

CREDIT POLICIES AND BUSINESS SUCCESS ON SMALL SCALE BUSINESS IN  
KABALE DISTRICT HAKASHENYI SACCO

BY

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**DECLARATION**

I A GABA PETER 2019/ A/KBA/0283/F declare that this research report is my original work and has not been published or submitted for the award of degree or diploma in any other institution for any academic award.

**Signature .....**

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## **APPROVAL**

This is to certify that this research report entitled "Credit Policies and Business Success in Small Scale Business in Kabale District Hakashenyi Sacco." has been submitted with my approval as the supervisor.

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## **DEDICATION**

- This research report is dedicated to my beloved parents Mr. Tahungwa John and Mrs Turyashemererwa Stella brother Niwaha Ronald and sister Teyebwa Moreen for their encouragement and advice rendered to me during my course of study and laid a base of foundation for my education.

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## **ABSTRACT**

The study focused on the findings of the credit policies and business success on small scale business in Kabale district Hakashenyi Sacco. The objectives of the study were to establish the credit policy used by small scale business to establish the level of success of small scale business and to establish the relationship between credit policy and success of small scale business.

There was critical review of the issues that have explored and studied both theoretically and empirically in the existing literature on credit policy as an independent variable and business success as the dependent variable and the methods of data collection were put into action. The research used both qualitative and quantitative methods of data collection and analysis. The research used simple random sampling techniques in collecting and analyzing data and was used to provide equal chances to the sample size. Purposive sampling was also used to collect data from respondents that participated in the study. Findings of the study were obtained from the field interpreting the results analyzing basing on the specific objectives of the study. It is recommended that government should promote group loans owned and managed by women because experience across different developed markets has shown that women have a better repayment record and yield a higher cross sell ratio for financial institutions. SACCO's are recommended to adopt information and communication technologies in their businesses because the development of information and communication technology is central, not only for production but also for trade facilitation in both local and international markets. By all means, the government should strive to do everything possible to improve the Microfinance Institutions in which SACCO members operate through improving infrastructure, thus road networks, buildings and communication technologies. The environments should be established in such way that they promote or allow for new enterprises to emerge, existing ones to grow, and the large and small enterprises to coexist by supporting one another.





## CHAPTER ONE

### INTRODUCTION

#### 1.0 Introduction

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

#### 1.1 Background of the study

Globally, In the United States, small scale businesses have been the dominant force in job creation and employment for the economy. The Small Business Administration (SBA) reported that small firms, otherwise known as small businesses, represented 99. 7% of all employer firms and employed 50% of all private sector employment (Bhuiyan, 2019). Small scale businesses also provided employment for more than 45% of the total U.S.· private employment and generated 20-50% of net new jobs annually over the last decade (Coffey, 2016). In a four-year study extending from 2004 2008, it was indicated that small businesses suffered acutely from credit constraint (Mach & Wolken, 2011). Among the various contributions of small businesses were the crafting of new ideas in the existing markets, the making of critical decisions regarding business locations, and the utilization of markets and institutional resources (Singhal, 2015).

In conventional practice, credit is considered an essential marketing tool, acting as a bridge for the movement of services to customers. When a firm advances credit to customers,they become debtors. Debtors represent an investment which must be kept at an optimum level and monitored, and this can be done by establishing a credit policy. Credit policy is a combination of three

decision variables, namely credit standards, credit terms, and collection policy, on which a financial manager has influence. The origin of credit policies can be traced as early as 2000 BC, according to Shekhar (2018). They were developed by ancient Green Law givers in full of regulations governing credit. He speaks of judicial proceedings in which the credit instruments were called for. However, financial institutions like commercial banks have two major functions, and these are mobilizing and accepting deposits from the public. It's aganst these deposits that credits are made as loans to the public in order to generate revenue and profit in terms of interest

income since it changes upon giving credit Musoke (2011), the policies set guidelines for the lending process within an organization, hence proving the framework for the entire management process.

In Africa, the struggle of small businesses in obtaining the credits needed to access loans interferes with their functions, growth, and survivability (Samujh, Twiname, & Reuteman, **2012**). Mostly in Nigeria, Small business credits and loans are handled by banks and other lending institutions; however, these financial institutions may have improperly gathered information via secondhand financial data on their small business clients. There is a tense relationship between firms and banks because of the opacity in information gathering, which leads to credit rationing (CR) among small businesses.

Most of the studies on small business credit have become more widespread in underscoring the small business credit struggle. Accordingly, the groundbreaking theory of Stiglitz and Weiss (1985) on credit and the espousing theory of Kraus (2013) made it known that credit costs more for high-risk loan applicants than for low-risk ones. Both studies concluded that credit works well as a screening device that makes low-risk applicants better off with an imposition of opportunity costs on low-risk applicants with respect to obtaining loans. However, credible information gathering on small business credit is difficult and proves to be an impediment in the struggle small businesses encounter (Garmaise 2010).

In Uganda, Small scale business owners across the country have tried their fair share of struggles in their attempts to acquire adequate credit, and many have begun as entrepreneurs which are crippled in their early formation because of poor credit (Mazure, 2011). Most of the financial institutions such Sacco's under the umbrella of small scale associations have tried to acquire credit through banks and other government grants and donor agencies to sustain its operation.

Microfinance institutions in Kabale District however face a number of challenges in their credit business success process. Some of these problems include credit policies credit standards, credit terms, credit measures and credit insurance. It's on this pivotal note that the researcher tried to find out credit policies and business success on small scale business of Hakashenyi Sacco.

## **1.2 Statement of the problem**

Uganda, small scale businesses have been operating on slow pace due to lack of proper policies to govern credit access in most of the financial institutions such as Sacco's. Credit policy -- ~~clen~~ to overcome the hindrance in credit and loan recovery activities in financial institutions. However, there is still a high non-credit repayment which continuously affects the profitability and success of financial institutions. Over the years performance of SMEs has been deteriorating and majority of them have closed down. This trend of performance could be as a result of SMEs failure to access credit from financial institutions. Most of the businesses are reported to be failing within the first five years while only 5 to 10% survive and make it to maturity (Private Sector Foundation Uganda, 2006). Despite of the above, access to credit by small scale business has remained low. It is on this basis that the researcher conducted the study on credit policies and business on small scale business in Kabale district Hakashenyi SACCO.

## **1.3 Purpose of the study**

The purpose of the study aimed at establishing the relationship between credit policy and business success in Kabale district

## **1.4 Objectives of the study**

- (i) To establish the credit policy used by small scale business.
- (ii) To establish the level of success of small scale business
- (iii) To establish the relationship between credit policy and success of small scale business.

## **1.5 Research questions**

- (i) What credit policies are used in small scale business?
- (ii) What is the level of success of small scale business?
- (iii) What is the relationship between credit policy and success of small scale business?

### **1.5.1 Research Hypothesis**

HO: There is a significant relationship between credit policy and success of small scale business of Hakashenyi SACCO.

H1: Credit policy has an effect on success of small scale business. 3

## **1.6 Scope of the study**

### **1.6.1 Geographical**

#### **scope**

The research was carried out within Hakashenyi SACCO Kabale-Katuna road of Kabale District proximately 6 Kilometers from Kabale town.

