
Micro Finance Services And Its Role On The Growth Of Small And Medium Enterprises. A Case Of

Finca Uganda Limited, Mukono Branch

Nakalembe Rashidah¹, Babirye Shamirah²

1, 2 Metropolitan International University

Abstract

The major challenge facing many developing countries, especially in Africa, is devising appropriate development strategies that will capture the financial services requirements of Small and Medium Enterprises (SMEs) which constitute about 70 percent of the business sector. Delivery of microcredit to operators of Medium Small and Micro Enterprises (MSMEs) in developing countries is increasingly being viewed as a strategic means of assisting the working poor. Over the past decades, a considerable amount of multi- and bilateral aid has been channeled into microfinance programs in Uganda with varying degrees of success. Like all development interventions evaluations and impact assessment studies to ascertain the achievements and failures of these programs would help a lot for future program design. In Uganda, the SMEs sub-sector has realized tremendous growth in terms of employment, income and business stock size. The sub-sector has therefore attracted great attention of financial service providers to extend a range of financial offer to the poor. However, little is still known of the contribution of the microfinance industry to the growth of the SME sub-sector. The study sought to establish the impact of microfinance service delivery on the growth of SMEs in eastern Uganda. The study employed both quantitative and qualitative data analytical methods, and a multiple regression was run to estimate the effect of socioeconomic characteristics on the SMEs growth, while a logit model was used to assess the constraints to access to microfinance products in Uganda. The findings indicate that although the MFIs have performed below a set standard on average due to some industry wide challenges, they have had a significant impact in linking SMEs and the poor to sources of credit and contributed to their growth in terms of growth of business capital and stock accumulation. It is recommended that there is need for an institutionalized public-private partnership for creating favorable conditions for the operations of these enterprises. This will reduce on the numerous constraints facing SMEs so as to make the nationals benefit from their overall contribution to poverty reduction. Designed tailored made products of SMEs are essential through investment in education, setting up an authority or coordination center for SMEs and promotion of prudential mechanisms by setting a regulatory and supervisory framework for all Microfinance Institutions.

Key Words: SMES, Growth, Microfinance, Financial and Non-Financial Service

Background Of The Study

Globally, the microfinance industry is recognized worldwide as a tool for poverty alleviation and economic growth (T. Christopher et al., 2022a). Socio-economic transformation efforts of low-income and poor communities have therefore been made possible by access to semi-formal and informal financial products/services (F. Christopher et al., 2022). The key role of microfinance has helped foster the growth and development of SMEs in the world by providing capital for business start-up and business expansion, among other financial services (Turyatumba et al., 2022). Microfinance institutions target the poor who are considered risky, but the repayment rate shows positive compared to regular commercial banks (Benard, 2023). Small and

