Vol. 3 | No. 5 May | 2015 ISSN 2347-8217

Accessibility Of Microfinance Savings Services And Its Effect On Business Growth Of Small Scale Enterprises In Uganda: A Case Of Pride Microfinance Branches And Their Small Scale Enterprise Clients In Kampala

Ruth Mulungi

Ndejje University, P. O. Box 7088, Kampala. Uganda

Milly Kwagala (Phd.)

Faculty Of Business Administration & Management, Ndejje University, P. O. Box 7088, Kampala. Uganda

ABSTRACT

This paper investigates the accessibility of microfinance savings services and its effect on the business growth of Small Scale Enterprises (SSEs) in Uganda, using Kampala branches of Pride Microfinance Ltd. and SSE clients as cases in point. The investigation was prompted by the question as to why SSEs were facing challenges in raising the financial capital they needed to support their growth in business, despite the presence of many Microfinance Institutions (MFIs) in Uganda. The specific objectives of the study were therefore to establish (a) the savings services that were provided to SSEs at the Kampala branches of Pride Microfinance Ltd. (b) the level at which these services were accessible to the SSEs (c) the level at which the SSEs realized business growth in terms of sales volume, profitability, expansion, and product range, (d) whether the level of the services' accessibility had any relationship with the business growth that the SSEs attained in terms of sales volume, profitability, expansion, and product range. The study was conducted using a descriptive cross sectional research design, which was diagnostic in nature. The sample consisted of 156 respondents who included 13 randomly selected employees of Pride Microfinance Ltd. and 143 conveniently selected client SSE proprietors. Data were collected using questionnaires and analyzed using descriptive and multiple regression methods of analysis aided by the SPSS program. The findings revealed that the level at which the savings services provided by the selected MFI branches were accessible was low and the business growth registered by the SSEs was low. The level of accessibility of the savings services had a positively significant but weak relationship with the business growth that the selected SSEs attained in terms of sales revenue, profits, business expansion, and product range. From these findings, it was concluded that strengthening this relationship by improving the accessibility of microfinance savings services would translate into significant improvement in the business growth attained by SSEs in terms of the indicators mentioned above. This led to recommending to Microfinance Institutions, particularly Pride Microfinance Ltd. to strengthen the relationship by improving access to the savings services, especially the offered savings products through advertizing and sensitizing actual and potential SSE clients to use them as a means of accumulating the capital required to enhance the growth of their businesses in terms of sales revenue, profitability, expansion and product range.

Keywords: Microfinance Institution, Savings Services Accessibility, Small Scale Enterprises, Business Growth Indicators

1. INTRODUCTION

Small Scale Enterprises (SSEs) play a key role in the industrialization and development of countries worldwide (Muritala, Awolaja & Bako, 2012). They make considerable contributions to creation of self-employment as well as to the aggregate output and export base of many countries, thereby occupying a place of strategic importance in the world economy (Kadiri, 2012; Aremu & Adeyemi, 2011; Kyokutamba, 2011). SSEs also support the economy by facilitating the transformation of many entrepreneurial ideas, skills and innovations into business reality, thereby promoting competition and efficient allocation of scarce resources (Ayozie & Latinwo, 2010; Ayesha, 2007; Kasekende & Opondo, 2003). In Uganda, SSEs are increasingly playing a central role in job creation and income generation, and are, therefore, considered as one of the key instruments for attaining the overall objective of the Poverty Eradication Action Programme (PEAP) that guides Uganda's socioeconomic development agenda (Byaruhanga, 2012; Kwagala, 2011; UIA, 2008; FAO,2007)

Despite playing such a well-recognized role in the global and national economies, SSEs have been grappling with and continue to face a challenge of inadequate financial capital (Vitez, 2014; Osotimehin, Jegede, Akinlabi & Olajide, 2012; Lawson, 2007; Anyawu, 2003; Carpenter, 2001; Owualah, 1999). This challenge is fuelled by the fact that many SSEs find it difficult to access the financial services that would have enhanced their ability to raise the necessary business funding (Makumbi, Singh & Kwagala, 2013; Komunitas, 2004; Mullineux & Murrinde, 2002; Watson & Everett, 1999). Financial services are provided by banking, microfinance and other lending organizations (Masudur-Rahman & Laila-Arjuman, 2009), but the financial services covered in this paper are those provided by microfinance institutions. Savings services are some of these services, others being those related to asset management (Oduyoye, Adebola & Binuyo, 2013; Ugoani & Dike, 2013).

Savings are defined as income not spent or deferred consumption (Price, 2011). Consequently, any service provided by financial institutions for the purpose of increasing this income and its subsequent utilization by clients is referred to as a savings service (Suberu, Aremu & Popoola, 2011; Kalala & Ouedraogo, 2001). These services are particularly provided by microfinance institutions, especially when they are intended for low income earners and SSEs that cannot afford commercial banking terms (Anyanwu, 2004; Pickens, 2004; Kalala & Ouedraogo, 2001). Savings services of particular importance to these categories of clients tend to include those offered in terms of set minimum account balance, return on savings, ease of opening savings accounts, depositing and withdrawals, facilitating money transfers, remittances, and realization of the goals for which they save (Asian Development Bank, 2014; Zeller, 2003). The specific savings services microfinance institutions tend to provide range over a wide spectrum that covers current savings services, demand savings or demand deposits services, special regime demand savings services, and entrepreneurial savings services, to mention but a few (Kalala & Ouedraogo, 2001).

According to Matovu (2006), these services can enable clients to deal with severe business crises, cope with the shocks and to reduce vulnerability. The Asian Development Bank (2014) added that these services have potential to enable SSEs to accumulate capital needed to pursue desired growth in business. Although these observations may not be disputed, it can be argued that such potential can be realized only when savings services are accessible-that is, when the terms set by the microfinance institutions for accessing the services make it easy for the SSEs to use them as and when they need them. In fact, worldwide microfinance experience has shown that the level at which these services are made accessible in a safe and flexible manner plays a critical role in the SSEs' strategies for minimizing risks, mitigating income fluctuations, facing unexpected expenditures and emergencies, and building a small asset base over time. In particular, SSEs attach a lot of importance to safe ways of keeping and accumulating savings, withdrawing, and transferring money as well as other savings services provided by microfinance institutions and are needed to facilitate business operations (FAO, 2007). Perhaps no one put it much better than Idowu (2011) who noted that accessing microfinance savings services is one of key elements that unlock the ability and drive of SSEs to grow their sales revenue, profitability and product range, and in so doing, contribute to poverty alleviation in developing countries.

It is against this backdrop that the accessibility of these services has to be questioned when SSEs fail to realize the capital that they need to pursue the growth of their businesses as expected. This accessibility becomes even more questionable when SSEs resort to informal financial services whose utilization tends to bring dire consequences to their businesses as result of the harsher terms associated with their accessibility (Makumbi *et al.*, 2013; Karekaho, 2009). The situation with the savings services provided by most of the financial institutions operating in Uganda's microfinance industry is not any different.

