International Journal of Entrepreneurship and Business Management

Vol.2, No.1, 2023
e-ISSN: 2808-716X
Pp. 1-18

Microfinance Institution Services and Performance of Small and Medium Enterprises in Kabale District Uganda

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https://doi.org/10.54099/ijebm.v2i1.575

ARTICLE INFO

Research Paper

Article history:
Received: 15 April 2023
Revised: 9 May 2023
Accepted: 20 May 2023

Keywords: Microfinance Institution, Small and Medium Enterprises, Performance, SMEs

ABSTRACT

This study evaluated the performance of small and medium businesses in Kabale District in relation to microfinance institution services. The precise goals were to determine how financial literacy education, managerial skill development, and marketing assistance provided through SME clubs and marketing associations affected the performance of small and medium-sized businesses. The study was descriptive in nature, and the data collecting and analysis methods used were quantitative. A questionnaire was used to collect data from a sample of 71 different SME owners and other relevant informants. Microsoft EXCEL and SPSS Version 22.0 were used to analyze the data and produce both descriptive and inferential statistics. The study concluded. Savings literacy, debt literacy, and investment literacy programs helped business owners safely manage their income, expenses, and savings, make clear financial decisions, repay loans on time, and diversify their investments, all of which boosted the performance of SMEs. By enhancing SME governance, boosting business vision through achieved goals and plans, and inspiring employees to work hard for better, the development of managerial skills positively impacted the performance of small and medium-sized enterprises. This ensured SMEs' capacity to compete, survive, and thrive in a dynamic environment. The study further supported the idea that SMEs performed better when marketing was facilitated through SME clubs and marketing groups.

1. INTRODUCTION

A microfinance institution is a business that offers low-income and jobless people financial services. These offer loan services to customers looking to launch small and medium-sized businesses. Microfinance organizations provide loans and educate individuals on how to manage their finances and businesses in order to help them advance their economies. Low-income individuals who were unable to access financial services at the time were given microfinance as a means of combating poverty (Iskamto & Ghazali, 2021; Iskamto & Jenita, 2020; Lamin, 2022; Yadewani, 2022).

Microfinance institutions provide services to ensure that money reaches customers in the most ethical way possible. Among other things, these services included loans for businesses, loans for agriculture, and money transfers. Performance describes how SMEs come to a decision to achieve an objective. The term "performance" is frequently used to assess the work completed by an organization and to gauge competitiveness. The effectiveness of SMEs was evaluated based on their profitability, employment rates, pace of expansion, and sales volume. (Moses *et al*, 2022)

When it comes to the services provided by microfinance institutions, SMEs in Kabale have had difficulties. In other words, compared to banks, microfinance institutions charge higher interest rates, require significant collateral security, and lack the humanity to be patient with business owners, seizing property even if a borrower still owed only 1% of the principal borrowed. Small and medium-sized businesses (SMEs) have historically had poor financial results, particularly in developing countries like Uganda where they make up a sizable component of the economy. This issue is mostly the result of the difficulties in finding high-quality MFI services, particularly in Kabale Municipality (Agaba et al., 2022).

The performance of SMEs in Kabale District in terms of profitability, sales, and employee turnover has turned into a concern. Many SME owners continue to report low profits, low sales, and high employee turnover despite the provision of MFI services like as loans, marketing support, savings mobilization, financial literacy, and managerial skills, among others (Moses et al., 2022). Due to their subpar performance, these SMEs run the risk of going out of business soon.

Numerous studies have been conducted to determine the relationship between strong SMEs performance and microfinance institution services such loans, marketing facilitation, savings mobilization, financial literacy, and managerial skill development. For example, Mutai (2019) discovered that enhancing managers' and employees' abilities boosted competency and the ability to make sensible business decisions, which resulted in good performance. Given that no empirical research has been conducted to assess the relationship between MFI services and the performance of SMEs in the area, the situation in Kabale district is still alarming. This study looked at the impact of microfinance institution services on the performance of small and medium-sized businesses in Kabale District in an effort to reduce the gap. The study's primary goal was to determine how microfinance institution services affected the performance of small and medium-sized businesses.

The Specific objectives of the study were:1. To determine the effect of the Provision of Financial Literacy on the performance of small and medium enterprises in Kabale District. 2. To examine the effect of Development of Managerial Skills on the performance of small and medium enterprises in Kabale District. 3. To assess the effect of Marketing Facilitation through SME Clubs, and marketing associations on the performance of small and medium enterprises in Kabale District.

2. LITERATURE REVIEW

2.1. Financial Literacy on the performance of small and medium enterprises

The ability to set and reach financial goals, plan ahead and make wise choices about future spending and saving, particularly in anticipation of periods of low or irregular income, develop risk management strategies, and responsibly manage debt are all made possible by having a solid understanding of financial literacy. Numerous researches have concluded that SME owners need to be financially literate. Being financially literate means having a certain set of knowledge, beliefs, and practices. It relates to a person's capacity for sound judgment and efficient decision-making about the usage and management of money, according to Nkundabanyanga and Kasozi (2014). They further stated that this person has a favorable outlook on the responsible and effective management of financial matters.

That is, the ability to recognize the differences between various financial opportunities and openly discuss money and financial challenges. It also includes the capacity to comprehend, assess, control, and explain aspects of one's own financial situation that have an impact on one's wellbeing (Chepkemoi, 2017). To manage SME business operations in today's complex and evolving market, financial literacy is essential. According to Mutai (2019), governments around the world are establishing financial education plans with the aim of offering a variety of learning opportunities in order to increase financial literacy in their populations.