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medium-sized enterprises (SMEs) play a major role in economic development in every country, including African countries (Frank et al., 2023a). Studies show that in both developed economies and developing countries, SMEs account for an average of 60 percent of total formal employment in the manufacturing sector (Paul & Kazaara, 2023). The authors argue that the contribution of the SME sector to employment opportunities is even more important for African economies. Taking into account the contribution of the informal sector, SMEs account for about three-quarters of total employment in the manufacturing sector (Turyatamba et al., 2022). In Uganda According to UBOS (2010) during the 2010 microfinance census, the total number of functional SACCOs in Uganda is 2,063. Of these, the government has since 2008 enabled the establishment of 1,085 SACCOs in the same number of sub-districts under the policy of one SACCO per sub-district. Before the recent increase in the number of districts from 80 to 112, the programs were targeted at 1,085 sub-districts. Of these, the program supports 735 SACCOs and cooperative groups through capacity building grants. This represents 64 percent of the subdistricts covered (Alex et al., 2023). 735 SACCOs under government support have mobilized a total membership of 841,312 people with over 28 billion Uganda shillings in savings, a loan portfolio of 44.4 billion Uganda shillings and equity capital of 16.3 billion Uganda shillings (Derrick et al., 2023). For developing countries, small businesses would generally mean businesses with fewer than 50 employees, and medium-sized businesses would typically mean businesses that have 50-99 employees. In Uganda, a small business is a business or firm employing at least 5 but not more than 50 employees, with an asset value, excluding land, buildings and working capital, of less than 50 million Ugandan shillings (\$30,000) and an annual income turnover between 10-50 Ugandan shillings million (\$6,000–30,000) (Alex & Kazaara, 2023). A company that employs 50-100 workers is considered a medium-sized enterprise. Unfortunately for Uganda, the financial system is small and with minimal connection to the real economy. Uganda's savings/GDP ratio is about 12 percent including both private and public sector savings, compared to a continental average of 17.7 percent (Frank et al., 2023b). The ratio of money supply to GDP is only 12 percent. In Uganda, there is only one bank branch per 180,000 people, compared to an average of 7,000 per bank branch in the Common Market for Eastern and Southern Africa (COMESA) countries. In addition, bank branches are concentrated in urban centers. Of the 123 branches, 64 are located in the 4 largest urban areas (T. Christopher et al., 2022b). Most MFIs in Uganda provide two main categories of financial products; credit and savings (Edgar & Moses, 2023). These services are further categorized according to terms and size of loans and Type of deposits. The survey established an estimated loan portfolio of Uganda Shillings 97 billion (or US\$53.3 million) with an average loan size of Uganda Shillings 283,266 (or US\$161). In terms of savings volume, the survey found the existence of 909,272 active savers in MFIs across the country with a total savings volume of 107 billion Ugandan shillings (or US\$61 million) (Kazaara & Christopher, 2023). The study of the impact on the growth of SMEs as a result of the provision of microfinance services was therefore aimed at finding out whether the provision of microfinance services bridges the gap in the growth of SMEs in Uganda.

Founded in 1984 by John Hatch, Finca Microfinance has played a key role in the growth of small businesses by addressing the challenges of financial inclusion. Originally focused on rural Latin America, Finca's model provided microloans to entrepreneurs who did not have access to traditional banking (Polycarp et al., 2023). This approach has enabled individuals to start or expand small businesses and support economic development at the local level. Over the years, Finca has expanded worldwide and adapted its microfinance model to different regions.

Problem Statement

The microfinance industry is becoming increasingly important globally as a major strategy in the development agenda for poverty reduction and in supporting small and medium enterprises (Faridah et al., 2023). The sector is seen as paramount in boosting private sector-led growth by supporting the SME sector. The resource base of MFIs can provide a platform for the growth of SMEs and contribute to the fight against poverty.

In Uganda, the microfinance industry plays a key role in providing a range of financial and non-financial services to both urban and rural communities (Musimenta et al., 2017). The services are through products such as loans, deposit-taking, savings, micro-insurance, money transfer services, financial education and a wide range of cross-cutting topics such as the fight against HIV/AIDS and environmental education (Inuwa et al., 2017). The provision of such services is expected to contribute to the growth of SMEs in terms of business capital, inventory accumulation and increasing employment levels to improve household income (Oromo et al., 2023). However, there is still a gap as many SMEs fail before their 5th year due to loans from financial institutions that charge high interest rates and provide short repayment periods, making it difficult for SMEs to repay loans and accumulate profits for survival. (Polycarp et al., 2023). However, there is no adequate empirical evidence to confirm the contribution of microfinance service provision to bridging the SME growth gap. This study therefore aimed to determine the impact of microfinance service provision on the growth of small and medium enterprises in Uganda (Collins et al., 2023).

Specific Objectives

1. To find out the impact of loans given by FINCA on business capital of SMEs.
2. To find out the impact of insurance on the survival of SMEs.
3. To find out the influence of financial advice offered by FINCA on the growth of SMES.

