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,179	,185		11,784	,000
	Seed Capital	,449	,066	,496	6,805	,000

a. Dependent Variable: Growth of Small scale enterprises

Source: Field data, 2019

From the regression analysis, the findings show that seed capital affected the growth of small scale enterprises in Mbarara, Ugandawith an R value of 0.496 which represents the simple correlation that indicated a high degree of correlation. The adjusted R² value of 0.241 measured the variation of growth of small scale enterprises on seed capital which is explained as 24.1%. The R² value of 0.246 indicates the total variation of provision of seed capital on the growth of small scale enterprises which has an effect of 24.6%.

Concerning the ANOVA, the findings show the P value of .000^a which is below the threshold of 0.05. This indicated that the regression model statistics significantly predicts the outcome variable which is a good outfit of the model for the data.

Concerning the coefficients, it is clear that there is a significant effect of provision of seed capital on the growth of small scale enterprises. In other words, the results of the study revealed that a single unit change in provision of seed capital would cause a variance of 49.6% on growth of small scale enterprises. This implies that less than 51% of other variables are responsible for the variance in growth of small scale enterprises.

Decision on Hypothesis

The first hypothesis stated a null assumption that provision of seed capital has no significant effect on the growth of small scale enterprises in Mbarara- Town.

The decision rule is that if $P \geq 0.05$ the null hypothesis is accepted and if $P \leq 0.05$ the null hypothesis is rejected. In this case there was a significant effect of provision of seed capital on the growth of small scale enterprises since the P value is 0.000 which is less than 0.05. This therefore reject the null hypothesis and accept the alternative hypothesis that there was a significant effect of provision of seed capital on the growth of small scale enterprises

Table 4.8 Effect of Financial Skills Training on the Growth of Small Scale Enterprises in Mbarara- Town

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,703 ^a	,494	,491	,40528

a. Predictors: (Constant), Financial Skills Training

b. Dependent Variable: Growth of small scale enterprises

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22,798	1	22,798	138,802	,000 ^a
	Residual	23,324	142	,164		
	Total	46,122	143			

a. Predictors: (Constant), Financial Skills Training

b. Dependent Variable: Growth of Small Scale Enterprises

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,807	,223		3,613	,000
	Financial Skills Training	,833	,071	,703	11,781	,000

a. Dependent Variable: Growth of Small Scale Enterprises

Source: Field data, 2019

From the regression analysis, the findings show that financial skills training affected the growth of small scale enterprises in Mbarara, Uganda with an R value of 0.703 which

represents the simple correlation that indicated a high degree of correlation. The adjusted R² value of 0.491 measured the variation of growth of small scale enterprises on financial skills training which is explained as 49.1%. The R² value of 0.494 indicates the total variation of financial skills training on the growth of small scale enterprises which has an effect of 49.4%.

Concerning the ANOVA, the findings show the P value of 0.000^a which is below the threshold of 0.05. This indicated that the regression model statistics significantly predicts the outcome variable which is a good outfit of the model for the data.

Concerning the coefficients, it is clear that there is a significant effect of financial skills training on the growth of small scale enterprises. In other words, the results of the study revealed that a single unit of change in financial skills training would cause a variance of 70.3% on growth of small scale enterprises. This implies that less than 30% of other variables are responsible for the variance in growth of small scale enterprises.

Decision on Hypothesis

The second hypothesis stated a null hypothesis that financial skills training has no significant effect on the growth of small scale enterprises in Mbarara- Town.

The decision rule is that if $P \geq 0.05$ the null hypothesis is accepted and if $P \leq 0.05$ the null hypothesis is rejected. In this case there was a significant effect of financial skills training on

the growth of small scale enterprises since P value is 0.000 which is less than 0.05. This therefore rejects the null hypothesis and accepts the alternative hypothesis that there is a significant effect of financial skills training on the growth of small scale enterprises in Mbarara-Town.