Menike (2019) defines financial literacy as "teaching of the knowledge, skills, and attitudes required to adopt good money management practices for earning, spending, saving, borrowing, and investing." By having a basic understanding of finance, individuals and groups may make sensible financial decisions, such as how to manage family spending and save money. In their study, Mallinguh et al. (2020) found that financial literacy programs help customers understand fundamental financial ideas and develop the ability and discipline to apply knowledge to make wise personal and financial decisions. In order to manage their money and make wise financial decisions, clients need financial literacy lessons,

according to Muthoka (2017). They also need to be aware of how to use the knowledge they have learned.
Customers who participate in financial literacy programs learn how to control their emotions and are more equipped to recognize psychological factors that affect their financial decisions (Menike, 2019). Savings and credit management, financial planning, loan administration, investment choices, bookkeeping, budgeting, and financial negotiation are among the basic client financial literacy activities offered by microfinance organizations.

The financial decisions made by the owners, which might range from borrowing to managing working capital to saving, have a big effect on how profitable micro and small businesses are. Given that micro and small businesses have a considerable impact on economic activity in most countries, a lack of financial understanding or poor financial behavior could be damaging to the firm's future (Mwangi, 2012).
In a global economy, good financial habits boost competition, whereas bad ones lead to firm closures. According to Swain et al. (2018), a firm financial foundation of the business owners is a crucial indicator of the success and expansion of the firms in a market that is competitive.

2.2. Effect of Development of Managerial Skills on the performance of small and medium enterprises

current studies on The various research on managerial abilities as measured in conceptual skills that have surfaced and been reviewed as business literature in relation to SMEs growth are typical examples of conceptual skills. According to these studies, conceptual skills are an effective organizational business resource that supports and contributes to the expansion of SMEs and has the ability to manage impending challenges, the creation of organizational planning, and business operations to meet development goals. Agyapong and Attram conducted a study in 2019 on the effect of managerial skills on the growth of SMEs in Pakistan. 256 SMEs were chosen using a stratified random sample. In order to implement strategic planning more successfully, the study indicates that developing SMEs must have strong conceptual abilities because weak conceptual abilities make it difficult to achieve sustainability and growth. The findings showed that conceptual skills had a favorable effect on the growth of SMEs. Therefore, he asserted that strategic planning serves as a mediator in the interaction between conceptual talents and the growth of SMEs. According to Menike (2019), who looked at a variety of skills and the growth of medium-sized businesses in Punjab, Pakistan, conceptual managing skills are an essential area of expertise for financial management.

This suggests that in order to help the firm with accounting, maintenance, budgeting, and managing financial resources from a range of business domains, all of which they carefully listed, own-managers need financial knowledge. It thus offers a thorough empirical investigation of the connections between managerial conceptual expertise and the expansion of SMEs.

In a study on managerial perspectives on the problems relating to the growth of Pakistan's SME sector, Mutai (2019) asserted that companies with strong and multiple conceptual skills can use their capital efficiently by incurring low costs and helps to encourage financial growth, leading to the consistent accumulation of multiple resources and utilization of the resources as a result of sustainable growth and profitability.
According to Idowu (2014), the firm's performance improved significantly as a result of the conceptual managerial talents combined with numerous administrative and analytical measures. The growth and sustainability of the competitive market is aided by the fact that the abilities needed differ depending on the stage of the company's activities. It makes sense that failing to consider the dimensions on which management conceptual talents are utilized means restricting development and hindering SMEs' expansion. Combining functional knowledge, management skills, and managing conduct has an impact on management competency. For instance, networking, money management, and marketing skills are required (Kyale, 2015).

Idowu (2014) asserts that untrained workers deliver goods and services of a far lower standard. The majority of Ugandan businesses have grown up through apprenticeship, which makes it clear that they lack the technical education, know-how, and skills required to compete in today's fiercely competitive marketplaces. According to Abiodun (2016), management is in responsible of establishing the appropriate internal financial controls to retain the necessary financial records. The business owner must make decisions regarding the kind and manner of marketing, the marketing budget, the subject matter and timing of advertisements, the price strategy, staffing, and employee development. As a result, managers of SMEs engaged in manufacturing must undergo training.nAccording to Kalio (2016), managers may boost firm profitability and add value by reducing inventory, speeding up the cash conversion process, and reducing the number of days that their accounts are past due.

2.3. Effect of Marketing Facilitation through SME Clubs, marketing associations on the performance of small and medium enterprises

According to Berger et al. (2019), marketing facilitation is a method for systemic change that transcends individual participants and has an impact on many. It has application to a wider context. The creation of market systems requires the assistance of organizations. By communicating with the system's many players from outside the system, facilitators increase the efficiency of the market system. Their main role is active and catalytic, promoting changes in a market system without taking part in it by empowering others to take action rather than taking it on themselves. Market facilitation seeks to permanently connect and reconnect market players such that everyone benefits from these relationships, not just the facilitators (Kalio, 2016). It does this by analyzing the primary barriers that SME owners face from a wide systemic viewpoint.

Instead of delivering short-term services to one firm or one community, marketing facilitation enables organizations to update the entire chain of links, benefiting not just a businessman but all other stakeholders as well. Market facilitation motivates market participants to implement long-lasting improvements that will lead to more competitive, inclusive, and robust market systems. 2018 World Bank.

Kogei (2015) asserts that because members of SME groups have engaged in the process, marketing facilitation enhances their support for decisions. The best efforts of groups frequently yield better results than those of individuals. The group produces more when more people participate. The resources and knowledge that members of marketing associations have access to are not otherwise available (Cherugong, 2015). Through membership in a marketing association, SME owners can connect with other marketers, learn from them, and develop their own talents. Membership in a marketing association also provides access to knowledge and expertise that members can use to forge profitable commercial relationships and alliances. For their members to meet new prospective clients and partners, marketing groups offer networking opportunities (Muthoka, 2017). Additionally, marketing associations allow their members the chance to communicate with one another and exchange thoughts and experiences, which aids in their professional and personal growth.