Methodology

Whereas the study design was mainly be quantitative in nature, it will be strengthened by some aspect of qualitative data. The quantitative data will focus on SMEs business stock, capital and employment levels as influenced by MFIs financial and non-financial services (A & Ahmed, 2019). While qualitative information characterized opinionated and contextualized information will be obtained from key informant interviews. The study was conducted on FINCA Uganda limited Mukono Branch. FINCA is located in the centre of Mukono near Mukono Police Station. The study also looked at the small and medium businesses located in Mukono district (Nafiu et al., 2012).According to MFPED (2023), the district had 17,084 businesses. With 11,003 businesses allocated in central Mukono, 2,226 in Nabuti , 1,297 in Nasuti and 2,558 in Buguju. Of 17,084 Businesses, 33 percent were categorized as micro enterprises (i.e. employing between 0

and 4Persons) (Olanrewaju et al., 2021). The rest were categorized small and medium enterprises. Buguju, Nabuti and Nasuti were the most viable for assessment of the impact of microfinance service delivery on the growth of SMEs (Jallow et al., 2022). The key target population of study was SMEs in Mukono district though other stakeholders like relevant government officials, MFI officials and local leaders were involved to obtain an in-depth understanding of the problem at hand. The study focused on Mukono district in three villages that was purposefully selected for the study and these included Nabuti, Nasuti and Buguju (Nafiu et al., 2017). With ss = 268 and pop=1491 then the number of enterprises that was, the sample size is 228. Percentages are got from Uganda business register 2006/07. Small and Medium Enterprises were randomly selected to minimize the bias (Nafiu, 2012). A combination of area, stratified and simple random sampling techniques were used to select the respondents for the study from the Small and Medium Enterprises. The key informants were selected using purposive sampling based on the position, roles and experience in managing Small and Medium Enterprises (Turyatamba et al., 2022). The model for this study was divided according to the objectives of study. The first specification addresses the first two objectives and the other two were modeled as explained below To estimate the effects of MFIs financial and non-financial characteristics on the SMEs growth, the study adopted performance evaluation model with modification (Faith et al., 2023). The model was used by Leitaio and Mario (2008) to estimate economic and non-economic performance of SMEs in Portugal. In this context, a multiple regression was performed, by making use of all the discrete variables available in the dataset and Data was analyzed inform of tables, frequencies and percentages using SPSS & STATA (Nelson et al., 2022).

RESULTS

Table 1 Responses on loans provided by FINCA on Nabuti traders

Statement	Strongly disagree	Disagree	Notsure	Agree	Strongly agree
loan					
I use loans to supplement mycapital in operating the business	3 (10%)	2 (6%)	1 (3%)	6 (20%)	18 (60%)
I can afford the terms and conditionsgiven to me by FINCA	10 (30%)	5 (17%)	0 (0%)	4 (13%)	10 (33%)
The loan size I get is adequate	10 (33%)	7 (23%)	5 (17%)	5 (17%)	3 (10%)
The loan period given to me isenough	10 (33%)	5 (17%)	2 (6%)	4 (13%)	9 (30%)

The credit officers have enough skills and experience to handle delinquent clients	5 (17%)	3 (10%)	1 (3%)	15 (50%)	11 (37%)
I am always briefed about the loan terms and conditions before I get a loan.	15 (50%)	2 (7%)	0 (0%)	4 (13%)	9 (30%)
Overall evaluation of loans from FINCA	9 (30%)	4 (13%)	1 (3%)	6 (20%)	10 (33%)

Table 2 shows that, 10% of the respondents strongly disagreed that they do not use loans to supplement their capital in operating the business, 6% disagreed, 3% were not sure, 20% agreed while 60% strongly agreed. This implies that the majority of the respondents 18 (60%) strongly agree that they use loans to supplement their capital (Victor et al., 2022).

From table 2 shows that 30% of the respondents strongly disagreed, 17% disagreed, 0% was not sure, 13% agreed and 33% strongly agreed that they can afford the terms and conditions given to them by FINCA. It means that majority of the respondents, 14 (47%) disagreed that they can afford the terms and conditions given to them by the MFI (Jallow et al., 2021).