### **1.6.2 Content scope**

The study specially confined itself to the effect of credit policy on success *O* small scale business in Kabale district.

### **1.6.3 Time scope**

This study covered the period of five years from 2018-2022 because this was a period when there were more loan defaulters due to Covid-19 outbreak which impended the normal operation of the small scale business.

## **1.7 Significance of the study**

The study will help the shareholders of the financial institutions with vital information of the challenges of credit policy to provide related remedies to the challenges in financial institutions.

The study will be of great help to other researchers in areas of related literature to be reviewed on loan policy and success financial institutions.

The management of Hakashenyi SACCO and other related financial institution will use the study to improve on credit policy with respect to credit procedures and loan management systems so as improved credit policies and consequently improve success of the business.

The study will help the research to acquire skills in making research which will enable him to achieve a qualification of Bachalors in business administration of Kabale University.

## **1.8 Definition of operational terms**

**Credit;** Refers to the source of honour/pride in other words it's the acknowledgement of merit.

**Credit terms;** Are the stipulations under which in an organization grants credit to customers. **Credit risk;** is the potential that the borrowers will fail to reach obligations in regards to the agreed upon terms.

a)

**A credit policy** is a set of terms that lays out how your company will issue credit to its clients a' collect unpaid debts.

**Business** is the activity of making one's living or making money by producing or buying and **selling** products.

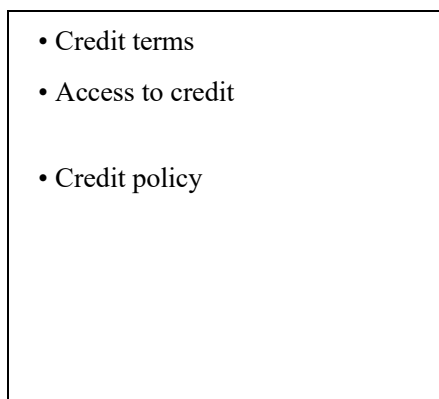
**Business success.** This is when business uses assets, such as human capital, finances, inventory and plant and equipment efficiently and effectively while being environmentally sustainable.

**Small scale business or a small scale enterprise** this is one marked by a limited number of employees and a limited flow of finances and materials.

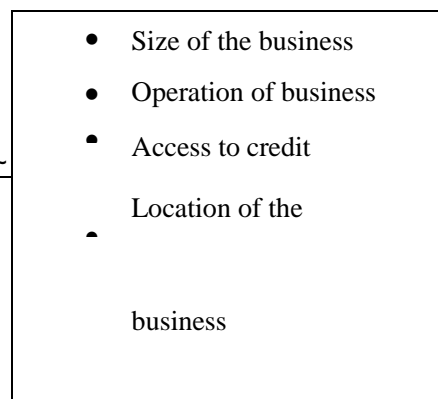
**SACCO** means Savings and Credit Co-operative Society registered under the Cooperative Societies Act.

## 1.9 CONCEPTUAL FRAME WORK

### Independent variable (Credit)



### Dependent variable (small scale business)



### Intervening variable



**Figurel. Conceptual frame work**

~ the conceptual frame work above credit policies which is independent variable has attributes such as credit terms, access to credit and credit policy which is linked to dependent variable which is small scale business indicated by size of the business, operation of business, access to credit, location of the business and there are other factors such as government policy, credit terms and conditions, financial policy and social economic factors which either affect credit policies or small scale business.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter reviewed the relevant literature that has been advanced by many writers, authors and internet sources in the field of credit policy and success of small scale business.

#### 2.1 Credit policies used by small scale business

Credit terms involve both the length of credit period and discount rate given. Van Home (2014). Myres (2018) including the amount to evidence the credit the terms of the credit refers to the decisions relating to loan size, security on loan, loan minimizing balance and cost of credit. The loan amount recommended by credit and repayment in women's scale enterprises must be not be too little to satisfy the projects needs to borrowers (Girma 2016)

Kakuru (2018) defines credit policy as asset of rules and guidelines to minimize the costs related with credit while maximizing the benefit from it. These policies are imposed by the people within the organization in order to run their day- today of credit policies. Menallghton (2016)

· noted that a good credit policy is written down to ensure operational consistency and adherence to uniform and sound practice. It establishes a common credit language through an organization which is critical to participate consistency and continuance and as institution grows diversity and delegates lending authority and responsibility. A good credit policy should involve effective initiation, analysis credit monitoring and evaluation.

Accessing co finance is a major factor affecting the growth and success of SMEs. The adequate access to financing is critical to enable SMEs to contribute to the economic development of the nation (Ishaka, 2013).

Credit financing involves the procurement of interest bearing instruments, secured by asset-based collateral and have term structures (Nderitu & Githinji, 2015).

The structure could be long-term, short-term or trade credit. To finance working capital, most SMEs rely on internal financing, and or short-term credit from suppliers, and or specialized financial products like factoring. In case of capital expenditures, which normally represent larger amounts than working capital needs, SMEs rely on internal financing, often involving fresh

Aral injections from shareholders (World Bank, 2014). Long-term funds are not suitable for short-term projects as they burden the firm with costs of servicing unnecessary debt. Similarly, short-term debts are not appropriate for financing long-term projects since the loan may have to be repaid before the end of the project (Vuyor, 2022).

Kakuru (2011) defined credit policy as an asset of policy actions designed to minimize costs associated with credit while maximizing the benefit from it. The objective of this policy is to have optimal investments, proper payment from debtors and to see that profitability and liquidity are realized.

Aronen (2013), credit policy is a combination of three decision variables namely credit standards credit terms and collection policy on which a financial manager has influence.

Bell (2010), defined credit policy as the institutions methods of analyzing credit requests and its decisions criteria for accepting and rejecting applicants. This is many to save the applicants so as avoid borrowers with a high default risk.

Although credit policy streamlines credit advancement to customers, it has costs which must be weighted against benefit to ensure that efforts of administering that is there must be a tradeoff between committing funds to the investment of receivables instead of same other investments Brown Bridge (2012).

Efforts to honour their obligation this moral factor is of considerable importance in credit . evaluations capacity according to Bluhm (2013) is a subjective judgment of a customer's ability.

This can be judged by assessing the customers' capital and assets which he may double of security.

Capital refers to the financial position of the firm as indicated by analysis ratios and trends in a firm's cash and working capital position the credit manager should determine the real worth of assets offered as collateral security Auronen (2012).

Collateral is the real worth of assets offered as collateral (security) to the failure to honour as obligation the financial institutions can sell the collateral to recover its loan (Kyabugimbi

- SACCO Annual Report (2018).



Adl (2011) the prevailing economic conditions that will affect the customers' ability to pay. The adverse economic conditions can affect the ability or unwillingness of a customer to pay a **redit** manager will be able to judge the extent and genuineness to which the customers' ability

**pay** is affected by economic conditions. Financial institutions seek information about the company. The type of business they are in and the purpose of the Loan (bank report 2019).

### **-21.1 Credit terms**

Credit terms are defined as the length of time over which credit is extended to a customer and the discount if any for early repayment Boyes (2009).