Menike (2019) contends that marketing groups give their members a voice when discussing issues and ideas relating to marketing. Members of associations can also take advantage of a range of services, including networking opportunities, training and educational possibilities, and more. Additionally, marketing associations help members form stronger ties with one another, which can be helpful when looking for collaborators for collaborative marketing initiatives or campaigns (Cherugong, 2015). Entrepreneurs' marketing skills have a significant impact on growth because of the external competency of the target market linkage (Muraga & John, 2015). Target market linking skills enable businesses to proactively arrange and create harmonic alliances while foreseeing customer preferences and needs.

The enterprise behavioral theory and the RBV, which have a significant impact on the strategic orientations of competitive resources in SMEs, are consistent with the findings of Mallinguh et al. (2020).

Muthoka (2017) asserts that the SME's ongoing market responsiveness and its ability to swiftly meet the frequently shifting needs of its clients by utilizing efficient strategic market resources (market orientation, competitive intensity, and technological dynamics) and equipping are evidence of the SME's competitive growth. Marketing associations give their members access to shared resources and a collective voice, which helps to improve marketing effectiveness (Guliman, 2015). Associations also provide their members with networking opportunities, allowing them to meet key figures in their industry as well as possible clients. Additionally, marketing associations offer their members options for training and education that enable them to develop their talents and acquire new marketing strategies (Mutai, 2019).

Small and medium-sized enterprises (SMEs) in Africa were the subject of research by Muriithi (2017), who examined their contributions, difficulties, and solutions. The goal of the study was to find out how participation in entrepreneurship programs affected small enterprises' operational efficiency and pace of growth. Data was gathered from both primary and secondary sources, and descriptive and inferential statistics were used to examine the results. The study found that, compared to SMEs without this kind of experience, those 27 owners and managers who had prior experience in entrepreneurship programs shown superior managerial practices and had faster growth rates in terms of gross margin. This had the practical implication that small business owners and managers needed exposure to entrepreneurship programs in order to improve their performance and transition to medium and large organizations. Kalio (2016) examined the effect of microfinance lending on the financial performance of enterprises in Kenya using Nakuru East Sub-County as a case study. The study used a sample of 74 SMEs from the sub-county. The descriptive survey approach of the research design used both questionnaires and interviews. The population of the study consisted of SMEs in Kwale County who benefited from training given by the World Bank as part of the Kenya Coastal Development Project. A simple random sampling process was used to determine the sample size.
The study's findings demonstrated that SMEs' productivity and profitability were increased through financial literacy training. The study discovered that SMEs' profitability is impacted by financial literacy, and it recommended that financial institutions train these companies to become more knowledgeable about the financial products they can access. Although just a questionnaire was utilized in this study to collect data from the respondents, interviews were also used in a prior study to collect data. The Kenya Rural Enterprise Program (KREP)'s microenterprises in Kisii County performed better when training was provided at a higher unit rate.
According to Simeyo et al.'s (2011) study, training in microenterprise investing had a significant positive effect. According to the report, the majority of respondents were very happy with the financial commitment and instruction in crucial business skills provided to investors in microbusinesses. Njoroge (2013) investigated the relationship between financial literacy and entrepreneurial success in Nairobi County, Kenya. The study intended to ascertain whether there is a relationship between entrepreneurial success and SMEs success by interviewing a sample of 79 registered and active entrepreneurs in Nairobi County. The samples came from a population of 27,485 SMEs who took part in a study on financial literacy and SMEs success, out of a total population of 28.

The association between financial literacy and prosperous SMEs was subsequently determined through data analysis. The study's findings revealed that most business owners outperformed the national average and that all SMEs that were assessed shown some level of financial literacy. Highly successful businesspeople scored highly on financial literacy tests, according to research. The more unsuccessful business owners in the informal sector displayed stagnating growth and low levels of financial awareness. The study's findings indicate a significant link between financial literacy and business performance in Nairobi County. Additionally, it was demonstrate that SMEs' financial literacy is a key factor in both their success in the authorized and illicit sectors.
The report asserts that business owners and entrepreneurs need to be literate in order to succeed in their pursuits. The current study used the same financial literacy tests as were used in the previous one. This study fills the vacuum left by the previous one, which relied on interviews. This was discovered in the results of the microenterprises with a standardized beta coefficient of 0.281.

3. METHODS

3.1. Research Design

A descriptive survey methodology was employed in the study. A survey is used to collect first-hand information for describing a population that is too large to be observed directly (Iradukunda and Agaba, 2021). Participants in surveys provide information about themselves by responding to the researcher's questions (Nuwagaba et al., 2021). In this study, information was acquired from study participants using a self-administered questionnaire that the researcher physically handed them. Because it accurately captures or takes into account the characteristics of a particular person, situation, or group, such as their behavior, opinions, abilities, beliefs, and knowledge, a descriptive survey was chosen. This selection of a design satisfies the objectives of the study (Turyasingura et al., 2022).

3.2. Population and sampling

3.2.1 Study population

The total number of participants or the study area that the researcher is interested in is referred to as the study population, according to Patience et al (2022). 71 respondents—retail store owners, attendants, cashiers, SACCO owners, restaurants, schools, hard goods, pharmacies, and anyone else with the relevant information—took part in the study in Kabale town and district. They were willing to provide that information after taking into account how sensitive the research population study was to MFI services.

3.2.2. Sample size

The entire population was represented by a sample. A type of purposive sampling approach involves examining the complete population or the general population that possesses a particular set of traits. The majority of SMEs in the Kabale district had comparable 34 knowledge, abilities, and experience, thus the researchers adopted this approach. As a result, 71 individuals were selected from the general public to participate in the study. Thirty salon owners, fifteen shop owners, five Sacco owners, ten school owners, five drug store owners, and six restaurant owners made up this group.