The microfinance industry in Uganda was a natural offshoot of the general economic and political dynamics that impacted on the country's economy in a manner that left many rural and low income potential clients lacking access to financial services provided by commercial banks, especially in the last four decades (Friends Consult, 2008). As if that was not enough, the political and economic breakdown of the 1970s and 1980s caused many banks to close their upcountry branches. This was followed by the closure of community-based financial institutions like Savings and Credit Cooperative Organizations (SACCOs). A report by Friends Consult (2008) indicates that attempts to reverse this scenario in the 1980s through massive branch opening by the defunct Uganda Commercial Bank (UCB) were not successful. Many of the opened branches made perpetual losses that left them with no choice but to close down. The whole situation left many SSEs without formal financial services (Friends Consult, 2008). Even when the government of Uganda tried a number of initiatives, policies and programmes such as *Entandikwa* (venture capital) and the Youth Fund through the *Bona-baggagawale* (prosperity for all) political agenda, little success was achieved (Budget Speech, 2011/2012; Uganda Investment Authority,2008). SSEs continued to face challenges as far as the accessibility of the savings services that they needed to facilitate their business operations was concerned. It was in such circumstances that MFIs were encouraged to come into play. They were particularly encouraged by a highly favorable government policy environment because they were viewed as institutions that could fill the gap by providing savings services to low income earners and SSEs. It was envisaged that through these institutions, savings services would be made more accessible to SSEs, thereby enabling them to gain financial strength, grow in business and thereby contribute to poverty alleviation in Uganda (Microfinance Banker, 2001). Pride Microfinance Ltd. was one of the MFIs that came on board in 1995 as a project of Pride Africa an independent consultancy firm based in Nairobi, Kenya, in order to provide such services.

Pride Microfinance Ltd is one of the leading financial services providers in Uganda, especially in the microfinance-deposit-taking sector (Pride Microfinance, 2013). While it is not considered a commercial bank, it offers a wide range of services and products similar to those offered by the traditional retail banks, albeit on a small scale (Pride Microfinance, 2013). The company is headquartered in Kampala but has branches across the country (Kisekka, 2007). This institution delivers innovative and customer friendly products and services in a simple way. Their products are categorized under three classes, voluntary savings products, loan products, and other services that include client training services, Western Union services, mobile money services and loan insurance (Pride Microfinance, 2013). These services are made available so that they can be offered to the institution's clients who include both individuals and SSEs. It has however, been observed that despite the availability of these services, their accessibility continues to pose a major challenge to many SSEs (Kamukama & Natamba, 2013; Nahamya *et al.*, 2013; Eyaa & Ntayi, 2010; Kasekende & Opondo, 2003). At the same time, many of the SSEs have been closing down citing shortage of both debt and equity financing as some of the critical causes (Kwagala, 2011).

It is however, not clear whether the cause of such scenario is related to the challenges the SSEs face in accessing the savings services provided by MFIs. Even the level at which the accessibility of these services is challenging to the SSEs and how this level affects the enterprises' ability to grow in business, especially in terms of sales revenue, profitability, expansion, and product range remain to be well diagnosed. The purpose of this paper is therefore to shed light on these issues by investigating the accessibility of microfinance savings services and its effect on the business growth of (SSEs) in Uganda, but using those that are clients to Pride Microfinance Ltd. as a case in point. The specific objectives of the paper are to establish (a) the savings services that were provided to SSEs at the Kampala branches of Pride Microfinance Ltd. (b) the level at which these services were accessible to the SSEs (c) the level at which the SSEs realized business growth in terms of sales volume, profitability, expansion, and product range, (d) whether the level of the services' accessibility had any relationship with the business growth that the SSEs attained in terms of sales volume, profitability, expansion, and product range

2. LITERATURE REVIEW

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

According to POF, SSEs' managers' preference for savings is hinged not only on the fear to lose some control over business assets and operations. It is also based on the fact that using savings services is the best way of avoiding the cost of capital associated with other types of financing, which many SSEs not only find too difficult to afford but also adverse to the attainment of their business goals as desired (Whonderr-Arthur, 2009). With savings services, capital is accumulated without incurring interest expenses and loan repayments based on strict schedules that tend to weigh the SSEs down, thereby making them fail to realize their business goals (Söhnke, Gregory & Waller, 2013). The accessibility of savings services is therefore envisaged to have a favorable effect on the realization of desired business goals. It is for this reason that this paper investigates the effect of accessibility of savings services as provided by microfinance institutions on the business growth attained by SSEs in terms of such as growth in terms of sales revenue, profitability, expansion, and product range.

Microfinance institutions provide low-income earners and SSEs with a broad range of savings services, including supporting savings mobilization by facilitating the opening up of savings accounts, receiving deposits and keeping them safely and profitably, facilitating withdrawals and payments, remittances, money transfers and insurance (Asian Development Bank, 2014; Abhay, 2010; International Fund for Agricultural Development, 2007; Vallely, 2006). The accessibility of these services is manifested in terms of the degree to which clients find it easy or convenient to go about them, especially in terms of meeting the conditions attached to them and getting their transactions successfully processed (Asian Development Bank, 2014; Abhay, 2010). This suggests that the easier a client goes about these services the higher is their level of accessibility. The institutions use the deposits profitably and in a manner that attracts return on savings and this increases the amount of money available to depositors as and when they it need to finance their businesses (Salinge, 2013). When clients consistently or predictably save with a particular microfinance institution, the institution develops trust in their saving capability to the point that they can even provide them with credit facilities without requiring collateral or guarantees from them, but based on the seasonal or trend analysis of their savings accounts (Kamugisha, 2008; Harper, 2003). This service is provided to SSEs involved in seasonal businesses (Graham, 2009). Microfinance institutions can also provide training and advice to the clients about how to use the saved money or extended credit facilities in the best interest of their businesses (Kehinde, 2008).

According to Kalala and Ouedraogo (2001), the saving services that microfinance institutions provide include a range of savings products that they offer to their clients. These researchers noted that these products span over a wide spectrum that includes profits savings, entrepreneur savings; current savings services; demand savings or demand deposits; special regime demand savings; term savings/deposit; linked, blocked or joint savings; voluntary blocked savings with a preferential rate; deposit savings; high-yield savings; mandatory savings; forced savings with loan; and other products. The same researchers warned however, that these products are appreciated as services to clients only when the clients can access them-that is, when the clients can effectively use them to their business. Kalala and Ouedraogo (2001) went on to explain that profit savings are a product that focuses on term savings ranging from 6-36 months, with interest rates that are higher than current savings accounts. The scholars noted further that it is the client who determines the term and the amount of savings deposit as long as it over and above the set minimum deposit. Profit savings services are provided to clients aiming at expanding their businesses or establishing future projects (Kapoor, 2009). They maximize the yield on the savings by attracting returns at a given rate per annum. This makes it possible to build capital (Kapoor, 2009). These savings may also be used as collateral to obtain a loan. The entrepreneur savings service involves securing a loan using savings made during the life of the loan (Graham & Marguerite, 2009). The amount of loan provided is determined in such a way that the amount of savings made in a specified period represents 10% its value in terms of repayment and servicing (Wright, 2000).