From the table 2 shows that, 33% of the respondents strongly disagreed, 23% disagreed, 17% were not sure, 17% agreed while 10% strongly agreed that the loan size they get is adequate. In all, majority of the respondents (56%) respondents disagreed that the loan size they get is adequate.

From table 2 shows that, 33% strongly disagreed, 17% disagreed, 6% were not sure, 33% agreed yet 13% strongly agreed that the loan period given to them is enough. The implication from this is, 15 respondents (50%) disagreed that the loan period given to them is enough.

Table shows that, 17% strongly disagreed, 10% disagreed, 3% were not sure, 50% agreed while 33% strongly agreed that the credit officers have enough skills and experience to handle delinquent clients. In all, 15 of the respondent (50%) agreed that the credit officers have enough skills and experience to handle delinquent clients (Jallow et al., 2022).

From table 2 shows that, 3% strongly disagreed, 7% disagreed, none of the respondents were not sure, 60% agreed while 30% strongly agreed that they are always briefed about the loan terms and conditions before they get a loan. A clear implication is that, 18 respondents (60%) agreed that, they are always briefed about the bank loan terms and conditions before they get a loan.

The overall evaluation of loans from table 2 indicated that, 30% strongly disagreed, 13% disagreed, 1% of the respondents were not sure, 20% agreed while 33% strongly agreed with the overall evaluation of loans from FINCA.

Table 2: Insurance by FINCA

Insurance					
I always use insurance	1 (3%)	2 (7%)	0 (0%)	10 (33%)	17 (57%)
I am aware of the terms and conditions attached to insurance	1 (3%)	2 (7%)	1 (3%)	11(37%)	15 (50%)
I always pay in the stipulated time	3 (3%)	5 (17%)	5(17%)	7 (23%)	10 (33%)
I always qualify for insurance facilities	4 (13%)	5 (17%)	3(10%)	9 (30%)	9 (30%)
Without insurance facilities, my business would suffer great losses	3 (10%)	5 (17%)	2 (7%)	12 (40%)	8 (27%)
Overall on insurance	2 (7%)	4 (13%)	2 (7%)	10 (33%)	12 (40%)

From table 2 shows that, 3% strongly disagreed, 7% disagreed, none of the respondents was not sure, 33% agreed while 57% strongly agreed that they always use insurance facilities. A clear implication is that majority of the respondents (57%) strongly agreed that, they always use insurance.

From table 2 shows that, 3% strongly disagreed, 7% disagreed, 3% of the respondents were not sure, 37% agreed while 50% strongly agreed that they were always aware of the terms and conditions attached to insurance. A clear implication is that, majority of the respondents (50%) strongly agreed that, they are always aware of the terms and conditions attached to insurance. From table 2 shows that 3% strongly disagreed, 17% disagreed, 17% of the respondents are not sure, 23% agreed while 33% strongly agreed that they always pay insurance fees in the stipulated time (Ntirandekura et al., 2022). A clear implication is that, majority of the respondents (33%) strongly agreed that, they always pay in the stipulated time. From table 2 shows that, 13% strongly disagreed, 17% disagreed, 10% of the respondents were not sure, 30% agreed while 30% strongly agreed that they always qualify for insurance services. This implies that, majority of the respondents both agree and strongly agree that, they always qualify for insurance services.

From table 2 shows that, 10% strongly disagreed, 17% disagreed 7% of the respondents were not sure, 40% agreed while 27% strongly agreed that without insurance, their business would suffer great losses. A clear implication is that, majority of the respondents (40%) agreed that, without insurance, their business would suffer great losses. The overall evaluation of insurance from table 2 indicated that, 2 respondents (7%) strongly disagreed, 4 respondents (13%) disagreed, 2 respondents (7%) were not sure (Turyatamba et al., 2022), 10 respondents 33% agreed while 12 respondents (40%) strongly agreed with the overall evaluation of insurance.

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This clearly implies that majority of the respondents (73%) of the respondents agreed with the overall evaluation of insurance.

