
THE ROLE OF COMMERCIAL BANKS IN SMALL SCALE ENTREPRENEURIAL

DEVELOPMENT

IN ADJUMANI DISTRICT, A CASE STUDY

OF CENTENARY BANK

1 Mawadri David, 2 Dr Arinaitwe Julius, 3 Dr Ariyo Gracious Kazaara

1, 2, 3 Metropolitan International University

ABSTRACT: *It is impossible to overstate the contribution of commercial banks to the fight against impoverishment. Commercial banks provide financial services to the active harmonica who were previously disregarded by traditional banks, in an effort to help them escape poverty. The goals were to determine the degree to which small businesses in the Adjumani District were able to obtain loans from commercial lenders as a significant source of financing for the economy, to ascertain the impact of financial literacy classes on the growth of small businesses, and examine the impact of commercial banks' participation of savings on tiny business expansion. The study was conducted using a harmonica-sectional study design. According to the study's conclusions, providing loans has a 94.7%, or high, influence on small-scale business growth, improving skills has a 95.5%, or high, effect, on small-scale business expansion, and mobilizing savings has a 12.7%, or low, effect. The investigator suggested that in order to maximize the value for loans, company activities should first secure security as collateral. Additionally, small businesses should receive more training from commercial banks, and savings should be improved by offering competitive financing rates and other appropriate measures.*

Key words: *commercial banks, small scale businesses and entrepreneurial development*

Background of the Study

Although borrowing and exchanging money are very old practices globally (there are accounts of loans by Babylonian temples dating back to 2000 b. C.), the earliest manifestations of investing and banking for business may be found in Italy in the twelfth century. Italian merchants banking firms rose to prominence as a result of the easing of religious constraints on commerce during the period known as the Renaissance and the expansion of marine relations between coastal Italian cities and the Levant.

To meet their requirements, individuals in Uganda had been swapping products. Since the nation's independence in 1962, Uganda has been home to small-scale businesses. Modest businesses are said to frequently have trouble getting approval from commercial banks because of the anticipated risk displayed by the inexperienced or weak ones, the lack of collateral for providing credit, their remote locations, and the comparatively modest loan size necessary. Due to the comparatively high company transaction expenses and the cost of the loan, they are excessively too expensive to permit a decent return on investment.

Without a doubt, the role of commercial financial institutions in facilitating the establishment of novel companies, supporting the process of innovation, and promoting the development and growth of smaller companies is crucial for the continuing and long-term sustainability of the small-scale businesses sector (SSEs), particularly retail businesses.

In fact, in the appropriate business environment, commercial financial institutions can help SSEs become major companies that change the landscape locally and carve out their niche globally. Starting with supporting governments that establish the ideal policy environment, this method develops over time (ADB, 2012).

In fact, Andhra Pradesh state officials in India started offering advantages to the IT sector in 1998. Because of this, the fifth-largest state in India is now characterized by a thriving futuristic economy that is anchored by the city of Hyderabad (Abdulsaleh, 2013). Numerous Sub-Saharan African nations report having a significant proportion of SMEs in their economies, judging by data from the International Finance Corporation (World Bank, 2006).

Statement of the Problem

There aren't many financial organizations that can meet the long- and the short-term loan needs of the economy's functioning enterprises. Small businesses are not a notable exception to this rule, and they suffer greatly from a lack of funding for expansion and development that is necessary for the nation's economic existence. It cannot be overstated that they have advanced

from the apparatus-indigenization era's minimum wage to an area of significance in the nation's industrialization process. Many small businesses are trying to update themselves, and as a result, their style of operation has advanced to the expensive stage and therefore there has been a need to carryout research about the role of commercial banks in small scale entrepreneurial development in Adjumani district.

Objectives of the Study

1. To evaluate the extent to which small scale enterprises in Adjumani District have been able to obtain loans from Commercial Banks as major source of finance to the economy.
2. To determine the effect of financial skills training on the growth of small-scale enterprises in Adjumani District Uganda
3. To assess the effect of mobilization of savings by commercial banks on the growth of small-scale enterprises in Adjumani District Uganda

Research Questions

1. To what extent can small scale enterprises obtain loans from Commercial Banks in Uganda?
2. How does financial skills' training affect growth of small-scale enterprises in Adjumani District Uganda?
3. What is the effect of mobilization of savings by commercial banks on the growth of small-scale enterprises in Adjumani District Uganda?