Table 4.9 Effect of Mobilization of Savings on the Growth of Small Scale Enterprises in Mbarara- Town

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,906 ^a	,821	,820	,24114

a. Predictors: (Constant), Mobilization of savings

b. Dependent Variable: Growth of small scale enterprises

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37,865	1	37,865	651,191	,000 ^a
	Residual	8,257	142	,058		
	Total	46,122	143			

a. Predictors: (Constant), Mobilization of savings

b. Dependent Variable: Growth of small scale enterprises

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,292	,124		2,362	,020
	Mobilization of Savings	,898	,035	,906	25,518	,000

a. Dependent Variable: Growth of small scale enterprises

Source: Field data 2019

From the regression analysis, the findings show that mobilization of savings affected the growth of small scale enterprises in Mbarara, Uganda with an R value of 0.906 which represents the simple correlation that indicated a high degree of correlation. The adjusted R² value of 0.820 measured the variation of growth of small scale enterprises on mobilization of savings which is explained as 82%. The R² value of 0.821 indicated the total variation of mobilization of savings on the growth of small scale enterprises which has an effect of 82.1%.

Concerning the ANOVA, the findings show the P value of 0.000^a which is below the threshold of 0.05. This indicated that the regression model statistics significantly predicts the outcome variable which is a good outfit of the model for the data.

Concerning the coefficients, it is clear that there is a significant effect of mobilization of savings on the growth of small scale enterprises. In other words, the results of the study revealed that a single unit of change in mobilization of savings would cause a variance of

90.6% on growth of small scale enterprises. This implies that less than 10% of other variables are responsible for the variance in growth of small scale enterprises.

Decision on Hypothesis

The third hypothesis stated a null assumption that mobilization of savings has no significant effect on the growth of small scale enterprises in Mbarara- Town.

The decision rule is that if $P \geq 0.05$ the null hypothesis is accepted and if $P \leq 0.05$ the null hypothesis is rejected. In this case, there was a significant effect of mobilization of savings on the growth of small scale enterprises since P value is 0.000 which is less than 0.05. This therefore reject the null hypothesis and accept the alternative hypothesis that there is a significant effect of mobilization of savings on the growth of small scale enterprises in Mbarara-Town.

Table 4.10 Multiple Regression for the Effect of Commercial Bank Services on Growth of Small Scale Enterprises

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change	
1	,921 ^a	,848	,845	,22347	,000	
Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1	(Constant)	,045	,133		,337	,737
	Seed Capital	,124	,050	,137	2,480	,014
	Financial Skills Training	,361	,075	,305	4,815	,000
	Mobilization of Savings	,768	,043	,775	17,748	,000

a. Dependent Variable: Growth of small scale enterprises

The results in table 4.10 revealed that all the dependent variables tested in this study were significant predictors of the variance in growth of small scale enterprises. However, of all the three

tested variables, mobilization of savings was found to be the highest predictor of growth of small scale enterprises. It was found that mobilization of savings could predict up to 77.5% variance in growth of small scale enterprises (Beta=0.775, P=0.000). On the other hand, financial skills training (Beta= 0.305) and provision of seed capital (Beta=-0.137) each could predict the variance in growth of small scale enterprises by 30.5% and -13.7% respectively.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter based on the findings of the study, the conclusion reached in the study and the recommendations made by the study.

5.1 Discussion of the Study

5.1.1 Discussion of Findings on Seed Capital and the Growth of Small Scale Enterprises

The findings of the study on the effect of seed capital on the growth of small scale enterprises revealed that majority of the respondents believed that the provision of seed capital affect the growth of small scale enterprises in Mbarara-Town. The effect was found low though found existing. The findings reveal that seed capital provided by any financial institution had a low contribution to the growth of small scale enterprises, an implication that other factors could account for the existence of the growth. This implied that the respondents were not appreciating the frequency at which SACCO were giving the seed capital for the growth of small scale enterprises in Mbarara-Town.

These findings were echoed by those of Peters (2012) who asserted that equity financing in developed countries had been successful and can also be replicated in developing countries by providing business start-up grants. Evidence of the success of equity and grant start-up capital financing given by the study is not conclusive.

In contrast, Okurut, Banga & Mukungu (2014) argued that small scale enterprises acquired their start-up capital from money lenders, however money lenders did not lend to the poorest members of the community as they did not have ability to provide collateral. Even this argument is shared by Zeller (2013) who studied micro enterprises in Madagascar and concluded that friends and relatives were the biggest providers of seed capital for starting-up small scale enterprises in his country.

Based on the findings attained on the aspect of seed capital even according to previous studies, it implies that most commercial bank services are not for business start-up.

5.1.2 Discussion of Findings on Financial Skills Training and the Growth of Small Scale Enterprises

The findings of the study on the effect of financial skills training on the growth of small scale enterprises revealed that majority of the respondents believed that financial skills training had a positive significant effect on the growth of small scale enterprises. It implies that other factors much affect the growth of small scale enterprises. According to the respondents, there are other key factors account for the growth of small scale enterprises in Mbarara-Town. Even though the skills training was seen prevailing.