Gohary (2005), credit terms are stipulations under which a firm extends credit to its customers these help financial institutions to come up with the amount of credit to be extended credit terms way include the issues like credit period, maturity of a loan, minimum balance and cost of the credit.

Credit period looks at the length of time for which credit is expected to customers it will be the time from the application to the time of disbursement/ receipt of the loan. Gohany (2005) defines maturity as the life that is the period it takes to mature with interest there on.

Koch (2000), borrowers are sometime asked by financial institutions to maintain balance in relation to amounts borrowed. This compensates to the financial institutions in case of default hence called compensatory balances.

Cost of credit the interest charged on loans different financial institutions charge differently in most cases overhead costs. Credit terms, also involve both the length of the credit and discount given Boyes (2018).

#### **2.1.2 Collection policy**

Collection policy refers to the procedures the firm follows to obtain payment of past dues, the firm determines its overall collection policy by the combination of collection procedures it under takes, Boyer (2018). These procedures include letters, phone calls, personal visits and legal action Brown Bridge (2003).

n Bridge (2003) argues that economic conditions and the company's credit policy are the underlying influences on the level credit. He contends that accounts receivable accumulation

•rs<son how the credit granting decision is taken. He concludes that monitoring and follow up procedures on slow payments are also a principle cause of accounts receivable accumulation. He recognized the need for collection policy and aggressive collection policy because very few customers are willing to pay in time. The collection efforts must aim at accelerating collections from slow players and reducing bad debts losses therefore defaults will occur when customer recognize that the firm has no will to enforce repayment procedures.

his crucial to examine the role of which remittances for credit are received over time this helps in tracing the chronological pattern according to which receivables created during a given interval are converted in to cash Vabile (2012).

:: is observed that once credit has been extended on organization has to decide the duration of the credit, the amounts and period of cash discounts and the credit instruments to be used.

Grace period varies from financial institution to financial institution; however, the common period is 3 months given to borrowers in commercial banks Gorter (2010).

Payment period according to Bluhm (2013) varies from loan to loan is different financial institutions depending capacity of the financial institution for most commercial banks. The general repayment period is between 3-5 years.

### **2.1.3 Effectiveness of credit policy**

Kakuru (2011) stresses that effective loan portfolio management includes that; strategic planning is important because it defines the goals and objectives of the loan portfolio and provides the board of directors' opportunity to anticipate conditions and react accordingly.

Kakuru (2011) further says that lending policies and procedures provide direction and control over lending operations of financial institutions and should exist for each lending programme authorized by the financial board of directors. All policies and procedures should specifically address the banks analysis and documentation of loans, loan serving requirements and the collateral evaluation process.

**Boyes** (2006), however noted that financial institutions should try to establish a unique lending policy what worked for one financial institution will not necessarily work well for another financial institution. Financial institutions should follow the following prime factors while designing a loan policy.

**Bank** Annual Report (2019) annual bank financial report observed that it's obvious to most bankers that lending is the largest source of revenue for most. Financial institutions however, it is not as equally apparent that the bankers realize lending also provides the greatest exposure to assets of banks or financial institutions assets. Baxtey also identified some of the loan control elements for good management to utilize.

Credit policy requires a credit report and other detailed information on your borrowers checking with the customer previous banker is also vital and assures the bank that only credit worthy borrowers obtains loans from your bank Allan et al., (2011)

Ssekitetek0 (2019) loans should be directly reviewed by the directors and directors should also question loans that are not considered with the financial institutions policy and past due loans.

Brown Bridge (2013), government owned financial institutions frequently suffer political present

- in making credit decisions while private financial institutions are at times owned by interest groups whose major objectives is to access funds to finance related enterprises and provide liquidity to their grants, there is also a problem of insider borrowing .

## **2.2 Level of success of small scale business**

Hennie (2009) identified that sound banking system is built on profitable and adequate capitalized bankers. Business success is a revealing indicator of a bank's competitiveness in banking markets and of its quality of management it allows a bank to mention a certain risk profits and provide acquisition against short term problems. Business success is an indicator of a

- bank's capacity to carry risk and to increase its capital.

Sources of information about business success, the main source of business success information is the earning and the quality of the institutions portfolios and the targets of its expenditures generally the main source of the financial institution income have been interest Brown Bridge

∴ 3). Provisions are made to compensate for the improved value of the related loan principle and interest due Grandy (2010).

ijoriga (2003) banks as financial institutions have diversified into non-traditional markets and ger perform only a simple intermediate function of deposit taking and tending incomes from her source have become a significant contribution to the bottom line commercial banks usiness success appears to be largely contributed by income generated from knowledge based activities including services and from trading based activities in securities acquire foreign exchange and money markets.

### **2.2.1 Calculating profitability based on business success**

*r* is not sir, lple to a determine and calculate profitability because of the factors that have agreed mmpact on it and make it is very hard to predict in order to calculate profit we need to be certain of the following, Ntayi (2017).

Turnover which is the total gross income of business from sales/services over a given period of rime it takes no account of profit or expenses. It is simply a record of money coming into the business overheads which include the expenses which are generally charged to business. They are costs which a business has to meet regardless of any trading activity for example insurance, security, rent and lighting Clebove (2007). Operating costs incurred in the actual running of business. These costs include payment of wages and salaries to employment and others.

Verahughes et al..., (2018) noted that no business can without making a profit. The following types of profits were identified. The gross profit that a business makes before deducing any

- expenses for example if a business buys stock worth\$ 4000 and fell it for\$ 4500, its gross profit would be \$500. Money profit, this is the each difference between the cost price and selling price of goods for example if a business cost price of an item is \$3500 and the selling price is \$5200 then the difference of \$1700 would be its money profit. Net profit which is the profit a business makes after deducting all relevant expenses from the example above the business must deduct apportion of the cost of wage insurance, rent and all the other operation expenses. Percentage profit as an expression of profit as percentages of cost of sales or sales of articles this gives rise to make up and margin markup is the profit expressed as a percentage of the cost of sales while a margin is profit expressed as a percentage of sales.

### **Relationship between credit policy and success of small scale business.**

Finance and accounting literature evaluate SMEs performance by applying financial ratios such as profitability ratios, liquidity ratios, market ratios, and debt ratios, yet these are just the last performance indicators, as they are in fact, influenced by how firms perform in terms of their efficiency and productivity, and how inputs and product prices change (Amornkitvikai, 2016). However, SMEs performance may be measured using objective, subjective and operational measures.

Financial measures (derived from the accounts of a company) are referred to as objective measures because they can be individually measured and verified. Traditional statement of financial performance, statement of assets and liabilities and management account, are not enough

effectively measure performance of businesses, which are seeking to survive and add shareholder/owner value. Measuring performance in SMEs requires identifying what the business does in terms of levels of processing and attaching key performance indicators to those processes (Madole, 2013). He observed that credit obtained from banks improves business performance in terms of increased business profit, increased employees, increased sales turnover, increased diversification, increased business capital and assets as well as reduction of poverty among customers. In addition, (Chong, 2008) noted that financial measures include profit before tax.