Hypotheses of the study

Ho1: When commercial banks are not willing to comply with the credit guidelines of the central bank, it was a hindrance for any institution to obtain loans from the bank.

Ho2: Financial skills training by commercial banks do not have significant effect on the growth of small-scale enterprises in Adjumani district Uganda

Ho3: There is no significant effect of mobilization of savings on the growth of small-scale enterprises in Adjumani district Uganda.

Methodology

Research Design

Using a design for cross-sectional research, this investigation. The study's harmonica-relationship between each of the variables was also examined (Mugenda, A. & Mugenda, 1999). The study also made use of a survey-based methodology to gather information from a sizable sample of participants. The study also used a descriptive research strategy, which defined the traits of those who participated while using a method of quantitative investigation to shed light on variables.

Population Research

A population, according to Ogula (2005), is any group of organizations, individuals, or things that share traits and satisfy the requirements set forth by the respondents in order for them to supply the data in question. The investigator focused on the top executives as well as the support workers because she had a curiosity in the Centenary Bank.

Sample size determination

The researcher was not able to access all the respondents because of time and resources. Out of the total population of the study, the researcher selected a sample of 33 respondents who were identified from the total population of 63. This number was arrived at by use of the Slovene's formula as illustrated below.

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

Were

n=sample size

N=total number of Staffs operating in Centenary bank in Adjumani District is 63

e=error of confidential level which is 90%

$$n = \frac{63}{1 + 93(0.01)}$$

$$n = \frac{63}{1.93}$$

$$n = 33$$

. From the above formula 33 people was taken as the sample size.

Table 1: Showing Breakdown of Population and Sample of Respondents

Targeted Population	Frequency	Sample Size	Sampling method
Top Management	10	5	Simple random
Financial Department	37	19	Simple random
Other Departments	16	9	Purposive sampling
Total	63	33	

Source: Field Survey, 2022

Therefore, the sample size figure is 33 consisting of 5 Top Management, 19 Financial Department and 9 Other Departments. In this study, the unit of analysis was the sample size existing in Centenary bank in Adjumani, District.

Sampling technique

The researcher employed random and purposive sampling technique dividing the population into groups. This technique is preferred since all commercial banks in Adjumani had equal chance to be sampled

Data collection methods and instruments

Questionnaires Technique

Both open-ended and closed-ended questions were used in this approach. To help the responders understand the topics, certain inquiries were written in English. The investigator used the questionnaire technique because it was appropriate for populations that were knowledgeable, large and time-constrained, and where the data that was needed could be easily expressed in writing. This technique assisted the investigator in gathering comprehensive data from witnesses since they were the ones who knew the most about the subject of the research.

Interviews Technique

This technique helps in obtaining valid and reliable information from the respondents. Interviews not only cover the conversation but also involve learning from the respondent's gestures. This technique helped in getting valid and reliable information from the respondents. This study employed structured interview guide during face-to-face interviews with the workers in centenary banks and their customers from Adjumani District.

Data Analysis

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 role of commercial bank on small scale entrepreneurial development and the interpretation is indicated in the table below using SPSS version 23 (Nelson. K, 2022).

RESULTS

Response Rate

Table 1 Showing the Response Rate of Respondents

	Response Frequency	Percentage rate
Number that filled and returned	25	75.6
Number that did not return	8	24.4
Total	33	100

Source: Primary Data, 2022

For the purpose of this study, 33 questionnaires were administered to the centenary bank in Adjumani. Out of the 33, 25 were successfully filled, returned and were considered with a response percentage rate of 75.6%, while the non-respondents were 8 with a percentage of 24.4%.