These findings are supported by King and McGrath (2012) who found that education is one of the factors that affect positively on growth entrepreneurs with large stocks of capital that includes education and or vocational training are better placed to adapt the constantly changing business environment. Financial skills as contended by ILO (2013) can improve productivity and incomes in the informal economy and open opportunities to link with the formal economy. This training can support medium term strategies for integration with the mainstream economy.

In contrast, Wright (2010) is not enthusiastic about the role of SACCO training to small scale enterprises and thinks that these funds should be diverted to other projects desperately needed such as health of the people in an organization and there is inadequate learning from the training programs offered by SACCO funds could be used in other projects that might help much more the small scale enterprises.

5.1.3 Discussion of Mobilization of Savings on the Growth of Small Scale Enterprises

The findings of the study on the effect of mobilization of savings on the growth of small scale enterprises revealed that majority of respondents believed that mobilization of savings had 88.3% effect on the growth of small scale enterprises in Mbarara-Town. The results further imply that savings mobilizations had a higher effect on small scale enterprises growth in Mbarara. The results attained also imply that savings mobilizations had a very high effect on the growth of small scale enterprises in Mbarara.

In agreement with other scholars like Yeboah (2010) contends that little progress has been made to establish MFIs as full-fledged financial intermediaries and banks offer only credit, and savings mobilization remains the forgotten half of banks. The same thought is shared by Akisimire (2010) who found that bank savings products to small scale enterprises have

encountered stiff competition at the market place with the entry of new SACCO and downscaling of old banks' while competition may be beneficial to the small scale businesses because of higher interest rates on savings, it could affect the SACCO by reducing the revenue available in order to lend.

In contrast, a study by Kurgat (2017) of the Kenya Women Finance Trust shows that clients preferred credit and savings services in the banks with their reason for saving being to expand their business (62%), education for their children (40%) and for emergencies (26%) additionally 71% of the clients viewed compulsory savings as an opportunity to save. In the same regard, Akasamire (2010) concluded that firm growth opportunities has a correlation with liquidity levels in order to limit or cancel their profitable investment projects.

5.2 Conclusion

The general objective of the study was to find out the effect of commercial bank services on the growth of small scale enterprises in Mbarara- Town.

5.2.1 Effect of Provision of Seed Capital on the Growth of Small Scale Enterprises

As lending institutions, the biggest threat to SACCO is the potential for default on the credit that they issue to borrowers. And according to this research small scale enterprises have no valuable assets that can be pledged to get the seed capital from a commercial bank. Thus, seed capital is not provided to starting small scale enterprises. Hence, according to this research, provision of seed capital had a low significant effect on the growth of small scale enterprises in Mbarara- Town. This means that others factors could more account for the growth of small scale enterprises.

5.2.2 Effect of Financial Skills Training on the Growth of Small Scale Enterprises

In general, financial education training provides material capital to a business person empowering the person to participate in the economy and society. Financial institutions train entrepreneurs on financial management, business planning and projection.

According to this study, the second research objective established that financial skills training had a significant effect on the growth of small scale enterprises. The effect was low though substantive with a closer to an average performance, the researcher concludes that training could be not so adequately advanced to the small scale enterprises explaining the low growth rate regarding these other factors are considerably low.

5.2.3 Effect of Savings Mobilization on the Growth of Small Scale Enterprises

On the third objective, the researcher established a closer and higher significant effect of savings mobilization on the growth of small scale enterprises in Mbarara-Town. The level of operations through savings were low which indicates that growth of small scale enterprises can be attained through savings mobilization if it is adequately handled. In general, the results provide a projection of the commercial bank services bringing certainty in the small scale enterprises operations in Town; the nature of operations if closely adjusted has capacity to rekindle the growth of small scale enterprises.

5.3 Recommendations

From the findings of the study analysed in the previous chapter and the conclusions reached, the researcher made various recommendations based on the objectives set in chapter one, which in her opinion, if properly considered, have the potential to improve the effectiveness of commercial bank services and thereby improve growth of small scale enterprises. These recommendation are:

5.3.1 Recommendation on Provision of Seed Capital

On the first objective, it was found that seed capital had a low effect on the growth of small scale enterprises, therefore there is need for providing seed capital for starting small scale enterprises so as to improve their performance and growth. The researcher also recommend that the status of the business operations need to acquire collateral security before operations in order to attain value for seed capital plus a probably research on the other factors affecting the growth of small scale enterprises. Also SACCO should encourage and be willing to provide seed capital to the members of the group.