Table 3: Financial advice provided by FINCA

Financial Advice					
I use financial advice before expanding my line of business	8 (27%)	2 (7%)	2 (7%)	10 (33%)	8 (27%)
I seek financial advice before starting up a business	3 (10%)	3 (10%)	2 (7%)	8 (27%)	14 (47%)
I seek financial advice before taking a loan	5 (17%)	3 (10%)	2 (7%)	10(33%)	10 (33%)
Overall on financial advice	5 (17%)	3 (10%)	2 (7%)	9(30%)	11 (37%)
Overall on Financial advice	5 (17%)	4 (13%)	2 (7%)	8 (27%)	10 (33%)

Source: Primary data 2022

From table 3 shows that, 27% strongly disagreed, 7% disagreed, 7% of the respondents are not sure, 33% agreed while 27% strongly agreed that they use financial advice before expanding the line of their business. A clear implication is that, majority of the respondents (33%) agree that, they use financial advice before expanding the line of their business.

From table 3 shows that, 10% strongly disagreed, 10% disagreed, 7% of the respondents are not sure, 27% agreed while 47% strongly agreed that they seek financial advice before starting up a business. A clear implication is that, majority of the respondents (47%) strongly agreed that, they seek financial advice before starting up a business (Tusubira & Nkote, 2013).

From table 3 shows that, 17% of the respondents strongly disagree, 10% disagree, 7% are not sure, 33 agreed while 33% strongly agreed that they have all the qualifications to be given a bank overdraft. In all, 10 (33%) respondents agreed as well as strongly agreed that they have all the qualifications to be given a bank overdraft (Moses et al., 2023).

The overall evaluation of financial advice results from table 3 indicated that, 5 respondents (17%) strongly disagreed, 4 respondents (13%) disagreed, 2 respondents (7%) are not sure, 9 respondents 30% agreed while 11 respondents (37%) strongly agreed with the overall evaluation of financial advice. This clearly implies that majority of the respondents (67%) of the respondents agree with the overall evaluation of financial advice.

An evaluation of the growth of small and medium enterprises of Mukono

Table 4 Responses on the growth of SMEs in Mukono

Statement	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
My business continues to expand	1 (3%)	2 (7%)	1 (3%)	15 (50%)	11 (37%)
Sales volumes of my business are always increasing	3 (10%)	6 (20%)	2 (7%)	12 (40%)	9 (30%)
The profit levels of my business are always increasing	0 (0%)	3 (10%)	2 (7%)	10 (33%)	10 (33%)
I have been able to open more branches for this business	3 (10%)	5 (17%)	2 (7%)	8 (27%)	12 (40%)
There is always excess of income over expenditure	8 (27%)	5 (17%)	5 (17%)	5 (17%)	7 (23%)
I have acquired more assets in my business	5 (17%)	6 (20%)	0 (0%)	10 (33%)	9 (30%)
I have added more working capital	2 (7%)	1 (3%)	0 (0%)	15 (50%)	12 (40%)
I compete favorably with people in the same business	5 (17%)	3 (10%)	0 (0%)	10 (33%)	12 (40%)
I take and make simple records in my business	3 (10%)	7 (23%)	0 (0%)	8 (27%)	11 (37%)
I employ now more people in the business compared to when I started it.	3 (10%)	3 (10%)	0 (0%)	10 (33%)	14 (47%)
Overall evaluation of growth of SMEs	3 (10%)	4 (13%)	1 (3%)	11 (37%)	11 (37%)

Source: Primary data 2022

From table 4 shows that, 3% of the respondents strongly disagree, 7% disagree, 3% are not sure, 50% agree while 37% strongly agree that their business continues to expand. This implies that majority of the respondents (15 respondents) agree that their business continues to expand.

From table 4 shows that, out of the 30 respondents, 10% strongly disagree that sales volumes of my business are always increasing, 20% disagree, 7 % are not sure, 40% agree while 30% strongly agree that sales volumes of my business are always increasing. From the above information, it implies that, 12 respondents (40%) which

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is the majority of the respondents agree that sales volumes of my business are always increasing (Innocent et al., 2023).

