International Journal of Social Sciences and Management Review

Volume: 03, Issue: 06 "November - December 2020"

ISSN 2582-0176

MICROFINANCE SAVINGS SERVICES AND FINANCIAL SUSTAINABILITY OF SMALL AND MEDIUM ENTERPRISES IN KAMPALA CENTRAL DIVISION, UGANDA

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https://doi.org/10.37602/IJSSMR.2020.3523

ABSTRACT

The study was set out to investigate the influence of MFI Savings services on the financial sustainability of small and Medium Enterprises (SMEs) in Kampala Central Division. The study was designed as a case study using a mixed methods approach in collecting and analyzing cross-sectional data. A semi-structured questionnaire and interview guide were used to collect data, from a sample of microfinance employees and SMEs entrepreneurs and employees. Data were analyzed using the narrative, descriptive, Pearson correlation, and linear regression. Findings revealed that MFI Savings services are influential factors of financial sustainability of SMEs in Kampala Central Division. Small and Medium Enterprises should develop a culture of savings; provide the assets for the economy's investment in future production. Savings also act as collateral for acquiring loans.

Keywords: Microfinance Savings Services, financial sustainability, small and medium Enterprises

1.0 INTRODUCTION

Given that the Small and Medium Enterprises (SMEs) sector, in Uganda is an important area of the economy and that, these SMEs are the drivers of economic development and job creation, they should register good financial performance and stay in business in the long run. There are about 160,000 SMEs in Uganda employing 2.5 million people and contributing about 20 percent to GDP (Mweheire, 2018; BOU, 2016; MFPED, 2017). If SMEs are to continue employing the majority of Ugandans and contribute to GDP, they need to be financially sustainable.

Financial sustainability is a key dimension for SMEs. Financial sustainability centres on the ability of an SME to depend on oneself-operations and imply that the SME should make a profit out of its operations. Bukirwa (2017) affirms that a loss-making SME with poor financial performance cannot be classified as financially sustainable and will not contribute to

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the country's GDP and will not ultimately create jobs. All these factors show how indispensable the sustainability of SMEs is and how studying factors responsible for the financial sustainability of these institutions becomes important.

SMEs are the drivers of economic development and job creation because 90% of the economy is comprised of the private sector, which is composed of 2 million SMEs. The SME sector is the most important area of the economy and economic growth will come from this area. But SMEs need to be advised because they face so many risks, their balance sheets are small and they cannot avert the risks. Mweheire (2018) also indicates the worry about the attrition rate of Ugandan SMEs and the fact that less than 30 percent of them make it past their third birthday.

Small and Medium enterprises continue to be formed in Uganda but only survive for a short time and less than 30 percent of them make it past their third birthday (BOU.2016; Mweheire, 2018). In Uganda, SMEs contribute about 20 percent to GDP and employs about 90 percent of the non-farm economically active population (BoU, 2016). Approximately, there are 160000 SMEs in Uganda employing 2.5 million people (Mweheire 2018). Mweheire opined that if we can enable each of the SMEs to create an additional four jobs, it would go a long way in solving the unemployment problem that Uganda currently faces. While the previous studies (e.g. Mulungi, 2014), have documented poor performance of SMEs, especially in terms of their growth and profitability levels, none of them investigated the influence of MF savings services and their financial sustainability. If SMEs are to stay in business and create employment for the majority of Ugandans and also contribute to the development of the economy, then, the factors affecting their financial sustainability must be unearthed.

The savings mobilization has recently been recognized as a major force in microfinance. In the past, microfinance focused almost exclusively on credit, savings were the forgotten half of financial intermediation. Microenterprise programs can play a significant role to foster savings among the poor population with considerable benefits for both savings and for the programs. When a poor household needs a relatively large amount of money for an investment purpose, savings is less risky to obtain it than taking on a debt with a fixed repayment obligation.

Savings constitute of the key elements on which development of the society depends and provide the asset for the society's investment in future and without them, the society and the economy at large cannot grow and get out of poverty (Kimeli Chenuyit, Muganda Kimeli & Ogendo, 2012, Mugasha, 2016; Juuko, 2016 & Kiyingi, 2016). There is a worry, however, about the rate at which Ugandan's SMEs are formed and disappear. This study, therefore, was designed to investigate the influence of microfinance savings services on the financial sustainability of SMEs in Kampala Central Division, where these institutions are continuously formed but survive for a short time (BoU, 2016). The study objective was to investigate the influence of MFI savings services on the financial sustainability of selected SMEs in the Central Division in Kampala. The hypothesis tested was that there is no statically significant influence of MFI savings services on the financial sustainability of selected SMEs in Central Division Kampala.

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2.0 THEORETICAL FRAMEWORK

The theory that underpinned this study is agency theory. Agency theory is concerned with resolving problems that can exist in agency relationships. That is, between principals (such as the owners) and agents of the principals, for example, managers (Bukirwa, 2017). The main objective of the agency theory is to structure the contractual relationship between the conflicting groups so that agents take actions to maximize the interests of the principals (Tiessen& Water house, 1983).