5.3.2 Recommendation on Financial Skills Training

Since success of small scale enterprises depend upon people income generation activities, to enter in new segments of enterprise development, people need skills development training on new area for adopting new technology. It is important for small scale enterprise Program that before lending credit, training plays vital role for successful implementation of enterprises which will be significant for sustainable small scale enterprises program. Apart from infrastructure, small scale enterprises need access to information about market trends and skills to run their enterprises.

On the second objective, it was found that financial skills training had an effect on the growth of small scale enterprises, however much the effect was, the researcher recommend for the establishment of more training by SACCO to the small scale enterprises, there is need to determine the other predictors to growth of small scale enterprises in Mbarara-Town.

5.3.3 Recommendation on Mobilization of Savings

On the third objective, it was found that mobilization of savings accounted for the high degree of small scale growth in Mbarara- Town, there is need for improving savings through providing attractive interests on savings, providing knowledge on the significance savings for the small scale enterprises and finally commercial bank services of savings need to improve more in detecting and evaluating of business potential. By improving domestic savings, the lifestyle of people will ameliorate which will increase the GDP of people.

5.4 Limitations to the Study

The following were the limitations to this study:

The lack of response to certain questions was a limitation of the study. This was due to the fear of some respondents that the researcher would expose the confidentiality to the public. The researcher ensured confidentiality of the respondents.

The long distance from school to the area of the study was one of the anticipated limitations to the researcher. This would hinder free movement during data collection. However the researcher tried as much as possible to move to the area to collect the data.

There had been also a problem of some respondent's failure to give out their views and also fill the questionnaires. Here, the researcher ensured their anonymity helping them to be honest with their responses.

A problem of language barrier. The researcher had to translate the questionnaire from English to Kirundi for the respondents to understand.

Since the sample size seem to be large, the study was limited by time because a lot of activities were to be done which at times created a lot of fatigue for the researcher. Here the researcher had to hire assistants to help her during the course of data collection.

Problems in coding and data analysis had been huge and the researcher had sought for help.

5.5 Suggestions for Further Research

This study focused on small scale enterprises in Mbarara-Town. Therefore the findings of this study cannot be generalized to all the small scale enterprises in Uganda since business conditions and factors may vary. Hence the researcher recommends that further research need to be conducted to investigate the effect of commercial bank services on the growth of small scale enterprises in the other parts of Uganda to contribute knowledge in such areas.

The study concentrated on the small scale enterprises, excluding large industries. It is therefore important to carry out a similar study among large enterprises.

The researcher also recommend another study on the same topic but this time round putting intervening variables like political situation, personnel training and effectiveness, automated systems. This seems to be having interesting findings about the growth of small scale enterprises.

An investigation on how commercial bank services can help new businesses to arise is recommended.

In addition, it will be interesting to explore ways the government can promote the accessibility of small scale enterprises on credit of SACCO.

5.6 Contribution to the Knowledge

The findings of this study will be invaluable to research and scholarly investigations, forming the basis for further research on the effect that commercial bank services have on the growth of small scale enterprises, as well as guiding scholarly discussions on commercial bank services and the growth of small scale enterprises. It adds to the empirical studies that scholars can use when exploring similar or related studies.

The study will also contribute to both knowledge increment and practice improvement in commercial bank services and the growth of small scale enterprises. From a theoretical perspective, the findings of this study propose a comprehensive framework that can be used to study importance of collateral pledging in order to get a seed capital from a commercial bank. The study will also contribute in aiding commercial bank policy makers in their effort to revamp and streamline the financial skills sector , especially offering great relevance to the banking institutions under study as well as other financial institutions. Small scale enterprises will also benefit from the findings of the study , as it will inform them of the best practices in appraising their growth and to review their operations critically for more result oriented approaches in dealing with their growth and success.