The current savings service is offered to all clients in form of facilitating deposits and withdrawals. This service is provided to keep clients' money in safe custody, thereby preventing it from theft, termites, fire and the temptation for unnecessary expenditures (Rutherford, 2000). Clients are allowed to deposit any amount of money and are therefore not subjected to a minimum amount. This service bears no interest, and the money is available to clients at all the time within working workers (Sherraden, 2005). All transactions carried out under this service can be free of fees or charged a constant fee every defined period of time, usually a year (Rutherford, 2000). This savings service allows clients to deposit and withdraw money any time they want. According to Sherraden (2005), demand savings or demand deposits are a service similar to current savings in terms of aim and deposit and withdrawal mechanism. It is however, different in that a minimum deposit is normally set at a fixed amount of money. Interest is paid to clients under this category so as to reactivate inactive savings accounts. A special demand savings service is for large savings clients (individual or enterprises). For these clients, the minimum balance is usually set, say, at 1 million for individuals and 2 million for groups and societies. Interest is also paid to these clients per annum, depending on the average monthly savings balance (Scher & Naoyuki, 2004). According to Graham (2009), under term deposits, savings are deposited for a certain time period, under terms and conditions agreed between the institution and the client. During the term, the client is not supposed to withdraw any money. The amount of money to be deposited per agreed period (say weekly, monthly or annually), the term the client is not allowed to withdraw (say three months, six months, a year or more) and the interest paid to the client (say 2%, 10% or more) on the basis of the account balance vary according to the terms agreed between the institution and the client (Scher & Naoyuki, 2004).

Microfinance institutions provide linked savings, blocked savings or solidarity savings services for the purpose of encouraging clients to obtain a loan and to repay it by saving a certain proportion of it within a specified period of time. The institution can, for instance, require clients to make savings worth 10% of their loan every one, two, three or more months, depending on the agreed schedule. The savings are not accessible to the clients until the loan is paid off. It is a non-interest-bearing security deposit. The preferential voluntary fixed deposit savings services are provided to organizations that can afford a set minimum deposit without withdrawing any money for specified minimum term (say 3 months). The interest paid to a client increases with increase in the amount of deposits and term. The conditions are negotiated according to the amount, term and the nature of the partnership with the depositor (Madhurantika, 2009). Contractual savings agreements are other services rendered to savings clients, especially those who earn wages whether with SSEs or large scale enterprises in the public or private or even in the informal sector. The term lasts 2-3 years. The deposit period may be monthly or with some other fixed frequency. When the contract matures, the principal is returned with interest in a single lump-sum payment (Graham, Christen & Imran, 2009). The payroll deposit savings service involves payroll deposit or salary transfer from employers directly into employees' savings accounts. The loan amount available and its term depend on the number of interested employees. This service saves the employer time, reduces absenteeism amongst staff, and facilitates salary loans, thereby enabling employers to avoid administering salary advances. It is therefore a way of stabilizing employers' working capital by reducing unexpected expenses on salary advances (Graham & Marguerite, 2009).

The literature reviewed in the foregoing paragraphs identifies a number of savings services that clients of microfinance institutions, particularly SSEs, can use to increase their savings, thereby raising the capital needed to facilitate their businesses. The literature is however, silent on the level at which these services are accessible to clients, particularly those of Pride Microfinance Ltd. It also does not specify how the level at which the services are accessible affects business growth realized by these clients in terms of sales revenue, profits, expansion, and product range. This is the gap that this paper attempts to fill. Sales revenue refers to the total amount of money realized by a business enterprise during a given period of time (Kennon, 2013). It is sometimes referred to as total sales, turnover or total income that an enterprise receives from its normal business activities, usually from the sale of goods and services to customers (Carcello, 2008). This paper adopts the latter definition. Profits refer to the net of income realized by a business over and above its cost of operations (gross profit) and taxes (net profit) (Vitez, 2009). Profits refer to the amount of money left after deducting all the expenses from sales revenue (Carcello, 2008). This is the definition used in this paper. Business expansion refers to the overall increase in the total asset base or net worth of an enterprise (Polevoi, 2013). Product range refers of the variety or different kinds of services or goods offered by an enterprise on the market (Polevoi, 2013). The kinds may be differentiated in terms of quality, size, or type or in terms of terms and conditions offer (Kotler, Armstrong, Brown & Adam, 2006). The definition of product range adopted in this paper depended on the type of business of the selected SSEs. The conceptualization of this paper is summarized in Figure 1 below.

3. CONCEPTUAL FRAMEWORK

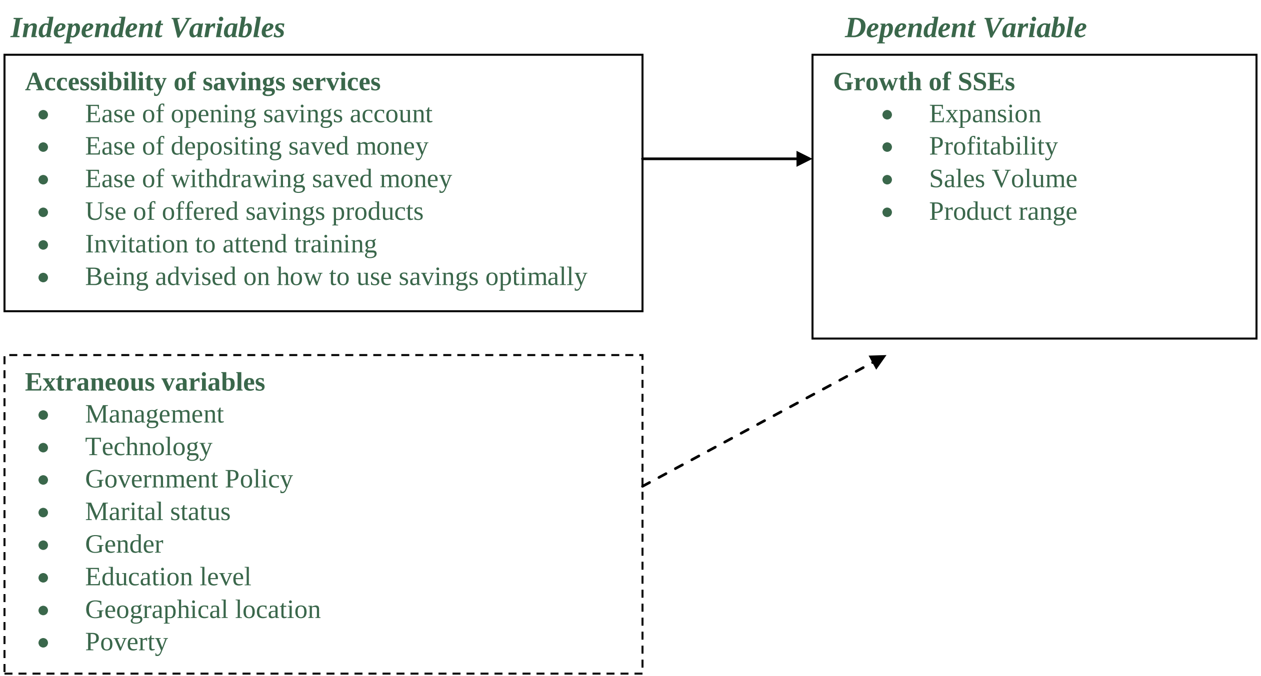


Figure 1: Conceptual Frame work

Source: Developed based on cited literature.