According to (Barash, Suhail, & Jabbar, 2014) the nonfinancial measures of performance of SMEs include employee growth, customer satisfaction, satisfaction with performance or competitors and overall satisfaction. Based on the source of financing, performance of SMEs can be measured in terms of solvability ratio, and coverage of interest (Popa & Ciobanu, 2014). Availability of finance determines the capacity of an enterprise in terms of choice of technology, access to markets, and access to essential resources, which in turn greatly influences the viability, and success of a business (Mugunchu, 2013). A new business start-up with high growth potential may use grant funding to develop a product before moving onto funding from business angels, venture capitalists or banks once the product is developed (Business Department for business innovation and skills, 2012).

## **2+ Research gap**

According to the literature review above credit policy improvement seem to be higher when measuring the success of investment towards the development of Hakashenyi SACCO as it provide means to business success to properly manage their financial resources just as the other authors in chapter two have made it to seem. Therefore no study that has been conducted on credit policies and business success on small scale business in Hakashenyi Sacco and therefore **he** researcher intends to investigate the study.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### - Introduction

This chapter consists of the study design to be used, study area, study population and sample

**section**, sources of data, research instruments which are questionnaires, interview schedule and = analysis

#### 3.1 Research design

The researcher applied survey research design where both quantitative and qualitative methods ~~were~~ applied to collect and analyze data that was collected. Qualitative data was used to establish the relationship between the independent and dependent variables.

#### 3.2 Study area

The study was basically conducted in Hashenyi SACCO Kabale district along Kabale-Katuna road.

#### 3.3 Study population

The study population 100 was selected from Hashenyi Sacco and it included management staff and customers of Hashenyi SACCO Kabale district.

#### 3.4 Study sample

A sample of 80 respondents was used in the study and it was represented by four departments responsible for the credit policy. The section area, the loan internal auditors finance customers and accountants, sectors composed as below

| Section           | Population | Sample size |
|-------------------|------------|-------------|
| Loans             | 35         | 30          |
| Internal auditors | 10         | 10          |
| Finance           | 15         | 15          |
| Accounts          | 05         | 5           |
| Customers         | 35         | 20          |
| <b>Total</b>      | <b>100</b> | <b>80</b>   |

Source: Primary, 2022

### **3.5 Procedures for data collection**

After the topic has been approved, the researcher got an introductory letter from the Head of department Kabale University which introduced him to the Hakashenyi SACCO where the study was conducted. After the permission have been granted the researcher contacted the respondents to fill the questionnaires. The questionnaire was administered and interviews carried out afterwards collected compile the report.

### **3.6 Data sources**

This was based on the type of data collection used during this research.

#### **3.6.1 Primary Data**

Data required for the researcher was got in the field and obtained the necessary information at the sources of from real respondents.

#### **3.6.2 Secondary data**

The data was obtained from various textbooks, journal, magazines, newspapers, reports and brochures.

### **3.7 Data collection instruments or methods**

#### **3.7.1 Questionnaires**

The questionnaires were administered to target respondents and in all fifty respondents were administered. The questionnaire was used because precise questions were asked so that all the responses can be added together accordingly and meaningfully. It is also convenient as it covers a large population. However this method involved high risks of none response.

#### **3.7.2 Observation**

The method consists of a set of specific techniques including the use of participating and nonparticipating techniques. It was used where other methods are not possible and it is advantageous because the researcher gets firsthand information by him or herself. In this case the checklist is of great importance.

#### **3.7.3 Documentary analysis**

The research was carried out by the researcher mostly requesting for records such as monthly expenditure and for assessment documents.



### **3.8 Data presentation and analysis**

After collecting the data, the researcher compiled, collate, edit and classify the results. The qualitative data was summarized and categorized and it was also analyzed and presented using statistical tables and percentages.

### **3.9 Anticipated limitations of the study**

- The study was hindered by financial constraints as it required a lot of money to cater for transport, stationary printing and binding among others, however, the researcher stocked for sponsors from relatives and friends to finish the study.

The study was limited by lack of enough time to collect data given the nature of activities. The researcher used a time frame that was convenient for him to collecting and presenting data collected.

False information was another limitation of the study. This was because some respondents could give false information especially on the questionnaire guide. However, this was solved by cross

- checking and re-crosses checking with the management of the study.

The study was also limited by the bad weather as the time expected to collect the data was interfered by rainy season and this affected the study progress. This problem was solved by the researcher by equipping him or himself with rain coat and heavy sweaters or carrying umbrella during the study.

Failure to meet respondents during data collection was necessitate the researcher draw more appointments which was usually consuming time and costly. This was solved by making very appointments and schedules them much earlier to the respondents.

## CHAPTER FOUR

### DATA PRESENTATION, INTERPRETATION AND DISCUSSION

#### OF RESEARCH FINDINGS

##### 4.1. Introduction

This chapter presents findings of the study, which were presented according to the objectives of the study; such as various credit policy used by small scale business, the level of success of small scale business, the relationship between credit policy and success of small scale business and the socio demographic characteristics of respondents were also shown below.

##### 4.2. General profile about respondents

###### 4.2.1. Gender of respondents

Respondents were asked about their gender status and their responses were indicated in the table below.

**Table 1: Gender of respondent**

| Gender       | Frequency | Percentage (%) |
|--------------|-----------|----------------|
| Male         | 48        | 60             |
| Female       | 32        | 40             |
| <b>Total</b> | <b>80</b> | <b>100</b>     |

**Source: Primary source 2022**

From table 1 above, 48(60%) of the respondents were males and 32(40%) of the respondents were females who were obtained as a result of interviewing. This shows that all sexes were represented in the study however males dominated the study as most of them borrow money from the Sacco and others were the employees of Hakashenyi Sacco.

#### 4.2.2 Age of the respondents

The researcher found out information from ages of the respondents that were interviewed and these were shown in the table below.

**Table 2: Age of the respondents**

| Age                      | Frequency | Percentage (%) |
|--------------------------|-----------|----------------|
| 18-24 years              | 18        | 23             |
| 25-35 years              | 25        | 31             |
| 35 years & above         | 37        | 46             |
| <b>Total respondents</b> | <b>80</b> | <b>100</b>     |

**Source: Primary source 2022**

From the table above, 18(23%) of the respondents from the area of study were in the age bracket of 18-24 years that were obtained from interviews, 25(31 %) of the respondents were between 25 . 35 years who were obtained from questionnaires and 37(46%) of respondents were between 35 years & above. This indicates that the majority of the respondents were between 35 years & above which means that this age group was more involved in participating and taking their time to understand the investigation of the study.

#### 4.2.3 Level of education.

The respondents were asked about their level of education and their responses were indicated in the table below.