Table 3.1: Population and sample size distribution

Respondents	Population	Target sample
Retail shops	15	15
Sacco owners	5	5
Schools' owners	10	10
Drug shops owners	5	5
Restaurants owners	6	6
Salons	30	30
Total	**71**	**71**

Source: KMC (2017)

3.3. Data Analysis

To avoid errors during entry, the data was cleansed, modified, and coded. After that, the data underwent the necessary cleaning, processing, and analysis. Version 22.0 of the Statistical Package for Social Sciences (SPSS) was used for data processing and analysis.

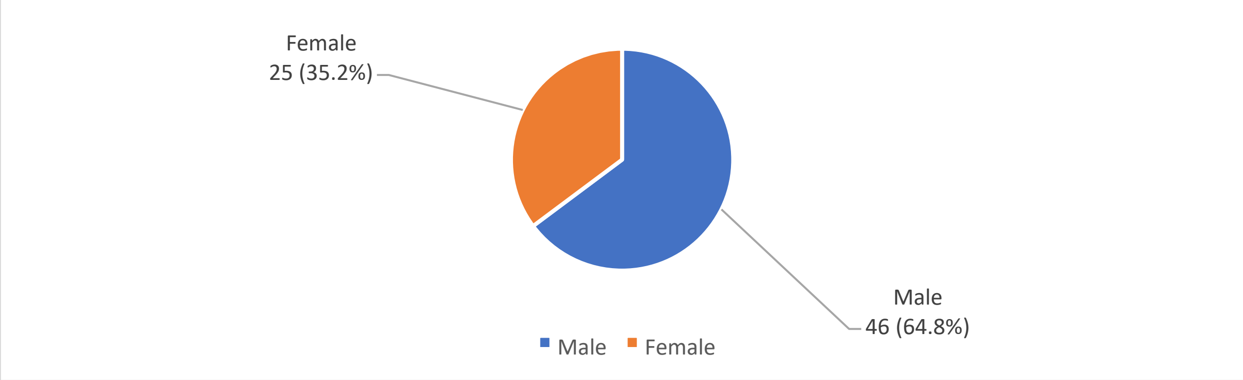
As descriptive statistical tools, frequencies, means, modes, standard deviations, and variance were used to analyze data at the univariate level. As inferential statistical tools, spearman's correlation and regression analysis were used at the bivariate and multivariate levels, respectively, to test for significant associations between dependent and independent variables.

4. RESULTS

4.1 Socio-demographic characteristics

The main demographic factors that were looked at in this study were age, marital status, degree of education, and business sector. To determine if the sample characteristics accurately represented the respondents' backgrounds, background information was gathered.

Figure 4.1: Gender of the respondents (n = 71)



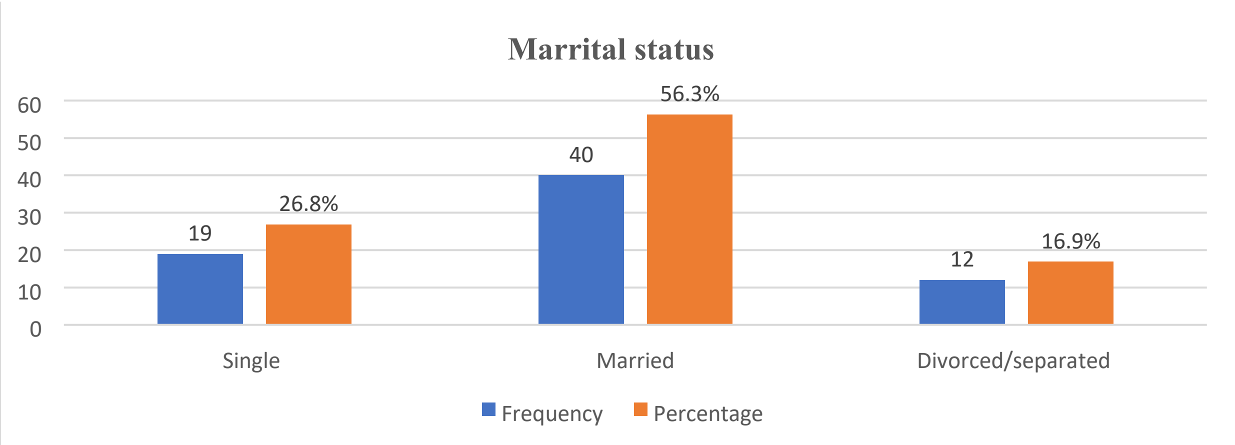
According to figure 1 above, 64.8% of respondents were men and 35.2% were women. The bigger number of men participating in the study than women was a depiction that the SMEs sector in the area has attracted more men than women.

Table 4.1: Age bracket of the respondents

	Category	Frequency	Percentage
Age	20 – 25	7	9.8
	26 – 30	12	16.9
	31 – 35	30	42.3
	36 +	22	30.9
	Total	***n*= 71**	**100.0**

Results in table 4.1 indicate that 42.3% of the respondents were aged 31 – 35, 30.9% above 36 years whereas 16.9% and 9.8% were aged 26 – 30 and 20 – 25 years respectively.

Figure 4.2: Marital status of the respondents (n = 71)



More than a half (56.3%) of the respondents were married, 26.8% non-married while 16.9% were separated and divorced respectively.