Form Figure, the accessibility of savings services was conceptualized as the independent variable. It was measured in terms of the level at which the savings services provided at the selected branches of Pride

Microfinance Ltd. were used by the selected SSEs. The considered services included ease of opening savings account and of depositing and withdrawing the saved money as and when needed. It was also measured in terms of the degree to which the savings products offered at the branches were used and also in terms of invitation of clients for training and of being advised on how to use savings optimally. The dependent variable was business growth of SSEs and was measured in terms of sales volume, profitability, expansion, and product range. As shown in Figure, care was taken to recognize that there were other variables that could affect the business growth of these enterprises. These included government policy, geographical location, gender, political environment, marital status, culture, poverty, management and technology. Although these variables were recognized, their effects were assumed constant and were therefore not investigated.

4. METHODOLOGY

The study from which this paper is developed adopted a positivistic approach, thereby using scientific methods of sample selection, and quantitative techniques of variable measurement, data collection and analysis. The study employed a descriptive cross sectional research design, which was diagnostic in nature. This research design was adopted to facilitate collection of data explaining the variables of the study as they were. Its diagnostic part was intended to facilitate analysis of how the level of the accessibility of savings services related with the business growth of the selected SSEs. The explanation was obtained using a 5-point Likert Scale of responses that ran from Strongly Disagree through Disagree, Neutral and Agree to Strongly Agree. This scale was devised after making futile attempts to access the actual numerical data about the variables of the study. All the selected SSEs and MFI argued that their information was not for public consumption. It was privy to only the management of the SSEs and the MFI. The scale therefore, helped to overcome this setback by collecting data based on how respondents perceived the variables. The study was conducted in Kampala district because the highest concentration of Pride Microfinance Ltd was in this district.

The study population included the owner-managers of all SSEs that were holders of savings accounts at the branches of Pride Microfinance Ltd branches in Kampala district. It also included the employees worked at the branches. According to Pride Microfinance Ltd Management Report (2013), the total of SSE savings account holders at these branches was 360 and that of employees was 60. Using these figures, the size of the sample was determined based on Krejcie and Morgan's (1970) Sample Size Determination Table. Accordingly, the expected sample size was 238, including 186 SSE clients and 52 employees. Purposive sampling was used to select the employees, since only those who were dealing the savings sections of the branches were needed to divulge the required data. Convenience sampling was used to select SSEs. This sampling technique was used because it facilitates selection of respondents according to their availability, accessibility and willingness to participate (Amin, 2005).

Two sets of self-administered semi-structured questionnaires were used to collect the data. This implies that the questionnaires had open and close-ended items. One set was for the owner-managers and another was for employees. A questionnaire was used because of its ability to collect a good deal of data from many respondents and within a relatively short period of time (Amin, 2005). The questionnaires were designed using measures of the variables of the study, which were identified from literature. The two sets of the questionnaires were tested for validity and reliability. The computed content validity indices were .887 for the clients' questionnaire and .869 for the MFI employees. The computed Cronbach Alpha coefficients of internal consistency were .899 for the clients' questionnaire and .809 for the employees' questionnaire. These indices and coefficients meant that the items in both questionnaires were valid and reliable enough to collect required data. The items in the clients' questionnaire were translated into the local language (Luganda) by a professional translator and then translated back into English by another expert translator to ensure that both versions carried the same intended meaning. The translation was based on the fact that some clients were not well versed with the English language. The questionnaires administered to clients were 186 and those administered to employees were 52. However, those that were returned included 143 questionnaires from clients and 13 questionnaires from employees. This effectively implies that the expected sample size was not realized. The actual sample size was 156. The collected data was analyzed using both qualitative and quantitative methods of analysis. Qualitative data was analyzed thematically and translated into a quantitative form by coding the themes developed from the responses. Quantitative data was analyzed using the descriptive and correlation methods of the Statistical Package for Social Sciences (SPSS) software, version 17.

5. FINDINGS

The findings are presented according to the objectives of the paper. It is important to note at the outset that the selected clients included SSEs in poultry farming, flower gardening, welding, wholesale and retail, restaurant, transport service provision, clinical services, pharmaceutical and dispersing services, internet cafes, consultancy, and construction

5.1 OBJECTIVE ONE

This objective focused on establishing the savings services that were provided to SSEs at the Kampala branches of Pride Microfinance Ltd. These services were established by asking the selected MFI employees to mention the specific savings services that their branches offered to the clients, particularly the small scale enterprises. The findings obtained from translating the themes developed from their responses into a quantitative form are summarized in Figure 1.

Figure 1: Savings Services Provided at the Kampala Branches of by Pride Microfinance Ltd. as reported by Employees (N = 13)