**Table 3: Level of education**

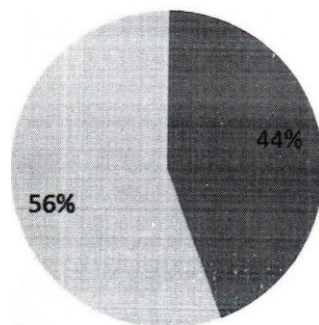
| Education level | Frequency | Percentage (%) |
|-----------------|-----------|----------------|
| Secondary level | 34        | 43             |
| Tertiary level  | 46        | 57             |
| <b>Total</b>    | <b>80</b> | <b>100</b>     |

Source: Primary source 2022

**Figure 1: A pie chart showing education level of respondents**

### level of education

■ 1 2



- From the table3 and figure 1 above, 34( 43%) of respondents were secondary leavers and 46(67%) of the respondents were tertiary and University leavers. This implies that a good number of respondents are well educated and so they understood the study that was carried out and hence gave out informed responses.

#### **4.2.4. Marital status of the respondents**

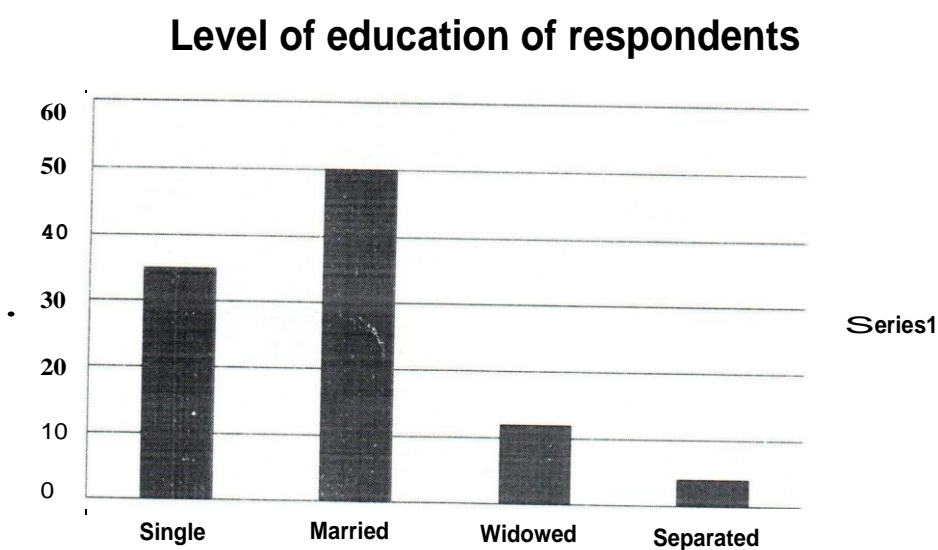
The research found out information from marital status of the respondents that were interviewed and these were shown in the table below.

**Table 4: Showing marital status of the respondents**

| Marital status | Frequency | Percentage |
|----------------|-----------|------------|
| Single         | 28        | 35         |
| Married        | 40        | 50         |
| Widowed        | 9         | 12         |
| Separated      | 3         | 04         |
| <b>Total</b>   | <b>80</b> | <b>100</b> |

Source: Primary source 2022

**Figure 2: A bar graph showing marital status of the respondents**



As indicated in the table above, the majority of the respondents were married with 40(50%), 28(35%) of the respondents were single 9(12%) of the respondents were widowed and 3(4%) of the respondents had separated. This indicates that most of the respondents who participated in

- the study were married which means they work closely with the microfinance institutions for the betterment of their families.

### 4.3 Credit policy used by small scale business of Hakashenyi Sacco

Table .5: Credit policy used by small scale business of Hakashenyi Sacco

| Credit policy used by small scale business of Hakashenyi 'Sacco | Agree     |    | Not Sure  |    | Disagree  |    | Total     |     |
|---|-----------|----|-----------|----|-----------|----|-----------|-----|
|   | Frequency | %  | Frequency | %  | Frequency | %  | Frequency | %   |
| Long term   | 28        | 54 | 16        | 46 | 00        | 00 | 80        | 100 |
| Short term  | 22        | 50 | 20        | 45 | 02        | 05 | 80        | 100 |
| Medium term   | 18        | 41 | 24        | 54 | 02        | 05 | 80        | 100 |
| Yearly  | 16        | 36 | 19        | 43 | 09        | 21 | 80        | 100 |
| Monthly   | 30        | 68 | 14        | 32 | 00        | 00 | 80        | 100 |
| One year  | 26        | 59 | 16        | 36 | 02        | 05 | 80        | 100 |

Source: Primary source 2022

From the table above, 28(54%) of the respondents agreed that Long term is credit policy used by small scale business of Hakashenyi Sacco, 16( 46%) of the respondents were not sure and none of the respondents disagreed that Long term is credit policy used by small scale business of Hakashenyi Sacco Kabale district.

The findings of the study indicates that 22(50%) of the respondents agreed that Short term is one of the credit policy used by small scale business of Hakashenyi Sacco, 20(45%) of the respondents were not sure and 2(5%) of the respondents disagreed that Short term is one of the credit policy used by small scale business of Hakashenyi Sacco.

Medium term as agreed by 18( 41%) of the respondents is also another type Medium term, 24(54%) were not sure and 2(5%) of the respondents disagreed that Medium term is one of the credit policy used by small scale business of Hakashenyi Sacco.

From the table above, 16(36%) of the respondents agreed that yearly is one of the credit policy used by small scale business of Hakashenyi Sacco, 19( 43%) were not sure and 921%) of the respondents disagreed that that yearly is one of the credit policy used by small scale business of Hakashenyi Sacco Kabale district.

From the findings of the study in table above, 30(68%) of the respondents totally agreed that Monthly is one of the credit policy used by small scale business of Hakashenyi Sacco Kabale district, 14(32%) were not sure and none of the respondents disagreed.

The findings of the study also indicates that 25(59%) of the respondents agreed that one year is one of the credit policy used by small scale business of Hakashenyi Sacco, 16(36%) of the respondents were not sure and 2(5%) of the respondents disagreed that one year is one of the credit policy used by small scale business of Hakashenyi Sacco.

#### 4.4 Level of success of small scale business

**Table 6: Level of success of small scale business**

| Level of success of small scale business | Agree     |    | Not Sure  |    | Disagree  |    | Total     |     |
|--|-----------|----|-----------|----|-----------|----|-----------|-----|
|  | Frequency | %  | Frequency | %  | Frequency | %  | Frequency | %   |
| Individual members savmgs                | 30        | 68 | 14        | 32 | 00        | 00 | 80        | 100 |
| Increased wellbeing of members           | 24        | 54 | 16        | 36 | 04        | 09 | 80        | 100 |
| Increased loan level                     | 22        | 50 | 22        | 50 | 00        | 00 | 80        | 100 |
| More shares of                           | 28        | 64 | 12        | 27 | 02        | 05 | 80        | 100 |

|                              |    |    |    |    |    |    |    |     |
|------------------------------|----|----|----|----|----|----|----|-----|
| members                      |    |    |    |    |    |    |    |     |
| Loan Recovery plan           | 25 | 57 | 19 | 43 | 00 | 00 | 80 | 100 |
| Follow up of group members   | 20 | 45 | 20 | 45 | 04 | 09 | 80 | 100 |
| Accessibility of the members | 37 | 84 | 07 | 16 | 00 | 00 | 80 | 100 |
| members income from savings  | 24 | 55 | 16 | 36 | 04 | 09 | 80 | 100 |

**Source: Primary source 2022**

From the table above, 30(68%) of the respondents agreed that level of success of small scale business were determined and 14(32%) were not sure and none of the respondents disagreed that Individual members savings determines the level of success of small scale business.