Figure 4.3: Educational qualification of the respondents (n = 71)

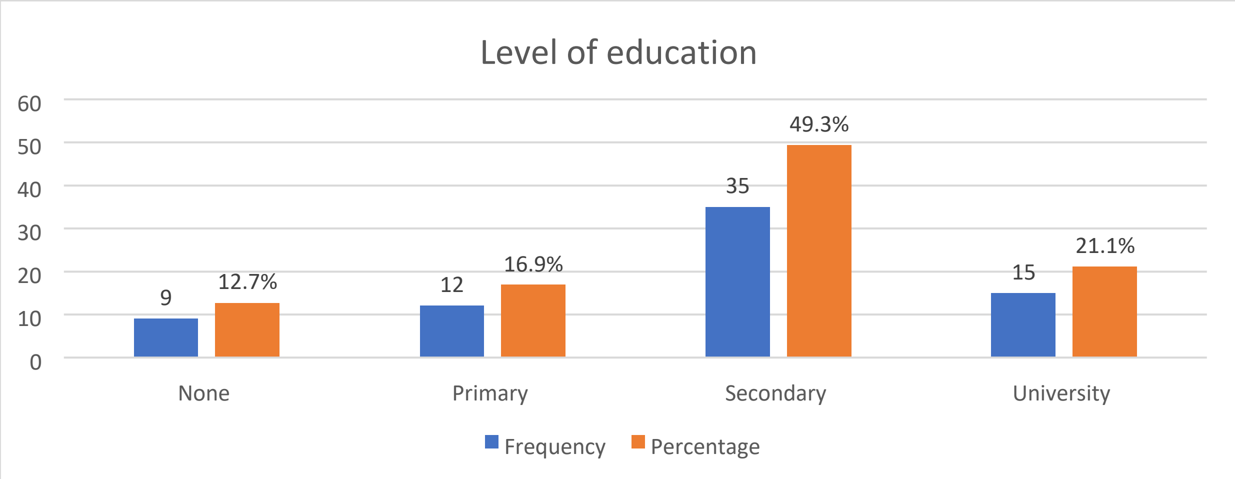


Figure 4.3 above illustrates that the majority of respondents (49.3%) had completed their secondary education, while 12.7% had never attended school. 21.1% of respondents held university degrees.

Table 4.2: Area of business

	Category	Frequency	Percentage
Area of business	Retail shops	38	53.5
	Sacco	3	4.2
	Super market	12	16.9
	Carpenter	8	11.3
	Others	10	14.8
	Total	***n*= 71**	**100.0**

More than half (53.5%) of the respondents were in the retail industry, followed by 16.9% super markets, 14.8% other businesses including drug stores, and 11.3% and 4.2% each in the carpentry and Sacco's industries.

4.2 Effect of provision of financial Literacy on the performance of small and medium enterprises

This component of the study addresses the primary research goal of the project, which was to determine the effect of financial literacy provision on the performance of small and medium sized businesses in Kabale District. As can be seen in tables 4.3 and 4.4, average scores, standard deviation (Mean Std. Dev.), correlation analysis using spearman's rho, and other metrics were used to analyze and study the effect of financial literacy on the performance of small and medium-sized firms.

Table 4.3: Univariate analysis for the effect of financial literacy on the performance of SMEs

Statements	Mean ± Std. Dev.
Financial knowledge acquired through learning improves SMEs owners the ability to manage income, expenditure and savings in a safe way	3.25 ± 1.218
Financial management programs like cash books are used to record business revenue and expenses which helps business owners to reduce on expenses through better regulation	4.89 ± .048
Good financial behavior involves the ability to make financial decisions that increase wealth and prevent uncertainties for business	3.25 ± 1.136

Savings literacy allows business owners to create saving plans for business expenses hence reducing financial stress and anxiety	4.47 ± 1.015
Final literacy helps business owners to separate personal income/expenses from business income/expenses hence boosting profitability	4.54 ± 0.901
Financial literacy enables business owners to use financial information in the financial statements to manage the business.	3.73 ± .673
Debt literacy helps SMEs owners to manage credit risks and paying off loans on time.	4.53 ± .843
Investment literacy helps business firms to diversify their investments and change them depending on the return or revenue obtained.	4.78 ± .575
Investment literacy help business owners to create investment plans that enable them avoid risks as well as monitor returns from investments.	4.42 ± .790
Debt literacy enables business firms to know their credit worth and place them in position to pay.	3.87 ± 1.393

Source: Field data 2022

The outcomes of the provision of financial literacy on the performance of small and medium sized businesses in Kabale District were given in table 3 above in a variety of forms. The majority of respondents were indifferent to the idea that gaining financial knowledge through education enhances SMEs owners' capacity to manage income, expenditure, and savings in a secure manner, according to the average Std. Dev (3.25 1.218) of the sample. An average score of 4.89 .048 showed that respondents generally agreed that financial management tools, such as cash books, are used to track business income and expenses, enabling business managers to control costs more effectively. More significantly, a mean score of 3.25 1.136 showed that respondents generally agreed with the assertion that wise financial behavior entails the capacity to make choices that boost wealth and reduce uncertainty for businesses.

The fact that savings literacy enables business owners to set saving strategies for business expenses thus lowering financial stress and anxiety had an average score of 4.47 1.015, indicating that respondents generally agreed with this statement. The majority of respondents, with a mean of 4.54 0.901, agreed that financial literacy enables business owners to distinguish between personal and business spending, increasing profitability.

Additionally, respondents' responses to the assertion that financial literacy enables business owners to use financial information in the financial statements to manage the business were neutral, as evidenced by an average score of 3.73 .673. Participants were completely in agreement that debt literacy aids SMEs owners in managing credit risks and timely loan repayment, as indicated by their average score of 4.53 .843.

The majority of respondents strongly agreed that investing literacy aids business firms in diversifying their investments and changing them based on the return or revenue realized, as evidenced by the average score of 4.78 .575 on the survey. The majority of respondents, with a mean of 4.42 .790, agreed that investing literacy enables business owners to build investment strategies that allow them to minimize risks and track investment returns. With a median score of 3.87 1.393, respondents' attitudes about the idea that debt literacy helps businesses understand their credit worth and put them in a position to pay were indifferent.