From table 4 shows that, none of the respondents strongly disagree, 7% disagree, 3% are not sure, 40% agree whereas 33% strongly agree that the profit levels of their business are always increasing. It means that, majority of the respondents (40%) agree that the profit levels of their business are always increasing.

table 4 shows that, 10% strongly disagree, 17% disagree, 7% are not sure, 27% agree while 40% strongly agree that they have been able to open more branches for this business. In all, 12 out of the 30 respondents agree that they have been able to open more branches for their business

Table 4 show that, 17% strongly disagree, 17% disagree, 7% are not sure, 23% agree while 33% strongly agree that there is always excess of income over expenditure in their businesses. From this information, it means that majority of the respondents (33%) strongly agree that there is always excess of income over expenditure in their businesses

Table 4 shows that, 17% of the respondents strongly disagree that they have acquired more assets in their businesses, 20% disagree, none of them is not sure, 33% agree whereas 30 strongly agree that they have acquired more assets in their business. It therefore implies that, majority of the respondents agree that, they have acquired more assets in their businesses (Lydia et al., 2023).

Table 4 shows that, 7% of the respondents strongly disagree, 3% disagree, none of the respondents is not sure, 50% agree while 40% strongly agree that they have added more working capital to their SMEs. This means that, 50% of the respondents agree that they have added more working capital to their businesses

Table 4 illustrates that 17% of the respondents strongly disagree that they can compete favorable with people in the same business, 10% disagree, no one is not sure, 10% agree while 40% strongly agree. This implies that the latter are the majority

Table 4 shows that, 10% of the respondents strongly disagree, 20% disagree, none of them is not sure, 27% agree while 37% strongly agree that they take and make simple records in their business. It implies that, 37% of all the respondents can make simple records of their businesses (Ramadhan et al., 2023)

Table 4 shows that, 10% strongly disagree, 10% disagree, 0% are not sure, 33% agree while 47% strongly agree that they employ now more people in the business compared to when they started it. All in all, 47% of the respondents strongly agree that they employ now more people in the business compared to when they started it.

The overall evaluation of the growth of SMEs from table 4 indicated that, 3 respondents (10%) strongly disagree, 4 respondents (13%) disagree, 1 respondent (3%) is not sure, 11 respondents 37% agree while 11 respondents (37%) strongly agree with the overall evaluation of bank loan. This clearly implies that majority of the respondents (74%) of the respondents agree with the overall evaluation of the growth of SMEs.

Table 5 Respondents' rating on whether there is a relationship between MFI services and growth of selected small and medium enterprises of traders

Statement	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
MFI services have assisted me to expand my business	3 (10%)	5 (17%)	0 (0%)	12 (40%)	10 (33%)
Loans have been influential in increasing capital of my business	4 (13%)	4 (13%)	2 (7%)	10 (33%)	10 (33%)
Insurance has helped the survival of my business	5 (17%)	3 (10%)	2 (7%)	8 (27%)	12 (40%)
Financial advice has helped me to establish new branches	3 (10%)	6 (20%)	1 (3%)	10 (33%)	10 (33%)
Insurance has helped me minimise losses in this business	2 (7%)	2 (7%)	0 (0%)	10 (33%)	16 (53%)
Loans have helped me to operate even if I do not have enough money	5 (17%)	5 (17%)	2 (7%)	10 (33%)	13 (43%)
loans are important in my business growth	1 (3%)	2 (7%)	1 (3%)	12 (40%)	14 (47%)
Overall evaluation on the relationship between microfinance services and growth of SMEs	3 (10%)	4 (13%)	1 (3%)	10 (33%)	12 (40%)

Source: primary data 2022

From table 5 shows that, 10% of the respondents strongly disagree, 17% disagree, 0% are not sure, 40% agree while 33% strongly agree that MFI services have assisted them to expand their business. This means that majority of the respondents (40%) agree that MFI services have assisted them to expand their business (Racheal et al., 2023).