- From the study findings, 24(54%) of the respondents agreed that support to Increased wellbeing of members determines level of success of small scale business, 16(36%) were not sure, 4(9%)
- of the respondents disagreed that Increased wellbeing of members determines level of success of small scale business.

The study findings from the table above shows that 22(50%) of the respondents agreed that Increased loan level of success of small scale business, 22(50%) were not sure, none of the respondents disagreed that Increased loan level of success of small scale business.

From the table above, 28(64%) of the respondents agreed that More shares of members, 12(27%) were not sure and 02(5%) disagreed that More shares of members determines level of success of small scale business of Hakashenyi Sacco.

From the table above, 25(57%) of the respondents agreed that Loan Recovery plan determines level of success of small scale business Hakashenyi Sacco, 19(43%) were not sure, and none of the respondents disagreed that Loan Recovery plan determines level of success of small scale business of Hakashenyi Sacco.



The findings also revealed that Follow up of group members determines level of business success which was indicated by 20( 45%) of the respondents agreed, 20( 45%) were not sure and 04(09%) of the respondents disagreed that follow up of group members determines level of success of small scale business.

The findings also found out that Accessibility of the members determines level of profitability of level of success of small scale business which was revealed by 37(84%) of the respondents agreed, 07 (16%) were not sure and none of the respondents of the respondents disagreed that Accessibility of the members determines level of success of small scale business.

The findings also indicate that 24(54%) of the respondents revealed that members income from savings determines the level of success of small scale business of microfinance institutions, 16(36%) of the respondents were not sure and 4(9%) disagreed that members income from savings determines the level of success of small scale business of microfinance institutions of Hakasheny Sacco .

- A respondent who was interviewed from Mumwiga cell Kamugangizi sub-county said that "More shares of members increase the level of success of small scale business of Microfinance Institution. He explained that at the start of the SACCO, in 2016 members had only 500 shares but after a period of 6 years, shares had been increased from 500 to 1020 shares which he said had put the SACCO on another level of income".

From an interview which was conducted by the researcher and the manager revealed that "Follow up of group members and clear loan recovery plan had effectively increased on the level of success of small scale business of Hakashenyi SACCO".

#### 4.5 Relationship between credit policy and success of small scale business.

**Table 7: Relationship between credit policy and success of small scale business.**

| Relationship between credit policy and success of small scale business.       | Agree     |    | Not Sure  |    | Disagree  |    | Total     |     |
|---|-----------|----|-----------|----|-----------|----|-----------|-----|
|   | Frequency | %  | Frequency | %  | Frequency | %  | Frequency | %   |
| Credit access   | 28        | 64 | 16        | 36 | 00        | 00 | 80        | 100 |
| Repayment period  | 19        | 43 | 20        | 45 | 05        | 12 | 80        | 100 |
| Performance and savings deposited   | 30        | 68 | 14        | 32 | 00        | 00 | 80        | 100 |
| Interest rates are increased the profitability of Microfinance also decreases | 17        | 38 | 13        | 29 | 04        | 09 | 80        | 100 |
| Firm size and Economic efficiency   | 22        | 50 | 18        | 41 | 04        | 09 | 80        | 100 |
| Income of the members   | 24        | 55 | 20        | 45 | 00        | 00 | 80        | 100 |

**Source: Primary source, 2022**

- From the table above, 28( 64%) of the respondents agreed that relationship between credit policy and success of small scale business, 16(36%) were not sure and none of the respondents disagreed that credit access has a relationship between credit policy and success of small scale business of microfinance institutions.

From the table above, 19(43%) of the respondents agreed that Repayment period has a relationship between credit policy and success of small scale business, 20( 45%) were not sure and 5(12%) of the respondents disagreed that Repayment period has a relationship between credit policy and success of small scale business.

From the table above, 30(68%) of the respondents agreed that Performance and savings deposited has a relationship between credit policy and success of small scale business, 14(32%) of the respondents were not sure and none of the of the respondents disagreed that Performance and savings deposited has a relationship between credit policy and success of small scale business of Hahashenyi Sacco.

The findings from the table above also shows that 17(38%) of the respondents agreed that Interest rates are increased the profitability of Microfinance also decreases had a relationship between credit policy and success of small scale business of Hahashenyi Sacco, 13(29%) of the respondents were not sure and 4(9%) of the respondents disagreed that increased the profitability of Microfinance also decreases has a relationship between credit policy and success of small scale business of Hahashenyi Sacco.

From the table above, 22(50%) of the respondents agreed that Firm size and Economic efficiency has a relationship between credit policy and success of small scale business, 18( 41 % ) of the respondents were not sure and 4(9%) of the respondents disagreed that Firm size and Economic efficiency has a relationship between credit policy and success of small scale business .

- The findings from the table above also shows that 22(55%) of the respondents agreed that Income of the members has a relationship between credit policy and success of small scale business, 20( 45%) of the respondents were not sure and none of the respondents disagreed that Income of the members has a relationship between credit policy and success of small scale business of Hahashenyi Sacco.

## **CHAPTER FIVE**

### **DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter presents discussion into the findings basing on the objectives of the study which

- includes establishing the credit policy used by small scale business, to establish the level of success of small scale business and to establish the relationship between credit policy and success of small scale business.

#### **5.1 Discussion of findings**

##### **5.1.1 Credit policy used by small scale business**

From the study findings, long term with 45% was the most type of credit policy used by small scale business of Hakashenyi SACCO and this is supported by Moreno (2021) who stated that long term is accompanied by simple interest rate is the principal is denoted by **P**. Rate: Rate is the rate of interest at which the principal amount is given to someone for a certain time, the rate of interest can be 5%, 10%, or 13%, etc. The rate of interest is denoted by **R**.

The study findings also revealed that short term with 30% was another Credit policy used by small scale business of Hakashenyi SACCO and this is in line with APPS (1991), short term policy are regarded as purely monetary phenomenon, a payment for the use of money. The possession of the actual money wills our disquietude and the 6 premium which we require to make us part with the money is the measure of the degree of our disquietude.

The findings of the study also revealed that medium term which had 25% was Credit policy used by small scale business of Hakashenyi SACCO and this is line with credit terms.

Credit terms are defined as the length of time over which credit is extended to a customer and the discount if any for early repayment Boyes (2009). Gohary (2005), credit terms are stipulations under which a firm extends credit to its customers these help financial institutions to come up with the amount of credit to be extended credit terms may include the issues like credit period, maturity of a loan, minimum balance and cost of the credit.

### **5.1.2 Level of success of small scale business**

From the study, Individual member's savings was one of the determinants of the Level of success of small scale business. 8% of the respondents revealed that individual members savings was one of the best Level of success of small scale business and is in agreement with Atawodi and Ojeka (2012) who explained that, the choice of members to save highly increases on the business success majority of Hakashenyi SACCO.