Table 4.4: Bivariate analysis for the effect of financial literacy on the performance of SMEs

Financial literacy	Spearman's rho (r_s)	p-value
Safe management of income, expenditure and savings	0.633	0.002

Regulation of business revenue and expenses	0.064	0.641
Improved financial decision making	0.467	0.004
Creation of saving plan for business expenses	0.720	0.057
Separation of personal income/expenses from business income/expenses	0.978	0.000
Credit risk management and timely payment of loans	0.879	0.001
Investment diversification and change based on returns/ revenue	0.956	0.000
Improved monitoring of returns on investments	0.278	0.231

Table 4.4 displays the findings of the bivariate analysis for the impact of financial literacy on the performance of SMEs in the Kabale District. At 95% and 5% level of probability, financial literacy in form of safe management of income, expenditure and savings had a strong association with performance of SMEs (r_s = 0.633, p=0.002), improved financial decision making had a moderate association with SMEs performance (r_s = 0.467, p=0.004), separation of personal income/expenses from business income/expenses had a very strong association with performance of SMEs (r_s = 0.978, p=0.000), credit risk management and timely payment of loans presented a very strong association with performance of SMEs (r_s = 0.879, p=0.001), and finally investment diversification and change based on returns/ revenue which also had a very strong association with performance of SMEs (r_s = 0.956, p=0.000). On the other hand, SMEs performance was not significantly associated with regulation of business revenue and expenses, creation of saving plan for business expenses and improved monitoring of investments returns

4.3 Effect of development of managerial skills on the performance of small and medium enterprises

The second objective of the study, which looks at how the performance of small and medium sized businesses in the Kabale District is affected by the development of managerial skills, is covered in sub-section 4.3. Similar to goal one, the impact of developing managerial abilities on the performance of SMEs was examined using average scores and standard deviation (Mean Std. Dev.) at the bivariate level as well as spearman's rho correlation analysis, as shown in tables 4.5 and 4.6, respectively.

Table 4.5: Univariate analysis for the effect of managerial skills development on the performance of SMEs

Variable statement	Mean ± Std. Dev.
Effective managerial skills play a key role in the internal governance of SMEs, enabling them to survive, compete and thrive in a dynamic business environment.	4.38 ± 1.029
Good managerial skills increase organizational vision by fulfilling its objectives and strategic plans	4.45 ± 1.032
Managerial skills consist of a combination of characteristics that enable managers and employees to achieve better results business	4.67 ± .735
Financial knowledge and skills are one of the most important managerial skills that fuel the development of the SMEs	3.99 ± 1.418
Good managerial skills motivates employees to work harder hence achieve better results	3.49 ± 1.059
Managerial skills are one of the crucial skills entrepreneurs need to run their businesses successfully.	4.65 ± 1.066

Human relations skills build the abilities of managers to establish and maintain good contacts with subordinates, superiors and customers which is key for business performance	4.99 ± .518
Good human relations which is an aspect of management is one of the crucial skills that help both small and large firms increase employee productivity and make significant contribution to business performance.	3.97 ± 1.037
Managerial skills leads to good governance and leadership which encourages SMEs employees to work harder	3.78 ± 1.042

According to results in table 4.5 above, a mean score of 4.38 ± 1.029 indicated that most respondents were in agreement that effective managerial skills play a key role in the internal governance of SMEs, enabling them to survive, compete and thrive in a dynamic business environment. More so, a score of 4.45 ± 1.032 revealed that respondents were in agreement that good managerial skills increase organizational vision by fulfilling its objectives and strategic plans. Furthermore, a score of 4.67 ± .735 expressed that respondents strongly agreed that managerial skills consist of a combination of characteristics that enable managers and employees to achieve better results business, while an average of 3.99 ± 1.418 showed that respondents generally agreed that financial knowledge and skills are one of the most important managerial skills that fuel the development of the SMEs.
A score of 3.49 ± 1.059 revealed that most of the respondents were undecided about the statement that good managerial skills motivate employees to work harder hence achieve better results. In addition, an average score of 4.65 ± 1.066 illustrated that a big number of respondents strongly agreed that managerial skills are crucial for entrepreneurs to run their businesses successfully. An average of 4.99 ± .518 postulated that most participants were in a strong agreement that Human relations skills build the abilities of managers to establish and maintain good contacts with subordinates, superiors and customers which is key for business performance.
A score of 3.97 ± 1.037 proved that most respondents were in agreement that good human relations an aspect of management is one of the crucial skills needed by both small and large firms to increase employee productivity and make significant contribution to business performance. Similarly, a score of 3.78 ± 1.042 revealed that majority of the respondents were in agreement that managerial skills lead to good governance and leadership which encourages SMEs employees to work harder.

Table 4.6: Bivariate analysis for the relationship between managerial skills development and performance of SMEs

	Performance of SMEs	
Managerial skills development	Spearman's rho (r_s)	p-value
Improved internal governance of SMEs	0.755	0.001
Building the abilities of managers to establish and maintain good contacts with subordinate	0.098	0.624
Combining characteristics for achieving better results	0.468	0.004
Encouraging employees to work harder	0.380	0.083
Fueling the development of SMEs	0.885	0.000

Employee motivation and productivity	0.738	0.002
Achieving organizational vision by fulfilling objectives and strategic plans	0.967	0.000

Results in table 4.6 shows the bivariate analysis between managerial skills development and performance of SMEs and was measured at 5% level of probability. At bivariate level, SMEs performance had a strong relationship with improved internal governance of SMEs (r_s = 0.755, p=0.001), a moderate relationship with combining characteristics (r_s=0.468, p=0.004), very strong relationship with fueled SMEs development (r_s = 0.885, p= 0.000), a strong correlation with employee motivation and productivity (r_s = 0.738, p=0.002) and a very strong association with achieving organizational vision by fulfilling objectives and strategic plans (r_s = 0.967, p= 0.001). On the other hand SME performance was not significantly associated with employee encouragement and building the abilities of managers to establish and maintain good contacts with subordinate.

4.4 Effect of marketing facilitation through SME Clubs, marketing associations on the performance of small and medium enterprises

This section of the study addresses research objective three which assess the effect of Marketing Facilitation through SME Clubs, marketing associations on the performance of small and medium enterprises in Kabale District. The effect of marketing facilitation on the performance of SMEs was analyzed using average scores and standard deviation (Mean ± Std. Dev.) as well as spearman's rho correlation analysis as presented in tables 4.7 –4.8 respectively.