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APPENDICES

APPENDIX I: RESEARCH QUESTIONNAIRE

Dear Respondent,

My name is Kasozi Muhammad, a student of Kampala International University, pursuing Bachelors Degree of business administration. I currently carrying out research on “SACCO Services and Growth of Small Scale Enterprises in Mbarara Town”. The purpose of this questionnaire is to seek answers about the effect that SACCO have on the growth of small scale enterprises in Town. You have been selected to participate in this study by answering the following questions. So kindly spare some minutes of your precious time and respond to these questions as correctly as you can. Please tick the most appropriate response or elaborate where necessary. The information that will be obtained from you shall be kept confidential and used for academic purposes only. You are also free to withdraw from participating in this study.

Thank you in advance for your participation

Section A: Demographic Information

Instruction: Tick appropriately

1. Gender: Male female
2. Indicate by ticking your age bracket
 - i. 20-30 years of age
 - ii. 31-40 years
 - iii. 41-50 years
 - iv. v. Above 50
3. What is your highest level of Education? (Tick as applicable)
 - a. Primary
 - b Secondary
 - c. Tertiary
 - d. Others (specify)
4. Marital status
 - a. Married
 - b. Single
 - c. Other (specify).....

Section B: commercial bank services in small scale enterprises

Seed capital in small scale enterprises

1= Strongly Agree

2= Agree

3= Not sure

4= Disagree

5= Strongly Disagree

	Seed capital	5	4	3	2	1
1	I attained my seed capital from a commercial bank					
2	Loans application and approval process at SACCO are fast enough to my satisfaction					
3	Loan interest rates are fair at SACCO					
4	I always attain capital for business re-engineering from SACCO					
5	The seed capital is sufficient to meet my needs of business operations					
6	There is no collateral security required for the attainment of seed capital					

Financial Skills training in small scale enterprises

Please tick the most appropriate option in the ranking of the questions, use the following Likert scale to rate the answers:

1= Strongly Agree

2= Agree

3= Not sure

4= Disagree

5= Strongly Disagree

	Financial skills	5	4	3	2	1
1	SACCO provide saving and deposit facilities training					
2	There is provision of loan facilities acquisition training					
3	SACCO provide repayments and consequences of defaults					
4	SACCO provide business initiation skills					
5	There is provision of business administration skills in organization					

Mobilization of savings in small scale enterprises

Please tick the most appropriate option in the ranking of the questions, use the following Likert scale to rate the answers:

1= Strongly Agree

2= Agree

3= Not sure

4= Disagree

5= Strongly Disagree

	Mobilization of savings	5	4	3	2	1
1	SACCO enable us in saving our money					
2	SACCO enable us to easily access the savings					
3	There is mobilization of group savings by the SACCO					
4	We attain interest on the savings made by the SACCO					
5	There is adequate storage of the savings made by the SACCO					
6	There is assurance that the savings made by SACCO are safe					

Section C: Growth of small scale enterprises

Increase in productivity

Please tick the most appropriate option in the ranking of the questions, use the following Likert scale to rate the answers:

1= Strongly Disagree

2= Disagree

3= Not sure

4= Agree

5= Strongly Agree

	Increase in productivity	5	4	3	2	1
1	Through the supports of SACCO, I am able to fully train my employee(s) to run daily operation as I focus on key business activities					
2	Through the supports of SACCO to my business it has made it possible for to me to make my customers go satisfied					
3	SACCO have contributed to cost reduction in the way I run my business as small scale owner					
4	The supports of SACCO have made it possible for me as small scale owner to minimize wastage and spoilage of stock					

Sales Growth

Please tick the most appropriate option in the ranking of the questions, use the following Likert scale to rate the answers:

1= Strongly Agree

2= Agree

3= Not sure

4= Disagree

5= Strongly Disagree

	Sales Growth	5	4	3	2	1
1	Commercial bank training have contributed to improve marketing skills like pricing for my products for me as small scale owner					
2	SACCO have contributed to customer creation skills in the way I run my business as a small scale industry					
3	SACCO have contributed to improve level of my business revenue as small scale industry					
4	The support of SACCO have contributed to increase rate of stock turnover in my business as a small scale industry					

Employment creation

Please tick the most appropriate option in the ranking of the questions, use the following Likert scale to rate the answers:

1= Strongly Agree

2= Agree

3= Not sure

4= Disagree

5= Strongly Disagree

	Employment creation	5	4	3	2	1
1	My business has become an important actor in employment creation among the local community					
2	My business has contributed to improve standard of living for me as the owner					
3	My small business has contributed to increase level of income for me as the owner and others					

Thank you for your cooperation and time!