The study findings also indicated that increased wellbeing of members was one of the best Level of success of small scale business of Hakashenyi SACCO, 13% of the respondents revealed that

- support to level of success of small scale business branch and this is in line with (Atawodi & Ojeka, 2012) that the increased well-being comprise of the level of income from each member.

The findings of the study also indicated that economic growth was one of the levels of success of small scale business. 20% of the respondents revealed that increased loan level of success of small scale business and this is in agreement with Ohene, (2004) Small and Medium Enterprises have always been considered an important force for economic development and industrialization in smaller economies.

The findings of the study also show that raising internal revenue was one of the levels of success

- of small scale business. 64% of the respondents revealed that raising internal revenue was one of the effects of the level of success of small scale business and this is in line with Baurer (2005) developing countries such as Ghana are usually struggling in terms of raising internal revenues for development.

The study findings also indicate that increased gross domestic production is one of the levels of success of small scale business 57% of the respondents revealed that increased domestic gross production was one of the level of success of small scale business and this is in agreement with (Aryeetey, 2001) Microfinance are also believed to contribute about 70% to Ghana's gross

- domestic product and they account for over 90% of businesses in Ghana (Aryeetey, 2001). In line with the various statements noted above, it is reasonable to state that interest rates therefore

have a crucial role to play in stimulating growth, generating employment and contributing to poverty alleviation, given their economic weight in African countries.

The findings of the study also indicate that easy accountability was one of levels of success of small scale business. 45% of the respondents revealed that easy accountability was one of the levels of success of small scale business and this is in relation with Atawodi and Ojeka (2012), the authorities and the administrators of high interest rates should seek to balance their individual member and assistance role from the government.

The study findings also show that accessibility of the members were one of the levels of success of small scale business. 24% of the respondents revealed that accessibility of the members were one of the level of success of small scale business and this is in agreement with (Baurer, 2005) that they do not only generate more new jobs than large firms or macro-enterprises but also introduce innovative ideas, products, and business methods. However, literature has not contributed much in exploring the negative credit policies and business success on small scale business in developing countries.

### **5.1.3 Relationship between credit policy and success of small scale business.**

The study findings revealed that credit policies to business success were one of the major relationship between credit policy and success of small scale business 30% of the respondents revealed that credit access to capital was one the relationship between credit policy and success of small scale business by members of Hakashenyi SACCO and this is in agreement with Longenecker et al. (2005) and Oketh (2000) who found out that improper planning and poor management have been posited as main causes of failure for Microfinance Institutions. Lack of credit policy has been identified as one of challenges facing SACCOS and that hinders their growth towards International marketing. And with the current trends of globalization, SACCOS are facing a turbulent environment in which competition is intensifying whilst their size and other existing constraints remain the same.

The findings of the study also show that physical infrastructure was one of the relationship between relationship between credit policy and success of small scale business, 18% of the respondents revealed that repayment period was one of the relationship between credit policy and success of small scale business and this is in line with Akwani (2007) suggests that basic

repayment period required for an individual member economic development, such as good roads, ample power supply, and good rail and river transportation facilities, are in very poor shape in most African countries. In addition to the problems noted above, the information and communication infrastructure in most African countries are weak.

- The study findings also show that lack of support for the government was one of the relationships. 68% of the respondents noted that lack of support for the government was one of the relationships and this was in agreement with Mambula (2002), despite existing policies on financial support for Institutional, very few entrepreneurs receive financial help when they need it. He found out that that 72 percent of entrepreneurs he studied in Nigeria considered lack of financial support as number one constraint in developing their business. Although in some African countries banks are by law required to set aside a certain percentage of their profits for small business loans, many banks would rather pay a fine than make what they believe to be a high risk loan to SACCO's.

The study findings also indicate that interest rates are increased the success of microfinance also decreases were one of the challenges faced by small scale business. 38% of the respondents showed Interest rates are increase the success of microfinance also decreases with Li (2004)

provides evidence that International marketing knowledge is depending on the relevance and depth of marketing information available to the firm. It was also found out that insufficient supply of microloans is a major issue, particularly where business creators are unemployed persons, women or form part of ethnic minorities .

- The study findings also revealed that firm size and economic efficiency were seen as one of the relationships between the two variables. 55% of the respondents revealed that relationship between credit policy and success of small scale business and this is agreement with Hamisi (2011) indicates that high interest rates. on SACCO have the necessary where with to improve its situation, not only in terms of their resources, but also in terms of supply chain strategy for international regulations and standards.

The findings of the study indicated that lack of access to bank loans were one of the relationships between credit policy and success of small scale business. 41 % of the respondents revealed that lack of access to bank loans was one of the relations by and this is in agreement with (Honohan

and Beck, 2007) Access to bank loans and direct government financial support are reported in surveys of entrepreneurs as a serious concern for Microfinance Institutions in Africa.

The study findings also indicate that lack of financial support was one of the challenges faced by small scale business. Majority of the respondents with 70% revealed that lack of financial support was the greatest relationship between credit policy and success of small scale business and this is in line with Honohan and Beck, 2010. African firms finance a significant percentage of their investment with internal funds, about 68 percent. This observation highlights lack of financial assistance to small-scale enterprises. Policies to address this problem should be established with input from lending Institutions.

### **5.3 Conclusion**

The study concluded that; various types of credit policy used by small scale business microfinance institutions of Hakashenyi SACCO in Rubanda district as they include; long term, short term, medium term, yearly, monthly, and one year. Different level of success of small scale business include; individual members increased wellbeing of members, Increased loan level, More shares of members Loan Recovery plan, Follow up of group members and accessibility of the members. Relationship between credit policy and success of small scale business as they included; Credit access, Repayment period, Performance and savings deposited, Interest rates are increased the profitability of microfinance, Firm size and Economic efficiency and Income of the members.

### **5.4 Recommendation**

#### **5.4.1 Credit policy used by small scale business**

From the study findings, it is recommended that;

From the study findings, government should sensitize members of the SACCO's about different credit policies used and their repayment period in order for the members of the SACCO to be prepared in advance about the repayment period of the Microfinance Institutions.



It is also advised that the government should promote group loans owned and managed by women because experience across different developed markets has shown that women have a better repayment record and yield a higher cross sell ratio for financial institutions.

SACCO's are recommended to adopt information and communication technologies in their Microfinance Institutions because the development of information and communication technology is central, not only for production but also for trade facilitation in both local and international markets.

It's recommended that Hakashenyi SACCO should redesign its credit policy so as to make credit management more effective to reduce on loan losses and write offs.

In order to enhance debt repayment and reduce loan default, Hakashenyi SACCO should devise means of motivation and facilitation of the staff because the respondents cited uncommitted management, unsequenced and unqualified staff as problems that can be linked with ineffective credit management and this consequently affects the success of small scale business.

#### **5.4.2 Level of success of small scale business**

From the study findings, it is recommended that;

To curb some of the challenges experienced by microfinance institutions, as revealed by this study, entrepreneurship education and training is required. This is important since most small scale business lack managerial and entrepreneurial competences. Thus, the government should strive to improve intellectual capacity among SACCO members on entrepreneurship education by expanding and strengthening tertiary education particularly in small scale business development and project management. The levels of managerial and skill competences can also be improved by encouraging members to make use of programmes offered by government agencies.