Table 4.7: Univariate analysis for the effect of marketing facilitation on the performance of SMEs

Variable statement	Mean ± Std. Dev.
Marketing associations offers personal liability protection, business security and continuity, and easier access to capital.	4.17 ± .636
Marketing associations create less competition and business environment among SMEs	4.76 ± .517
Marketing associations help SMEs more targeted community	4.79 ± .607
Marketing associations makes business advertisement cost effective through shared costs	4.78 ± .607
Marketing associations allow content/advertising to be more easily tailored to the audience.	4.59 ± .725
Marketing associations improves SMEs ability to reach a more niche audience.	4.99 ± .433
Marketing associations provides its members with opportunities to network and share information and resources.	4.08 ± 1.024
Marketing associations empowers staff to manage in dynamic environments, trains staff, encourages staff interaction and provides guidelines for staff to effectively observe and report on progress	3.68 ± 1.378
Marketing associations fosters more appropriate decision-making by providing a clear direction concerning the behaviors required for improving competitiveness	4.67 ± .806
Membership in a small business associations create exposure to other businesses coalitions and organizations that can helps business succeed.	3.55 ± 1.557
Marketing facilitation offers a collective voice for small business owners.	4.87 ± .668

Results of Univariate analysis for the effect of marketing facilitation on the performance of SMEs were presented in table 4.7. From the analysis, an average score of 4.17 ± .636 revealed that respondents were in agreement that marketing associations offers personal liability protection, business security and continuity, and easier access to capital. An average score of 4.76 ± .517 also showed that respondents were in agreement that marketing associations create less competition and business environment among SMEs. More so, a Mean ± Std. Dev (4.79 ± .607) revealed that respondents were in a strong agreement with the statement that marketing associations help SMEs more targeted community.

A mean of 4.78 ± .607 indicated that respondents were in agreement that marketing associations makes business advertisement cost effective through shared costs. An average score of 4.59 ± .725 implied that respondents were in a strong support that marketing associations allow content/advertising to be more easily tailored to the audience. A Mean ± Std. Dev (4.99 ± .433) postulate that respondents strongly agreed that marketing associations improves SMEs ability to reach a more niche audience.

An average mean of (4.08 ± 1.024) revealed that respondents were in agreement that marketing associations provides its members with opportunities to network and share information and resources. Respondents were further in agreement that marketing associations empowers staff to manage in dynamic environments, trains staff, encourages staff interaction and provides guidelines for staff to effectively observe and report on progress (3.68 ± 1.378).

A score of (4.67 ± .806) revealed that most respondents were in a strong agreement that marketing associations fosters more appropriate decision-making by providing a clear direction concerning the behaviors required for improving competitiveness. A score of 3.55 ± 1.557 revealed that most respondents were neutral about the statement that business associations create exposure to other business coalitions and organizations which helps business succeed. Lastly a mean average of 4.87 ± .668 indicates that majority of the respondents strongly agreed that marketing facilitation offers a collective voice for small business owners.

Table 4.8: Bivariate analysis for the relationship between marketing facilitation and performance of SMEs

Results for the relationship between marketing facilitation and performance of SMEs were presented in table 4.8 above. At bivariate level, SMEs performance had a strong relationship with personal liability protection, business security and continuity and access to capital (r_s = 0.753, p=0.002), a weak correlation with less competitive business environment (r_s=0.288, p=0.004), very strong relationship with networking, information and resource sharing (r_s = 0.878, p= 0.001), a very strong correlation with collective voice for small business owners (r_s = 0.956, p=0.000), a strong correlation with staff empowerment and management of dynamic environments (r_s = 0.716, p=0.003) and a very strong association with exposure to business coalitions and organizations (r_s = 0.992, p= 0.000).

4.5 Regression Analysis

In order to establish the effect predictor variables have of the dependent variables, multiple regression was conducted as presented in table 4.9 below.

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.925a	.856 .803	.547	

a. Predictors: (Constant), MFI services (financial literacy, managerial skills and marketing facilitation)

Source: Research findings (2022)

The researcher utilized the coefficient of determination found in the model summary in table 4.9 above to explain the percentage of variation in the dependent variable (SME performance). According to the analysis, the provision of financial literacy, the development of managerial abilities, and the facilitation of marketing (via SME Clubs, marketing groups) accounted for 85.6% of SME performance. Other services, which were not looked at in this study, accounted for the remaining 14.4%. A stronger linear relationship between the independent and dependent variables is also implied by a larger R2 value. The output also shows F values of 15.907 and p values of 0.001 and 0.05 (Table 4.10), suggesting that the regression model can be used to evaluate SME performance.

Table 4.10: Analysis of variance

Model	Sum of Squares	Df	Mean Square	F	Sig
Regression	14.274	4	4.758	15.907	.001[b]
Residual	2.393	28	.299		
Total	16.667	33			

The ANOVA results indicated that the regression model was highly significant in forecasting the connection between the predictor variables and the performance of SMEs in Kabale District, as the p-value was less than or equal to 0.05 and a probability value of 0.001 was acquired.

Table 4.11: Test of coefficients

Model	B (Unstandardized Coefficients)	Std Error	Beta (Standardized Coefficient)	t	sig
(Constant)	2.021	1.681		1.203	.263
Financial literacy	.367	.185	.348	1.984	.012
Managerial skills	.271	.080	.491	3.386	.010
Marketing facilitation	.211	.081	.425	2.584	.032

a. Dependent Variable: Performance of SMEs

The researcher performed a basic regression analysis to investigate the impact of microfinance institution services on small and medium enterprises' (SMEs) performance. The study was conducted with a 95% confidence interval and a 5% significance level. The coefficients in the analysis were used to explain the effects of unit changes in the independent variables on the probabilities of the outcome. As predicted, financial literacy (β= 0.367) was a strong predictor of SMEs' performance, indicating that a unit change in financial literacy would increase SMEs' performance by 0.367. Similarly, the development of managerial skills (β= 0.271) had an effect on SMEs' performance, as a unit change in managerial skills increased performance by 0.271. Additionally, marketing facilitation through SME clubs and marketing associations predicted SMEs' performance, with a unit change in marketing facilitation leading to an increase in performance by 0.211.