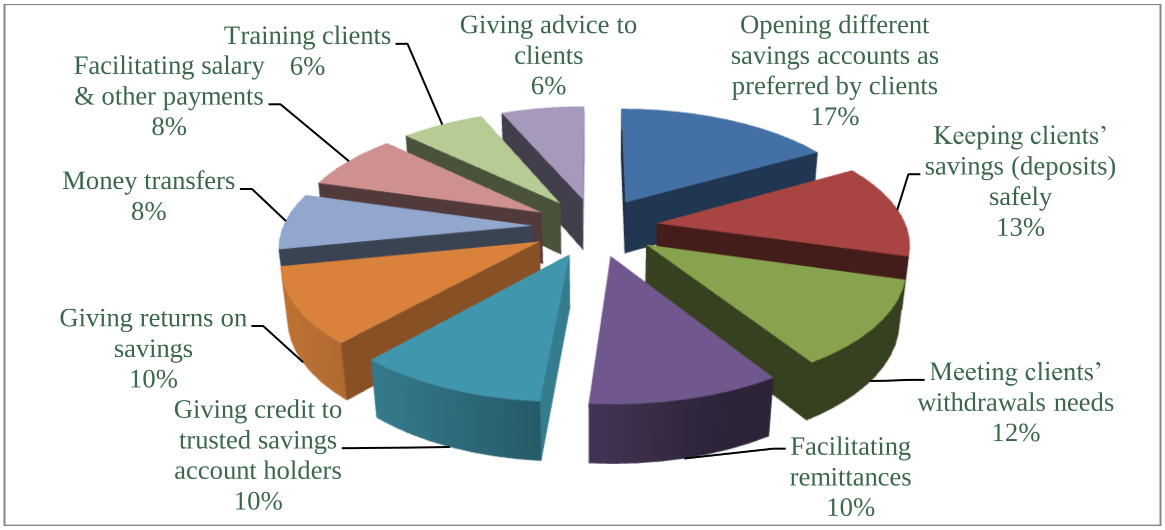
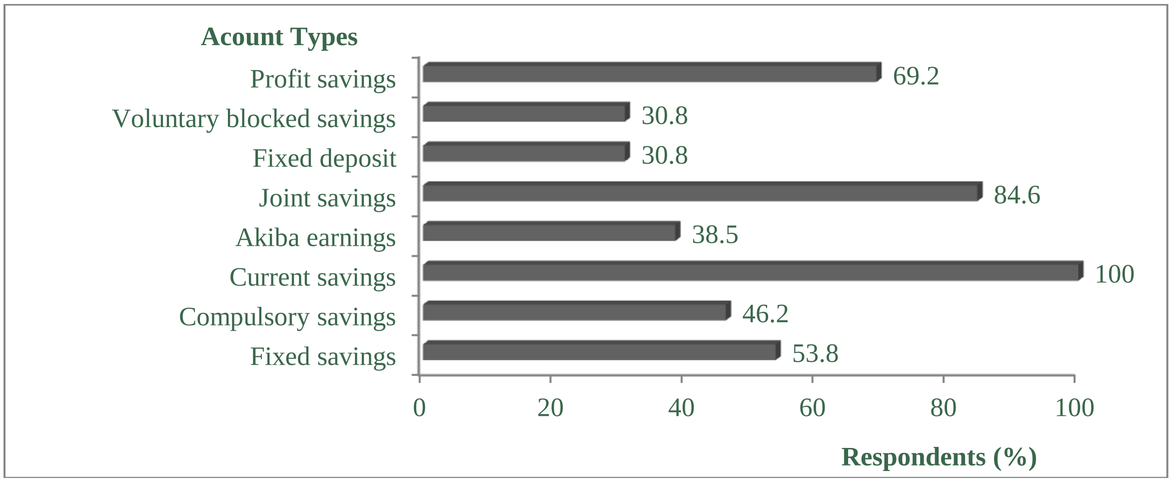


Figure 1 summarizes the various services that were offered to SSEs at the selected branches of Pride Microfinance Ltd. Most the proportions were either close or equal to each other, except the largest one (17%) that represented the service involving the opening of different savings accounts according to clients' preferences. The findings suggest therefore that all the services were offered at all the branches but the most offered service involved opening savings accounts according to clients' preferences. To identify the different savings accounts which were opened for clients, employees were asked to mention these accounts. Findings are summarized in Figure 2.

Figure 2: Types of Savings Accounts offered at Kampala branches of Pride Microfinance Ltd. as reported by employees (N= 13)



The findings in Figure 2 show that the types of accounts mentioned by most of the employees included: current savings accounts (100%), joint savings accounts (84.6%), profit savings (69.2%), and fixed savings accounts (53.8%).

Generally, the findings in Figure 1 and Figure suggest that the Kampala branches of Pride Microfinance Ltd. offered different savings services that focused mainly on opening different savings accounts which included mostly current, joint and profits savings accounts as well as fixed savings. The findings show further that the provided services involved mostly keeping clients' savings (deposits) safely and meeting clients' withdrawal needs. The findings therefore, support the observations made by the Asian Development Bank (2014), Abhay (2010), the International Fund for Agricultural Development (2007), Vallely (2006), Kalala and Ouedraogo (2001), Kapoor (2009), Wright (2000), Scher and Naoyuki (2004), Sherraden (2005) and Rutherford (2000). Each of these writers pointed out at one of the savings services mentioned above, stating that it is a savings service that microfinance institutions are expected to offer to their clients, particularly SSEs.

5.2 OBJECTIVE TWO

This objective was intended to establish the level at which the savings services provided at the selected branches of Pride Microfinance Ltd. were accessible to the SSEs. This objective was met by asking the selected respondents to use a strongly disagree-strongly disagree response scale to indicate how clients accessed the various savings services provided by Pride Microfinance Ltd. Descriptive analysis of their responses led to findings presented in Table 1.

Table 1: Responses of Clients on the Accessibility of the Services Provided by Pride Microfinance Ltd.

Savings services	Level of accessibility on Average		Standard Deviation	
	Clients (n = 143)	Employees (n = 13)	Clients	Employees
The requirements a client is expected to fulfill before opening a savings account at Pride Microfinance Ltd. are not difficult to meet	4.98	4.92	0.150	0.277
Depositing money on a savings account at Pride Microfinance does not involve lining up in long lines	4.88	4.85	0.510	0.376
Depositing money is not time consuming at Pride Microfinance Ltd.	4.39	4.77	1.171	0.599
Withdrawing money from a savings account is not time-consuming at Pride Microfinance Ltd.	3.73	4.69	1.667	0.630
As long as the terms of the opened savings account permit, clients can withdraw the amount of money they need anytime	3.51	4.62	1.694	0.650
Clients find the terms governing the operations of their savings accounts easy to fulfill	2.44	3.69	1.677	0.630
Clients get all their transactions successfully processed in an efficient manner	3.66	4.75	1.643	0.452
Clients use all the savings products offered by Pride Microfinance Ltd. as expected	-	3.69	-	0.630
Savings accounts holders receive training from Pride Microfinance Ltd. regarding how best to use their saved money	2.45	3.51	0.567	0.044
Savings accounts holders are advised about how they can utilize their savings optimally	2.33	3.61	0.998	1.009
Total	3.59	4.31	1.098	0.687

From Table 1, the mean value that tends to '5' when rounded off to the nearest whole number implies 'strongly agree', and therefore a high level of the services' accessibility. That which tends to '4' when rounded off to the nearest whole number points to 'Agree' and is construed to imply low level of accessibility. On the other hand, the mean value that tends to '2' when rounded off to the nearest whole number alludes to 'disagree' and therefore a negligible level of accessibility. From this interpretation, Table 1 indicates that total mean values corresponding to clients and employees were both close to '4'which implies that on the whole the level of accessing the savings services provided at the Kampala branches of Pride Microfinance Ltd. was low. The standard deviations corresponding to both categories of respondents were close to '1', suggesting that dispersion in the response pattern was low. In other words, the responses given by clients and employees as individuals did not deviate much from their respective average responses. All other findings are similarly interpreted.