Demographic profile of the respondents

This sub section presented 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 subsections

Table 2 Demographic characteristics of respondents

		Frequency	Percent
Gender	Male	16	64
	Female	9	36
Total		25	100

Age	20-30 years	5	20
	31-40 years	11	44
	41-50 years	6	24
	51 years and above	3	12
	Total	25	100
Education	Primary	6	24
	Secondary	8	32
	Tertiary	11	44
	Total	25	100
Marital status	Single	6	24
	Married	15	60
	Widowed	4	16
	Total	25	100

Source: Field data, 2022

According to the findings in table 4.3, 36% of the participants were female and 64% of participants were men. This suggests that the study adequately included both genders. The gender-based allocation of the positions and duties in the centenary bank in Adjumani, Uganda, required documentation of the participants' gender inequalities.

In terms of the participant's age ranges, the findings show that 20% of the participants were among the ages of 20 and 30; 44% were among the ages of 31 and 40; 24% belonged among the ages of 41 and 50; and 12% were over the age of 51. This suggests that those who participated came from a variety of employee groups at Centenary Bank, which is based in Adjumani, Uganda.

According to statistics on the participants' educational backgrounds, 24% of the participants only completed their elementary years of schooling, 32% had finished high school, and 44% had earned a certificate. This suggests that the people who participated came from a variety of educational backgrounds, broadening the range of data that was gathered from the least to the most qualified participant.

According to the details that were provided about the relationships of the participants, 24% of them were single, 60% were married, and 16% were bereaved. In order to assess each the applicant's level of personal accountability, information regarding their marital status was acquired and taken into account.

Descriptive Statistics for Commercial Bank Services

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

Provision of Loans

The first specific objective of the study was to evaluate the extent to which small scale enterprises in Adjumani District have been able to obtain loans from Commercial Banks as major source of finance to the economy. The information from the findings is presented in the following table.

Table 3: Provision of Loans

Statement	Means	Std dev	Interpretation
SSEs attained Loans from commercial bank	2.33	0.39	Unsatisfied
Loans application and approval process at commercial banks are fast enough to SSEs	2.40	0.32	Unsatisfied
Loan interest rates are fair to SSEs	2.43	0.35	Unsatisfied
commercial banks Always give loans for business re-engineering to SSEs	2.26	0.43	Unsatisfied
The loans are sufficient to meet the needs of SSEs	2.93	0.25	Satisfied

operations			
There is no collateral security required from the SSEs for the attainment of Loans	2.37	0.37	Unsatisfied
Average Means	2.45	0.35	Unsatisfied

Source: Field data, 2022

The replies from those who participated regarding how loan availability impacts the growth of small-scale businesses were displayed in Table 3. The results show a higher-than-average mean for how loans effect the expansion of small-scale businesses as detailed.

Findings show that SSEs who obtained loans from commercial banking institutions had an unsatisfactory mean of 2.33 and an acceptable standard deviation of 0.39. The average loan application and approval time at commercial lenders was quick enough for SSEs, with a standard deviation of 0.32 assessed as subpar on the scale. A mean of 2.43 and a standard deviation of 0.35 indicate that loan interest rates are not acceptable to SSEs. Commercial lending institutions consistently provide SSEs with loans to fund company harmonica-engineering, with a mean of 2.26.

The loans have a mean of 2.93 and a standard deviation of 0.25, which are both considered acceptable for meeting the operational requirements of SSEs. The SSEs are not obliged to provide collateral security to achieve Loans had an unacceptable mean and standard deviation of 2.37 and 0.37, respectively, indicating that, in light of the research results, commercial financial institutions do not lend money to SSEs absent security as collateral.

Pursuant to the scale, an overall mean of 2.45 on how loans effect the expansion of small businesses, with a standard deviation of 0.35, was reported. This clearly demonstrates that the respondents weren't in favor of the procedure used by commercial lenders in Adjumani District, Uganda, to grant loans to SSEs.