Table 5 shows that, 13% of the respondents strongly disagree, 13% disagree, 7% are not sure, while those who agree and those who strongly agree are 33% that loans have been influential in increasing the capital of their business. This in all implies that, majority of the respondents both agree and strongly agree that loans have been influential in increasing the capital of their business (Turyatamba et al., 2022).

Table 5 shows that, 17% strongly disagree, 10% disagree, 7% are not sure, 27% agree yet 40% strongly agree

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that insurance has facilitated the survival of their business. All in all, 40% (majority) strongly agree that insurance has facilitated the survival of their business.

Table 5 shows that 10% of the respondents strongly disagree, 20% disagree, 3% are not sure, 33% agree while 33% also strongly agree that financial advice has helped them to establish new branches. From the above information, it means that, majority of the respondents both agree and strongly agree that bank financial advice has helped them to establish new branches (Racheal et al., 2023).

Table 5 shows that, 17% of the respondents strongly disagree, 17% disagree, 7% are not sure, 33% agree while 43% strongly agree that trade credit has helped them to operate even if they do not have enough money. This clearly implies that majority of the respondents (43%) strongly agree that trade credit has helped them to operate even if they do not have enough money (David et al., 2023).

Table 5 shows that, 3% of the respondents strongly disagree, 7% disagree, 3% are not sure, 40% agree while 47% strongly agree that loans are important in their business growth. This clearly implies that majority of the respondents (47%) strongly agree that loans are important in their business growth (Polycarp et al., 2023).

The overall findings on the relationship between credit financing and growth of SMEs from table 5 indicated that, 3 respondents (10%) strongly disagree, 4 respondents (13%) disagree, 1 respondent (3%) is not sure, 10 respondents 33% agree while 12 respondents (40%) strongly agree with the overall evaluation of bank loan. This clearly implies that majority of the respondents (73%) of the respondents agree with the overall evaluation of bank overdraft.

The relationship between MFI services and growth of SMEs.

This section addresses the general objective of the study which was to analyze the relationship between microfinance services and growth of SMEs. The results are presented as below;

Table 6: Correlations

			MFI services	Growth of SMEs
Spearman's rho	MFI services	Correlation	1.000	.669*
		Coefficient		
		Sig. (2-tailed)	.	.035
		N	30	30
	Growth of SMEs	Correlation	.669*	1.000
		Coefficient		
		Sig. (2-tailed)	.035	
		N	30	30

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*. Correlation is significant at the 0.05 level (2-tailed).

From the above findings, it shows that there is a strong relationship between MFI services and the growth of Small and Medium Enterprises. At Pearson correlation coefficient $r = 0.669$

The results as depicted from the table above ($r^2 = 0.669$, $P = 0.035$) suggest a positive and significant effect of MFI services on the growth of Small and Medium Enterprises in Mukono (Nelson et al., 2023). The positive relationship means that when MFI services increase, Small and Medium Enterprises also grow.

Conclusion

The study discovered a strong relationship between credit financing and growth of SMEs. This analysis of the Role of Microfinance services on the growth of small and medium enterprises is an important contribution to the literature of evaluating micro finance activities. The study findings showed that micro finance services enable small and medium enterprises to improve on performance thus overall growth. From the rank correlation considered in the study, there is a positive relationship between the variables.

Recommendations

From the study findings, the researcher recommends the following; Micro Finance institutions should devise means of delivering loans and improve terms and conditions under which financial institutions offer loan services to SMEs.

The government of the republic of Uganda should partner with other financial institutions to provide subsidized loans to SMEs with little interest rates

There should be assessment of the needs of SMEs so as financial institutions develop insurance services that best suit the small and medium enterprises.

Financial institutions should put in a provision of loan repayment periods extension for Small and Medium Enterprises.

More credit needs to be availed to the Small and Medium Enterprises given their significant role in the economic growth and development.

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