It is important to note that despite the general picture explained above, the mean distribution corresponding to the specific services reveals that the mean values that were close to '5' for both employees and clients were those that corresponded to the fact that it was not difficult to open a savings account and to deposit money on it. This implies that the level at which these two services were accessible was high. It is also vital to note that while employees felt that depositing money on savings accounts was not time consuming and therefore highly accessible, clients' view was that even if this service was accessible, the level of accessing was low. The same response pattern was recorded as far as withdrawing money, fulfilling the terms set on opened savings accounted, and getting the clients' transactions processed were each concerned. While employees thought that these services were highly accessible, clients felt otherwise as they rated their level of accessibility as low. A quite contrasting response pattern was recorded with respect to the accessibility of the savings services that Pride Microfinance Ltd. provided in terms of training and giving advice. The mean values indicate that while employees felt that the level of clients' access to these services was low, clients felt that it was negligible. Finally, employees indicated that clients' use of all the savings products offered by this institution was low.

Generally, the foregoing findings show that both clients and employees concurred that the level of accessing savings services in form of opening savings accounts and depositing money was high. However, while employees indicated that the accessibility of other savings services varied between low and high levels, clients showed that it varied between negligible and low levels. This suggests that clients' assessment was worse compared to that of employees. Since the survival of all business enterprises, particularly microfinance institutions, depends on how their products or services are perceived by clients, it is important for Pride Microfinance Ltd. that the views expressed by the clients take precedence so that necessary improvements can be made.

5.3 OBJECTIVE THREE

This objective was aimed at ascertaining the level at which the selected SSEs realized business growth in terms of sales volume, profitability, expansion, and product range. The level was established by asking both clients and employees to indicate their views about the growth of the SSEs using the strongly disagree-strong agree response scale. Descriptive analysis of their responses led to findings summarized in Table 2.

Table 2: Business Growth of SSEs as perceived by selected clients and Employees of Pride Microfinance Ltd

Business Growth indicators	Mean		Standard Deviation	
	Clients (n = 143)	Employees (n = 13)	Clients	Employees
Sales revenue realized by clients who keep savings accounts with Pride Microfinance has increased	3.58	3.83	0.510	0.366
An increase has been recorded in the profits earned by clients out of their businesses	4.39	4.37	1.155	0.511
Clients who save with Pride Microfinance Ltd have had their businesses expanding	3.57	4.39	1.622	0.622
Clients are now in position to offer a wider product range	3.61	4.42	1.611	0.633
Total	3.79	4.25	1.644	0.699

The mean values in Table 2 indicate that the both clients and employees of Pride Microfinance Ltd. agreed to the various indicators of the SSEs' business growth. This response pattern was construed to imply that the level of business growth that the SSEs had registered was generally low.

5.4 OBJECTIVE FOUR

This objective was intended to determine whether the level of accessibility of the services offered by Pride Microfinance Ltd. had any relationship with the business growth that the client SSEs attained in terms of sales volume, profitability, expansion, and product range. The relationship was tested using correlation analysis based on the Pearson Product Moment method aided by the SPSS. Findings are shown in Table 3.

Table 3: Relationship between level of accessibility of savings services and level of business growth attained by client SSEs of Pride Microfinance

Growth indicators	Correlation and variation with accessibility of savings services		
	R	R^2	Significance
Expansion	0.399	0.160	0.015
Profitability	0.493	0.243	0.000
Sales	0.566	0.321	0.000
Product range	0.481	0.231	0.000

The R-values in Table 3 indicate how the SSEs' business growth indicators related with the level of accessibility of savings services at Kampala branches of Pride Microfinance Ltd. The values of R^2 are the coefficients of determination that indicate the degree to which the SSEs' business growth varied as a result of variation in the level of accessibility. All the computed levels of significance were less than .05 and the values of R were positive. This implies that the level of accessibility related with the level of each of the SSEs' business growth indicators in a significant and positive manner. As an illustration, the level of the services' accessibility related with expansion of the SSEs' business in a positive and significant manner ($R = 0.399$, Sig. $= 0.015 < 0.5$). This implies that a positive change in the level of the services' accessibility led to a significant improvement in the expansion of the SSEs' business. The corresponding coefficient of determination ($R^2 = 0.160$) suggests that the improvement that the change caused in business expansion was 16%. In other words, if clients targeted expanding their businesses by 100%, accessibility to the savings services provided by Pride Microfinance Ltd. enabled them to expand up to 16% only. Therefore, the effect of the accessibility was weak, its significance notwithstanding.

6. CONCLUSION

The findings indicate that the level of accessibility of savings services and of the growth of the client SSEs' business were both generally low on average, especially from the clients' point of view. The only savings services whose accessibility level was high included opening savings accounts and depositing money on the accounts. Accessibility to the savings services had a positive and significant but weak relationship with the growth of the SSEs. The positive nature of the relationship meant that strengthening it by improving accessibility to the savings services would translate into a significant improvement in the business growth registered by the SSEs in terms of sales revenue, profitability, expansion, and product range.

7. RECOMMENDATIONS

The management of Pride Microfinance Ltd. should improve the accessibility of the savings services as this is destined to translate into significant improvement in the client SSEs' business growth.

Achieving desired improvement should be realized by ensuring that clients' perception of the services' accessibility level takes precedence and putting special emphasis on ensuring that clients use all the savings products offered by Pride Microfinance Ltd. as expected. This calls for advertizing the services and sensitization of the clients about how the services can be used to accumulate capital needed to boost the growth of their businesses.

Acknowledgment: This research paper was funded by Ndejje University, Kampala, Uganda

8. REFERENCES

Abhay, N. (2010). *Savings in microfinance institutions – Legal framework*. [Online]. Available: http://indiamicrofinance.com/savings-microfinance-institutions-legal-framework.html [July 21, 2014)

Anyanwu. C.M. (2004). Microfinance institutions in Nigeria: Policy, practice and potentials. Paper Presented at the G24 Workshop on Constraints to Growth in Sub Saharan Africa at Pretoria, South Africa, November 29-30. [Online]. Available: http://www.microfinancegateway.org/gm/document-1.9.27436/33528_file_28.pdf [July 21, 2014]

Aremu, M. A. & Adeyemi, S. L. (2011). Small and medium scale enterprises as a survival strategy for employment generation in Nigeria. *Journal of Sustainable Development*, 4(1): 200-206.

Asian Development Bank (2014). Microfinance: Financial services for the poor. [Online]. Available: http://www.adb.org/sectors/finance/microfinance [July 21, 2014]

Ayesha, B. (2007). *Entrepreneurship development for competitive small and medium enterprises*. Tokyo: Asian Productivity Organization.

Ayozie, D. O. & Latinwo, H. K. (2010). Entrepreneurial developments and small scale industry contribution to Nigerian national development- A marketing interface. *Information Management and Business Review*, 1(2): 51-68.

Ayozie, D. O. and Latinwo, H. K. (2010). Entrepreneurial developments and small scale industry contribution to Nigerian national development- A marketing interface. *Information Management and Business Review*. 1(2): 51-68.

Ayyagari, M., Beck, T., and A. Demirgüç-Kunt, (2003). *Small and medium enterprises across the globe,* World Bank Working Paper WPS2127.

Byahuranga A (2012). *Microfinance Lending Requirements and growth of small scale enterprises, a case of selected businesses in St Balikudembe Market*". (Unpublished dissertation) Ndejje University, Uganda.