Financial Skills Training

The second specific objective of the study was to examine the effect of financial skills training on small scale entrepreneurial development in Adjumani Uganda. The information from the findings is presented in the following table

Table 4 Financial Skills Training

Statement	Means	Std dev	Interpretation
Commercial banks provide saving and deposit facilities training to SSEs	2.43	0.55	Unsatisfied
There is provision of loan facilities acquisition training to SSEs	2.46	0.59	Unsatisfied
Commercial banks provide repayments and consequences of defaults to SSEs	2.46	0.53	Unsatisfied
Commercial banks provide business initiation skills to SSEs	2.36	0.53	Unsatisfied
There is provision of business administration skills by commercial banks to the SSEs	2.81	0.44	Satisfied
Average Means	2.50	0.53	Satisfied

Field data, 2022 as a source

Table 4 presented the findings from the responses from the participants on how economic training for skill acquisition impacts the growth of small businesses in Uganda's Adjumani district. Both the mean and the standard deviation were taken into account when interpreting the results, as shown below.

The results show that commercial banks instruct SSEs on using conserving and depositing facilities, with a mean of 2.43 and a deviation from the mean of 0.55 deemed inadequate. The supply of financing facilities and acquiring retraining to SSEs had an unfavorable mean of 2.46 and a standard variation of 0.59. With a mean of 2.46 and a deviation from the mean of 0.53, commercial banks' repayment policies and default implications for SSEs were deemed to be good. Financial institutions train SSEs in starting businesses.

The average number of management skills provided by commercial banks to SSEs was 2.81, with a standard variation of 0.44, which the scale regarded as appropriate. The average value for monetary development of skills for small-scale entrepreneurship was 2.50 with an average variance of 0.53, which was interpreted as satisfactory and means that, based on the answers received from the harmonica the level of accounting skill expansion offered by commercial lending institutions is sufficient understanding.

Mobilization of Savings

The third specific objective of the study was to examine the effect of mobilization of savings on the small-scale entrepreneurial development in Adjumani district-Uganda. The information from the findings is presented in the following table.

Table 5 Mobilization of Savings

Statement	Means	Std dev	Interpretation
Commercial banks enable SSEs in saving their money	3.16	0.09	Satisfied
Commercial banks enable SSEs to easily access their savings	3.20	0.10	Satisfied
There is mobilization of group savings by the commercial banks	2.88	0.06	Satisfied

commercial banks give interest on the savings of the SSEs	2.91	0.10	Satisfied
There is adequate storage of the savings of the SSEs	3.36	0.13	Satisfied
There is assurance that the savings of the SSEs are safe	3.30	0.14	Satisfied
Average Means	3.14	0.10	Satisfied

Source: field data, 2022

Table 5 presented the findings from the responses from the participants on how the savings-mobilization process impacts the growth of tiny companies in the Adjumani district of Uganda.

Both the mean and the standard deviation were taken into account when interpreting the results, as shown below. The results show that commercial financial institutions successfully assist SSEs in saving money, with a mean of 3.16 and an SD of 0.09, respectively. With a mean of 3.20 and a deviation from the mean of 0.10, commercial banks make it simple for SSEs to access their funds, which is considered good.

The financial banks' ability to mobilize savings had a mean of 2.88 and a standard variation of 0.06, both of which were considered satisfactory on the scale. Commercial banking institutions offer interest on SSEs' savings, with a mean of 2.91 and a satisfactory standard deviation of 0.10. The savings are kept in sufficient safekeeping. SSEs had a respectable standard deviation of 0.13 and a mean of 3.36. There is confidence that the investments in SSEs organizations are secure because the average was 3.30 and the standard error of the mean was 0.14, which is considered to be adequate. This suggests that those who responded believe there is certainty that SSEs' savings are secure.

Table 6: Effect of Loans on Small Scale Entrepreneurial development in Adjumani district-Uganda

Model summary

Model	R	R square	Adjusted R square	Std. Error of Estimate
1	.973	.947	.929	4.986

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig
	B	Std error	Beta		
1 (Constant)	27.221	32.553		.846	.000
Loans	68.228	46.449	.973	1.369	.000

a. Dependent Variable: Small scale entrepreneurial development

Source: Field data, 2022

Ho: There is no relationship between the effect of Loans and Small-Scale Entrepreneurial development in Adjumani district-Uganda

Ha: There is a relationship between the effect of Loans and Small-Scale Entrepreneurial development in Adjumani district-Uganda

Keeping other factors constant, a percent increase in the effects of loans would on average lead to 68.228 increase in Small-Scale Entrepreneurial development in Adjumani district-Uganda. This is statistically significant at 0.05 level of significance since the P-value (0.000) is less than 0.05 and therefore we conclude by saying that there is a significant relationship between the effects of loan and the small-scale entrepreneurial development and thus the null hypothesis is rejected.