It is also suggested that members of the SACCO should participate in networking colloquiums where they share their testimonies on interest rates success, challenges they are facing to sustain or grow their Microfinance Institution and come upon with possible solutions. Although, the government may be making efforts in dealing with the reluctance of commercial banks to offer Microfinance Institution loans because they do not have collateral security, the government

could assist by developing a supporting legal and regulatory framework that protects SACCO members from high interest and providing collateral to banks.

To address the problem of credit defaulters due to inadequate documentation of customers the bank should ensure constant training of the staff and ensuring that the lending procedures are properly documented and understood by every credit officer to ensure its success.

The researcher also recommends that Hakashenyi SACCO should give incentives to their customers like cash discounts to customers who pay back the loan in time, this will encourage customers to pay back loans promptly and reduce loan default and bad debts which increase on business success.

#### **5.4.3 Relationship between profitability of Microfinance Institution**

From the study findings, it is recommended that;

An effective legal and regulatory framework promotes competition by avoiding excessive restrictive licensing requirements and allows international and regional banks with better small scale business -lending tools to enter the market. In addition, to curb the problem of collateral and lending issues, it is also recommended that policymakers and small scale business consider the loan Bank-type model which is based on the voluntary formation of small groups of underprivileged people and is meant to provide loans to those SACCO members without collateral, which is normally a hindrance to access finance by a member. This will help ease some of the challenges faced by members as they will then work together in solving them.

By all means, the government should strive to do everything possible to improve the business environment in which SACCO members operate through improving infrastructure, thus road networks, buildings and communication technologies. The environments should be established in such a way that they promote or allow for new enterprises to emerge, existing ones to grow, and the large and small enterprises to coexist by supporting one another.

#### **5.5 Suggested areas for further research**

Further research should be done on the challenges faced by financial intuitions Enterprises (SACCO's) in Obtaining Credit in Kabale district, south western Uganda.

Another research should also be done on impact of credit ration in financial institution.  
Further study should also be done on loan management and client satisfaction at Hakashenyi SACCO.  
Another study should be done on effectiveness of credit policy and its relationship with small scale business at Hakashenyi SACCO.  
More focus should be on small scale business calculate its profitability at Hakashenyi SACCO.

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## APPENDICES

### APPENDIX I: QUESTIONNAIRE

**Dear respondent,**

I am **AGABA PETER** student of Kabale University carrying out a research study entitled "**Credit Policy and business on small scale business in Kabale district Hakashenyi sacco**". Your information will be considered with confidentiality and only academic purposes for the partial award of Degree in Bachelors of business Administration of Kabale University.

Thank you very much for the time rendered

May the almighty God bless you.

#### SECTION A. BIO DATA

Tick or fill the most appropriate

1 Gender

- (a) Male
- (b) Female

2 Age

- (a) Below 25
- (b) 25-44
- (c) 44-60
- (d) Above 60

3 Education level

- (a) Certificate
- (b) Diploma
- (c) Degree
- (d) Others specify

4 Marital status

- (a) Single.

- (b) Married
- (c) Widow
- (d) Divorce
- 5. occupation

## SECTION B: CREDIT POLICY USED BY SMALL SCALE BUSINESS.

Choose the appropriate alternative from;

- b) Agree
- c) Not Sure
- c) Disagree

as indicated in the table below

| Assertion   | Agree |   | Not Sure |   | Disagree |   | Total |   |
|-------------|-------|---|----------|---|----------|---|-------|---|
|             | F     | % | F        | % | F        | % | F     | % |
| Long term   |       |   |          |   |          |   |       |   |
| Short term  |       |   |          |   |          |   |       |   |
| Medium term |       |   |          |   |          |   |       |   |
| Yearly      |       |   |          |   |          |   |       |   |
| Monthly     |       |   |          |   |          |   |       |   |
| -----       |       |   |          |   |          |   |       |   |
| One year    |       |   |          |   |          |   |       |   |
| Two years   |       |   |          |   |          |   |       |   |
| Five years  |       |   |          |   |          |   |       |   |

Others specify .....  
 .....

**SECTION C: LEVEL OF SUCCESS OF SMALL SCALE BUSINESS**

Choose the appropriate alternative from;

- a) Agree
- b) Not Sure
- c) Disagree

as indicated in the table below

| Assertion                                    | Agree |   | Not Sure |   | Disagree |   | Total |   |
|--|-------|---|----------|---|----------|---|-------|---|
|  | F     | % | F        | % | F        | % | F     | % |
| Effective financial management               |       |   |          |   |          |   |       |   |
| Support to business start-up                 |       |   |          |   |          |   |       |   |
| Economic growth                              |       |   |          |   |          |   |       |   |
| Raising internal revenue                     |       |   |          |   |          |   |       |   |
| Increased gross domestic<br>Production (GDP) |       |   |          |   |          |   |       |   |
| Easy accountability                          |       |   |          |   |          |   |       |   |
| Employment opportunities                     |       |   |          |   |          |   |       |   |
| Equal distribution of goods                  |       |   |          |   |          |   |       |   |

Others specify .....

**SECTION D: RELATIONSHIP BETWEEN CREDIT POLICY AND SUCCESS OF SMALL SCALE BUSINESS.**

Choose the appropriate alternative from;

- a) Agree
- b) Not Sure
- c) Disagree

as indicated in the table below

| Assertion  | Agree |   | Not Sure |   | Disagree |   | Total |   |
|--|-------|---|----------|---|----------|---|-------|---|
|  | F     | % | F        | % | F        | % | F     | % |
| Credit access  |       |   |          |   |          |   |       |   |
| Repayment period   |       |   |          |   |          |   |       |   |
| Performance and savings deposited  |       |   |          |   |          |   |       |   |
| Interest rates are increased the profitability of Micro finance also decreases |       |   |          |   |          |   |       |   |
| Firm size and Economic efficiency  |       |   |          |   |          |   |       |   |
| Income of the members  |       |   |          |   |          |   |       |   |
| Credit access  |       |   |          |   |          |   |       |   |
| Repayment period   |       |   |          |   |          |   |       |   |



|  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|
| Performance and savings deposited  |  |  |  |  |  |  |  |  |
| Interest rates are increased the profitability of Micro finance also decreases |  |  |  |  |  |  |  |  |

Others specify .....

**THANK YOU**

## **APPENDIX II: INTERVIEW GUIDE**

**Dear respondent,**

I am **AGABA PETER** student of Kabale University carrying out a research study entitled

**"Credit Policy and business on small scale business in Kabale district Hakashenyi sacco.** Your information will be considered with confidentiality and only academic purposes for the partial award of Degree in Bachelors of business Administration of Kabale University.

1. What are the different sources of credit at Hakashenyi sacco?
2. What are credit policies applied at Hakashenyi sacco?
3. What is the rate of business success at Hakashenyi sacco
4. How the interest rates are increase on success Hakashenyi sacco?
5. What is the effect of credit policy on business success in microfinance institutions in  
Kabale district?
6. What advice can you give the manager to increase on the success of Hakashenyi sacco?

**Thank you very much for the time**