Carcello, J.V. (2008). *Financial & managerial accounting*. McGraw-Hill Irwin

Cook, P., & Nixson, F. (2000). *Finance and small and medium-sized enterprise development.* Journal of Developmental Entrepreneurship, - 6 (1): 22-36.

Daniels, L., & Ngwira, A.(1993). *Results of a nation-wide survey on micro, small and medium enterprises in Malawi*, GEMINI Technical Report No 53. PACT Publications.

Eyaa, S. & Ntayi, J.M. (2010)., *Procurement practices and supply chain performance of SMEs in Kampala.* Department of Procurement and Logistics Management, Faculty of Computing and Management Science, Makerere University Business School.

Fabayo, J.A. (2009). *Small and medium enterprises development strategy: A critical option for sustainable long–term economic development in Nigeria*. A paper presented at the first Annual International Conference on: Effective Management of Small and Medium scale Enterprises for sustainable Economic Development held at Abraham Adesanya Polytechnic, Ijebu-Ode held from 25-27 August.

FAO (2007). *Microfinance and forest-based small-scale enterprises,* Forestry Department

Friends Consult. (2008). *Uganda microfinance industry assessment*. Kampala: Friends Consult.

Government of Uganda. (2011). The 2011/2012 budget speech

Graham A.N.W., & Marguerite, R. (2009). Mobilizing savings. In MicroSave (ed). *Savings: An essential service for the poor*. [Online]. Available: http://www.microfinancegateway.org/gm/document-1.1.7903/Savings_Booklet.pdf [July 22, 2014]

Graham, A.N.W, Christen, R.P., & Imran, M. (2009). Introducing savings into a microcredit institution: Lessons from ASA. In MicroSave (ed). *Savings: An essential service for the poor*. [Online]. Available: http://www.microfinancegateway.org/gm/document-1.1.7903/Savings_Booklet.pdf [July 22, 2014]

Graham, A.N.W. (2009). Two Perspectives on savings services. In MicroSave (ed). *Savings: An essential service for the poor*. [Online]. Available: http://www.microfinancegateway.org/gm/document-1.1.7903/Savings_Booklet.pdf [July 22, 2014]

Gubert, F. (2011). The Impact of microfinance loans on small informal enterprises in Madagascar. A Panel Data Analysis.

Harper, D.A. (2003). *Foundations of entrepreneurship and economic development*. London: Routledge,

Idowu, F.C. (2008). Impact of microfinance on small and medium-sized enterprises in Nigeria, School of Management, Wuhan University of Technology: Wuhan, P.R.China.

International Fund for Agricultural Development (IFAD) (2007). *Sending money home, worldwide*

Kadiri, I. B. (2012). Small and medium scale enterprises and employment generation in Nigeria: The role of finance. *Kuwait Chapter of Arabian Journal of Business and Management Review*, 1(9): 79-93

Kalala, J.M., & Ouedraogo, A. (2001). *Savings products and services in the informal sector and microfinance institutions in West Africa: The case of Mali and Benin. MicroSave–Market-led solutions for financial services*. [Online]. Available: http://www.microsave.net/files/pdf/Savings_Products_and_Services_in_the_Informal_Sector_and_Microfinance_Institutions_in_West_Africa_The_Case_of_Mali_and_Benin.pdf [July 21, 2014]

Kamugisha, B. (2008). *The impact of microfinance institutions on poverty alleviation in Uganda: A case study of commercial microfinance institution Ltd. in Pallisa district*. Kampala: Makerere University (Unpublished M.A (SSPM)),

Kamukama, N., & Natamba, B. (2013). Social intermediation and financial services access in Uganda's microfinance industry", African Journal of Economic and Management Studies, 4(3): 358 – 371. [Online]. Available: http://www.emeraldinsight.com/journals.htm?articleid=17099966&show=html [July 21, 2014]

Kapoor, S. (2009). Savings Services for the poor: An old need and a new opportunity for microfinance institutions in India. In MicroSave (ed). *Savings: An essential service for the poor*. [Online]. Available: http://www.microfinancegateway.org/gm/document-1.1.7903/Savings_Booklet.pdf [July 22, 2014]

Karekaho, S. (2009). *Loan portfolio management and performance of microfinance institutions in Wakiso district*. Makerere University (Unpublished MBA dissertation).

Kasekende, L., &Opondo, H. (2003). *Financing small and medium-scale enterprises (SSEs): Uganda's experience*. Bank of Uganda Working Paper.

Katimbo, M. (1999). *Policies* of *regulating and supervising micro finance the case of Uganda.* The Uganda Banker, 7(4): 33-48

Kayanula, D., & Quartey, P. (2000). *The policy environment for promoting small and medium-sized enterprises in Ghana and Malawi.* Working Series Paper. Manchester: University of Manchester-Institute for Development Policy and Management, ,.

Kehinde, E.F. (2008). Microfinance enterprises (MFIs) in Nigeria: Problems and prospects-questionnaire survey findings. Journal of Financial Management and Analysis, 21(1): 69-76.

Kennon, J. (2013). Total *revenue or total sales: Investing lesson 4 - Analyzing an income statement*. [Online]. Available: http://beginnersinvest.about.com/od/incomestatementanalysis/a/revenue-and-sales.htm [July 22, 2014]

Kisekka, W.S. (2007). *Micro credit and poultry farming in Uganda: The case of Pride Micro Finance in Mukono district.* Makerere University (Unpublished MBA dissertation)

Komunitas, M. (2004). Why do rural credit programs fail? Is it lack of empowerment or other factors? Lessons learned from Indonesian rural micro finance and development programs, *Journal of Rural studies*, 2(4): 7-19. [Online]. Available: http://www.aciar.gov.au/ [July 19, 2014)

Kotler, P., Armstrong, G., Brown, L., & Adam, S. (2006). *Marketing* (7th Ed). London: Prentice Hall.

Krejcie, R.V., & Morgan, D.W. (1970), *Determining sample size for research activities*: *Educational and Psychological measurement 30608*. London: Sage Publications.

Kyokutamba, J.P. (2011). *Cost of borrowing and performance of small scale enterprises.* Makerere University (Unpublished dissertation)

Ledgerwood, J. (1999). *Microfinance handbook: An institutional and financial perspective*. Washington D.C: World Bank.

Madhurantika, M. (2009). Savings behaviour of poor people in the North East of India. In MicroSave (ed). *Savings: An essential service for the poor*. [Online]. Available: http://www.microfinancegateway.org/gm/document-1.1.7903/Savings_Booklet.pdf [July 22, 2014]

Makhbul, Z.M. (2011). Entrepreneurial success: An exploratory study among entrepreneurs. *International Journal of Business Management,* 1(6): 1-10

Makumbi, R., Singh, D., & Kwagala, M.O. (2013). Loan disbursement and utilization for agricultural development for improvement of livelihoods of rural populace in mahdya Pradesh state-india. Nkumba Business Journal, 12: 42-64

Marguerite, R. (1998). *The paradigm shift from credit delivery to sustainable financial intermediation. London: Macmillan.*

Masudur-Rahman, M., & Laila-Arjuman, A. (2009). Implementing financial service policies in developing countries: A case of the Bangladesh financial sector. Journal of international Trade, Law and Policy, 2(8): 22-34

Matovu D (2006). *Micro finance and poverty alleviation in Uganda*. Uganda.