Table 7 Effect of Financial Skills Training on Small Scale Entrepreneurial development in Adjumani district Uganda

Model summary

Model	R	R square	Adjusted R square	Std. Error of Estimate
1	.977	.955	.940	3.100

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig
	B	Std error	Beta		
1 (Constant)	23.094	26.331		4.887	000
Financial Skills Training	55.627	37.020	.977	2.403	0.00

a. Dependent Variable: Small Scale Entrepreneurial development

Source: Field data, 2022

Ho: There is no relationship between the effect of Financial Skills Training and Small-Scale Entrepreneurial development in Adjumani district-Uganda

Ha: There is a relationship between the effect of Financial Skills Training and Small-Scale Entrepreneurial development in Adjumani district-Uganda

In the Adjumani district of Uganda, an annual rise in the impacts of monetary training on skills would typically result in a 55.627increase in small-scale growth in entrepreneurship. We determine that there exists a substantial connection among the effects of The financial sector Training for Skills and the emergence of small-scale businesses entrepreneurship because this is

significantly different at the 0.05 level of importance and the P-value (0.000) is less than 0.05.

As a result, the null hypothesis is rejected. Although it sanctions a stiffer penalty, the R-squared value of 0.955 is higher than the corrected R-squared value of (0.940).

Table 8 Effect of Mobilization of Savings on Small Scale Entrepreneurial development in Adjumani district Uganda

Model summary

Model	R	R square	Adjusted R square	Std. Error of Estimate
1	.356	.677	.634	53.551

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	sig
	B	Std error	Beta		
1 (Constant)	36.848	9.424		3.920	0.030
Mobilization of Savings	39.307	9.940	.356	3.854	0.00

a. Dependent Variable: small scale entrepreneurial development

Source: Field data 2022

Ho: There is no relationship between the effect of Mobilization of Savings and Small-Scale Entrepreneurial development in Adjumani district-Uganda

Ha: There is a relationship between the effect of Mobilization of Savings and Small-Scale Entrepreneurial development in Adjumani district-Uganda

In the Adjumani district of Uganda, a one percent boost in the effects of mobilizing savings would usually end up resulting in a 39.307 rise in small-scale businesses business activity. We conclude that there is a significant connection among the consequences of mobilizing money saved and the growth of small-scale businesses business ownership because this is statistically

noteworthy at the 0.05 level of importance and the P-value (0.000) is less than 0.05. As a result, the null hypothesis is rejected. Because it applies a stiffer penalty, the R-squared value of 0.677 is higher than the adjusted R-squared value of (0.634).

Conclusion

The possibility for defaulting on the credit that commercial banks extend to borrowers poses the biggest challenge to them as lending organizations. Additionally, this study found that small businesses lacked valuable assets that might be used as collateral for commercial banks to lend money to them. As a result, loans are not offered to new small businesses. Therefore, according to this study, the growth of small businesses in Adjumani, Uganda, was not significantly impacted by loans. This indicates that additional factors may have a greater impact on the expansion of small businesses.

Recommendations

There is a need to provide loans for launching small scale firms in order to increase their effectiveness and expansion as it was discovered that loans have little impact on the expansion of small businesses for the first purpose. In order to obtain value for loans, the investigator also advises that the status of company operations acquire collateral backing prior to activities. The investigator also suggests conducting study on potential additional factors influencing the development of small businesses. Additionally, commercial financial institutions ought to support and be eager to lend to the category's participants.

Bibliography

Abdulsaleh, J. (2013). Small and Medium Sized Enterprises Financing. *International Journal of Business and Management*, 14(8).

Mugenda, A. & Mugenda. (1999). Research Methods: Quantitative and Qualitative .

Nelson. K. (2022, July). Teach yourself SPSS and STATA. *International Journal of Academic Pedagogical Research*, 7(6), 84-122.

World Bank . (2006). Making Finance work for Africa, World Bank, Washington. .