5. DISCUSSION

5.1 Effect of provision of financial literacy on the performance of small and medium enterprises

According to the study's findings, financial literacy programs improved the performance of small and medium-sized businesses (SMEs) in the Kabale area. Financial literacy can help with managing income, expenses, and savings, improving financial decision-making, separating personal and business finances, facilitating on-time loan repayment, and promoting investment diversification, among other things.

The study's findings are in line with a 2013 Ministry of Finance report that emphasized the need for SME owners to acquire financial literacy skills and knowledge in order to reach their financial goals, make long-term plans, and choose wisely when to spend and save money in the future, particularly in periods of low or irregular income. By developing savings strategies for business expenses, respondents said that financial literacy in the areas of savings and investments made it easier to diversify investments and maximize revenue.

Menike (2019) provided support for these findings by arguing that financial literacy allows people to make wise financial decisions by enabling them to adopt excellent money management techniques for earning, spending, saving, borrowing, and investing. Financial literacy programs improve clients' comprehension of fundamental financial concepts and enable them to make wise financial decisions while equipping them with skills in emotional management and psychological factors that affect financial decision-making, according to Mallinguh et al. (2020) and Muthoka (2017).

5.2 Effect of development of managerial skills on the performance of small and medium enterprises

According to the study, improving the managerial capabilities of small and medium-sized businesses in Kabale district had a favorable effect on their performance. For instance, SMEs' internal management was enhanced, their organizational vision was raised, and staff were motivated, all of which boosted their performance. For SMEs to survive, compete, and prosper in a continuously shifting business environment, internal management must be improved. Agyapong and Attram's 2019 study, which indicated that strong conceptual abilities are essential for SMEs' success and that the absence of such skills makes it challenging to achieve sustainability and growth, corroborated this conclusion.

According to the study, improving the managerial capabilities of small and medium-sized businesses in Kabale district had a favorable effect on their performance. For instance, SMEs' internal management was enhanced, their organizational vision was raised, and staff were motivated, all of which boosted their performance. For SMEs to survive, compete, and prosper in a continuously shifting business environment, internal management must be improved. Agyapong and Attram's 2019 study, which indicated that strong conceptual abilities are essential for SMEs' success and that the absence of such skills makes it challenging to achieve sustainability and growth, corroborated this conclusion.

Failing to properly address the dimensions of managerial conceptual skills could limit development and hinder SMEs' growth. Respondents also noted that developing managerial skills, such as human relations, enables managers to establish and maintain good relationships with subordinates, superiors, and customers, which is key to SMEs' performance. Kalio's 2016 study found that managers can create value and improve business profitability through various methods, including inventory reduction, reducing accounts outstanding days, and shortening the cash conversion cycle.

5.3 Effect of marketing facilitation through SME Clubs, marketing associations on the performance of small and medium enterprises

The study found that marketing assistance provided by SME Clubs and marketing groups had a favorable impact on the performance of small and medium-sized businesses in the Kabale district. These organizations gave small business owners access to funding, personal liability protection, business security, networking opportunities, information and resource sharing, and a unified voice. These elements were essential to the success of SMEs. Berger et al. (2019), who funded the study, saw marketing facilitation as a way to encourage systemic change that benefits the larger environment.

Marketing associations have been found to reduce the cost of business advertising through cost-sharing, customize material for the target audience, and equip personnel to manage dynamic situations for better business outcomes. These results were in line with Kalio's (2016) research, which discovered that marketing facilitation is a comprehensive systemic strategy that tackles the main challenges faced by SME owners and sustainably connects market actors. Not just the facilitators but all participants in the market realize the advantages of these connections.

6. CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusions

Providing financial literacy had a favorable, considerable impact on the performance of small and medium-sized businesses in the Kabale district, the study concluded. Savings literacy, debt literacy, and investment literacy programs helped business owners safely manage their income, expenses, and savings, make clear financial decisions, repay loans on time, and diversify their investments, all of which boosted the performance of SMEs.

By enhancing SME governance, boosting business vision through achieved goals and plans, and inspiring employees to work hard for better, the development of managerial skills positively impacted the performance of small and medium-sized enterprises. This ensured SMEs' capacity to compete, survive, and thrive in a dynamic environment.

The study further supported the idea that SMEs performed better when marketing was facilitated through SME clubs and marketing groups. SME Clubs and marketing organizations gave small business owners a collective voice, personal liability protection, business security, access to money, and resources. They also helped to lessen competition in the marketplace.

5.2. Recommendations

To increase public knowledge of unmet needs, such as better sources of funding for start-up businesses, government institutions, microfinance organizations, and banks should launch financial education projects. This will encourage SMEs to advance in their underdeveloped areas. Financial education initiatives will promote both business and overall economic growth.

MFIs should market their brands among SMEs in order to boost SMEs' acceptance of them for the benefit of both institutions as a whole.

In order to avoid placing an undue burden on SMEs, MFI should lower the interest rates on loans provided to them. Otherwise, they may be unable to contribute effectively to their expansion.

SME owners need more training in areas like debt management, budgeting, record keeping, and budgeting and retirement plans.

MFIs should thoroughly investigate the profitable business opportunities that SMEs can pursue and should only provide loans to those with high expected returns and minimal risk. This can help shield your finances from loss brought on by bad loans.

In order to better equip SMEs with knowledge about managing their operations, which translates into better management of money even for those advanced by MFIs, the study also advised MFIs to offer additional managerial training to the SMEs.

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