Mkpado, M and Arene, C.J. (2007) *Effects of Democratization of group Administration on the Sustainability of Agriculture Micro credit groups in Nigeria*. International Journal of Rural studies 14(2), 1-

Mullineux, A.W., & Murrinde, V. (2002). *Developing financial structures to foster enterprise development Birmingham*, University of Birmingham, Department of Economics.

Muritala, T. A., Awolaja, A. M., & Bako, Y.A. (2012). Impact of small and medium enterprises on economic growth and development. *American Journal of Business and Management*, 1(1): 18–22.

Nahamya K.W., Ajanga, M., Omeke, M., Tumwine, N., & Nasinyama, M.M. (2013). The impact of microfinance service delivery on the growth of SMEs in Uganda. [Online]. Available: http://dspace.africaportal.org/jspui/bitstream/123456789/34016/1/tapolicybrief43_nahamya3%5B1%5D.pdf?1 [July 21, 2014]

Nanyonjo, J. & Nsubuga, J. (2004). *Recognizing the role of MFI in Uganda*. Bank of Uganda Working Paper WP/04/01/2004.

Ngehnevu, C. B., &Nembo, F.Z. (2010). *The impact of microfinance institutions (MFIs) in the development of small and medium size businesses (SMEs) in Cameroon*: A case study of CamCCUL. Swedish University of Agricultural Sciences Faculty of Natural Resources and Agricultural Sciences (Unpublished Master's Thesis).

Oduyoye, O.O., Adebola, S. A. & Binuyo, A. O. (2013). Financing small business in Ogun State, Nigeria: the critical role of the small and medium enterprises development agency of Nigeria (SMEDAN). *International Journal of Accounting Research*, 1(1): 32-43

Okello, C., Minishi,. M.K.,& Linda, C., & Ikoja, J.R. (2007). *Business activities and Information needs of SMEs in Northern Uganda*: *Prerequisites for an information system*. *Library Management*, 29(4/5): 367-391.

Opiokello, D. (2000). Role of the central bank in developing rural financial markets: The case of Uganda In *After the reforms: Which way forward for central banks in rural finance- Africa Rural Finance Series*. Nairobi: African Rural and Agricultural Credit Association

Osotimehin, K.O., Jegede, C.A., Akinlabi, B.H., & Olajide, O.T. (2012). An evaluation of the challenges and prospects of micro and small scale enterprises development in Nigeria. *American International Journal of Contemporary Research*, 2(4): 174-186

Pickens, M. (2004). Savings-led and self-help microfinance in Cambodia: Lessons learned and best practices. A study commissioned by Pact Cambodia

Polevoi, L. (2013). *Strategies for expanding your business*. [Online]. Available: http://blog.intuit.com/money/strategies-for-expanding-your-business/ [July 22, 2014]

Price, C. (2011). Income disparity. [Online]. Available: beezer notes.com.[July 21, 2014]

Pride Microfinance (2013). *Annual management report.* Kampala: Pride Microfinance Ltd.

Quaye, D.N.O. (2011). *The effect of micro finance institutions on the growth of small and medium scale enterprises (SMEs): A case study of selected SMEs in the Kumasi Metropolis.* Commonwealth (Un Published Masters Thesis)

Rahmat, M., & Maulana, A. (2006). *The impact of microfinance to micro and small enterprise's performance and the improvement of their business opportunity*. Padjadjaran University: Department of Economics..

remittance flows to developing and transition countries. IFAD: Rome.

Rutherford, S. (2000). *The poor and their money*. Oxford: Oxford University Press.

Salinge, H. (2013). The retail banking performance of DFCU. Makerere University (Unpublished M.A Econ. Plan & pol.)

Scher, M.J., & Naoyuki, Y. (eds) (2004). Small savings mobilization and Asian economic development; The role of postal financial services. New York: Sharpe, Inc.,

Sherraden, M. (2005). Saving in low-income households: Evidence from interviews with participants in the American Dream Demonstration. Washington University in Saint Louis: Center for Social Development.

Söhnke M.B., Gregory W.B., & Waller, W. (2013). How important is financial risk? *Journal of Financial and Quantitative Analysis (JFQA)*. [Online]. Available: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2307939 [July 22, 2014]

Suberu, O.J., Aremu, O.S., & Popoola, E.G. (2011). The impact of microfinance institutions on the development of small scale enterprises in Nigeria. Journal of Research in International Business Management, 1(8): 251-257. [Online]. Available: http://interesjournal.org/JRIBM/pdf/2011/November/Suberu%20et%20al.pdf [July 21, 2014)

Ugoani, J.N.N., & Dike, O. N. (2013). Challenges of bank credit among small and medium enterprises (SMEs) in Nigeria. *Journal of Economics and Sustainable Development*, 4(6) 84-90.

Vallely, P. (2006). How Islamic inventors changed the world, *The Independent*. [Online]. Available: http://www.independent.co.uk/news/science/how-islamic-inventors-changed-the-world-469452.html. [accessed July 19, 2014]

Vitez, O. (2009). *What are the effects of profit or loss in a business organization*? [Online]. Available: http://smallbusiness.chron.com/effects-profit-loss-business-organization-824.html [July 22, 2014]

Vitez, O. (2014). Why small & medium enterprises need financing. [Online]. Available: http://www.ehow.com/about_5299931_small-medium-enterprises-need-financing.html [July 20, 2014]

Wanambisi, A.N., & Bwisa, H.N. (2013). Effects of microfinance lending on business performance: A survey of micro and small enterprises in Kitale Municipality, Kenya. *International Journal of Academic Research in Business and Social Sciences*, 3(7): 56-68.

Whonderr-Arthur, J. (2009). *Modern financial management theories & small businesses*. [Online]. Available: http://ezinearticles.com/?Modern-Financial-Management-Theories-and-Small-Businesses&id=2298837 [July 21, 2014].

Wilson, A., Larson, C., & Jacobson, S. (2014). Financing small business enterprises: Sources of information. [Online]. Available: http://www.loc.gov/rr/business/guide/guide3/ [July 21, 2014]

Wright, G.A. N. (2000). *Microfinance systems: Designing quality financial services for the poor*. New York: University Press Limited

Ximena, A. (2009). *Assessing the demand for savings services among microfinance clients in Afghanistan: Research and report*. [Online]. Available: http://www.misfa.org.af/site_files/13613560414.pdf [July 22, 2014].

Zeller, M. (2003). Models of rural financial institutions. Lead theme paper presented at the International Conference held at Washington, DC on Best Practices on paving the way forward for rural finance. June