International Journal of Academic Pedagogical Research (IJAPR)
ISSN: 2643-9123
Vol. 8 Issue 4 April - 2024, Pages: 1-2

A critical review of Literature about the significance of Microfinance Institutions on growth and sustainability of Small Scale and Medium Enterprise in Uganda empirical studies at Centenary Bank Kabale Branch.

Akankwasa Alex[1], Teddy Akakikunda[2], Caroline Murezi Masiko[3]

1 PhD Student Business Studies Department Kabale University
2Assistant Lecturer Procurement Department Kabale University
3Assistant Lecturer Business Studies Department Kabale University

Abstract: *The study carried out at the Centenary Bank Kabale Branch in Uganda examined the role microfinance institutions play in the expansion and sustainability of small and medium-sized businesses. According to the research study, microfinance institutions and the expansion or sustainability of small and medium-sized businesses in Uganda are significantly correlated. Primary and secondary sources of data were both used in the study. In order to get sufficient and trustworthy data, the interview guide, focus group discussions, and questionnaire were among the data collection instruments used.*

2.1 Significance of microfinance institutions towards growth and sustainability of small scale and Medium enterprises
According to Ricupero (2002), the existence and growth of small enterprises depend heavily on microfinance institutions. Microfinance institutions have the benefit of offering small enterprises low-cost services. Additionally, they provide flexible service delivery, which simplifies the usage of their financial services for tiny, weak firms. However, they also have drawbacks such as inadequate internal controls, inadequate operational and management information systems, limited access to professional assistance, and a dependency on donor funding (Muhangi, 2017).

Small businesses can invest profitably in microfinance institutions to expand their operations and upgrade to the newest technologies. In addition to ensuring their competitiveness by enabling them to function in a free and fair environment, this boosts their potential to generate more jobs, draws in private sector investment, and improves their capability to export their goods abroad (Cuttler, 2001).

According to Carlton et al. (2001), the availability of group loans has a positive impact on food intake and entrepreneurship. Those that get group loans have a 10% higher chance of becoming business owners than do those in control villages. Furthermore, company income increases over time, particularly for households with lower educational attainment. However, there was no discernible increase in business ownership or spending for individual lending. These results are in line with ideas that highlight the disciplining effect of group lending since joint accountability may deter borrowers from using loans for purposes other than investments. In contrast to their counterparts in individual lending villages, borrowers in group lending villages are less likely to make unofficial transfers to their friends and family.

According to Mwajuma (2012), for impoverished individuals, having access to flexible and safe savings options can be essential to managing risks, adjusting to changes in income, addressing unanticipated costs and emergencies, and gradually building up a small asset base. Because they may not have access to safe storage facilities or other investment options, people living in rural regions who are extremely poor should prioritize having access to safe savings services. Although most impoverished families do not have access to good institutional savings facilities, most do save, usually in non-financial means such hoarding commodities or purchasing small amounts of gold (OECD, 1996). Because they can be destroyed by pests, fire, theft, and fluctuations in commodity prices, savings in kind are not the ideal option. While microfinance institutions offer good voluntary savings programs in addition to robust lending programs, global research shows that saves tends to be more in demand than loans.

According to Krassowska (2004), if microfinance institutions are allowed to mobilize small-scale firms' savings, they must prove that they can do so responsibly because doing so carries some risk. Strong governance, capable management, dependability and stability, sufficient internal controls, sound financial management, efficient information systems, a guarantee that deposits and savings won't be used to cover operating expenses, and a history of successfully managing the quality of their loan portfolios are therefore requirements that they must meet. Most countries restrict the use of public funds to banks, where effective control regulations ought to be in place. Although they are frequently restricted to cooperative members, credit cooperatives are yet another essential instrument for releasing funds. In order to prevent governance defects that could eventually hurt depositing members, cooperatives must be run under strict rules and oversight.

2.2 The relationship between Microfinance institutions and Sustainability of small and Medium scale enterprises

Ledgerwood (2009) states that some microfinance organizations provide social and financial intermediation services such group formation, self-confidence building, and training for members to launch their own enterprises. Microfinance institutions provide a range of services, including sub-sector assessments, interventions, training for business and production, and help for marketing and technology.

The growth of the economy and modernization depend heavily on small companies. Small enterprises contribute to regional economic balance by spreading industry, raising output and per capita income, and generally promoting effective resource use, all of which are critical for attaining economic growth (OECD, 1996). However, poor administration and a lack of funding limit the SSBEs' seminal significance despite their development. The adverse macroeconomic environment is one of the reasons financial institutions are risk averse when it comes to helping small and medium-sized firms (Duvendack et al., 2011).

Ugandan microfinance is still a relatively new concept, as stated in the 2002 policy for small-scale commercial firms. Beginning in 1995, it was mostly linked to women and the reduction of poverty (Muhammad et al., 2016). The federal government attempted to influence commercial banks to provide support to small and medium-sized enterprises. After the National Microfinance Policy was implemented in 2001, banks began to express interest in funding microfinance since it was now recognized by the government as a means of eliminating poverty. According to Uganda's Small Scale Business Enterprise Development Policy from 2002, "small scale business enterprises" refers to micro and small size business firms. Small-scale commercial operations encompass the primary non-farm economic sectors of manufacturing, mining, commerce, and services.

There is no universally accepted definition of small scale commercial firms because different nations use different measurements of size based on their level of development. Common benchmarks include total investment, total workforce, and total sales turnover (OECD, 1996).

According to Karlan and Valdivia (2006), Compared to untrained clients, microfinance clients who take part in training programs are more likely to maintain a perfect repayment history. They argue that this is due to the improved business outcomes, which are, on average, 16 percent higher for clients who have had sales training. However, the results cannot be extrapolated to other business outcomes such as shifts in staffing levels and profit margins. In a different study they conducted on the benefits of doing business training for microfinance clients in Uganda, they found that the amount of the loan and the total savings had not changed substantially as a result of the training. Everyone agreed that business training leads to a shift in organizational structures toward those associated with higher profitability. This is due to the higher likelihood of multiple firm ownership among business owners who have obtained business training (Karlan and Valdivia, 2006).
One essential entrepreneurship talent that is usually acquired through training is the ability to implement ideas. It includes the ability to organize and lead actions to achieve objectives, as well as creativity, risk-taking, invention, and initiative (Ellsrott, 1997). Thus, inadequate management could be the reason behind the failure of (small) businesses.

Given that most owners/managers of smaller businesses are (typically) less educated than those in large company managerial positions and are also less likely to have received formal training, it is reasonable to conclude that small-firm managers "require" training (Porteous, 2004). According to this, providing training would help managers become more skilled, which would enhance business performance as demonstrated by a drop in failure rates.

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