In Small and Medium Enterprises, the principals (owners/ entrepreneurs) who are not involved in the day-to-day management of their businesses, delegate the management of their businesses to agents (managers). The managers are supposed to run the Small and Medium Enterprises effectively and efficiently. However, due to the individualistic tendencies of the agents, the overall performance of these institutions may run down, which affects the Small and Medium Enterprises performance and survival in the long run. The reasoning behind the agency theory is that, there exists a conflict of interest between the owners and management due to the existing gap between them. The extent of agency conflicts varies across the firms depending on the level of discretionary power applied by management (Mohiuddin& Yusuf, 2010). For accountability purposes, management decisions, and other organizational activities, there is a need to have close monitoring in Small and Medium Enterprises. The main issue in the agency theory is that with close monitoring, the expert team (i.e. the employees of Small and Medium Enterprises) must exercise their expertise in the best interest of the Small and Medium Enterprises operational success. They must properly maximize the services of MFIs and other financial institutions where they get financial services. We can, therefore, use agency theory to describe, explain, and predict the financial sustainability of Small and Medium Enterprises.

3.0 LITERATURE REVIEW

3.1 Financial Sustainability

Small and Medium Enterprises need to operate sustainably if they are to achieve their objectives and produce impact. Sustainability necessitates profitability, financial prudence, purpose-driven management, and strategic governance. Financial sustainability is a key dimension of Small and Medium Enterprises. It refers to the ability of a Small and Medium Enterprise to cover all its costs from its own generated income from operations. All the definitions of financial sustainability centre on the ability of a Small and Medium Enterprise to depend on self-operations and imply the possibility of making a profit out of its operations (Ganka, 2010). In this study, financial sustainability is operationalized as operational efficiency and financial self-sufficiency. According to (Meyer 2002), operational sustainability refers to the ability of the Small and Medium Enterprise to cover its operational costs from its operating income. Small and Medium Enterprises are financially self-sufficient when they can cover from their own generated income, both operating and financing costs. Financial sustainability implies that a loss-making small and Medium Enterprise with poor financial performance cannot be classified as financially sustainable.

Financial sustainability measures must focus attention on what makes, identifies, and communicates the drivers of success. Financial performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives because a firm's financial sustainability is central to the future well-being and prosperity of any enterprise (Kloot, 1999, Balunywa, 1999 and Dixion et al., 2006). Financial sustainability should be looked at in terms of economy, efficiency, and effectiveness. Economy and efficiency are usually measured in financial terms like working capital, costs, the volume of sales and productivity. The economy is acquiring resources in appropriate quantities. Efficiency is maximizing inputs for a required output. Effectiveness is the extent at which the defined task has been accomplished which may be partly measured in terms of quality service, customers' satisfaction and achievement of goals such as profitability (Bukirwa, 2017; Pandey, 2000; and Drucker, 1996). Firms cannot survive and prosper through their efforts. Each firm's sustainability depends upon the activities and performance of others, hence the nature and quality of the direct and indirect relationship that a firm develops with its counterparts is fundamental (Hamel, 1991).

3.2 Microfinance Institutions

Microfinance is the provision of small scale financial services to low income or unbanked people (Hartarsaka, 2005). It is about the provision of a broad range of financial services such as savings, loans, payment services, money transfer and insurance to the active poor and low-income households and their micro-enterprises. Microfinance Institutions are considered as tools for poverty alleviation through improving access to finance and financial services. They complement greatly the formal banking sector in providing financial services to the active poor (Basu et.al, 2004). Microfinance Institutions (MFIs) have expanded the frontiers of institutional finance and have brought the poor into the formal systems by enabling them to access credit in order to fight poverty. Microfinance is seen to be an anti-poverty tool (Ahlin and Jiang, 2008).

Bank of Uganda defines MFIs as non-government institutions, Savings and Credit Cooperatives that provide savings and microloans to poor individuals, enterprises or groups for purpose of engaging in viable economic activities where there are difficulties in accessing financial services from the formal banking sector. Most formal financial institutions do not offer financial services to SMEs and poor households which justifies the existence of MFIs. Far back in the 1970s, most developing countries including Uganda considered a capital investment to be a key factor in determining economic growth and rising incomes. This gave rise to MFIs becoming an important component of strategies designed to reduce poverty through the promotion of SMEs development.

Although large & small enterprises have played a big role in Uganda's development and occupy an important place in promoting economic activities, their access to finance from financial institutions especially banks is still limited. This is because they lack collateral and they are vulnerable to economic changes amongst other reasons. (Michael, 2010).

The basic objectives of most MFIs established in developing countries is to alleviate poverty and promote self-empowerment of vulnerable and marginalized groups in the society such as small scale entrepreneurs by providing them access to financial services.

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3.3 Small and Medium Enterprises in Uganda

Small and Medium Enterprises (SMEs) are the backbone of economies worldwide and Uganda is not exceptional. They are key contributors to GDP, taxes and employment. In Uganda, they employ about 2.5 million people, and the majority of whom are youths. The government of Uganda supports SMEs through Uganda Investment Authority (UIA) and the Ministry of Science, Technology and Innovation. SMEs can help leverage and tap into the underutilized intra-regional markets and trade.

As a nation, Uganda is a highly entrepreneurial country. The country has experienced a rise in the number of SMEs in different sectors. According to the Uganda Investment Authority, SME Division, small enterprises are businesses that employ between 5 and 49 people and have total assets between shs 10 but not exceeding shs 100 million. The medium enterprise employs between 50 to 100 people with total assets more than shs 100 million but not exceeding shs 360 million Statistics from Ministry of Finance indicates that SMEs employ 2.5 million people where they account for approximately 90 percent of the entire private sector, generating more than 80 percent of manufactured outputs that contribute 20 percent of the Gross Domestic Product (GDP) (Ninsiima, 2019).

However, statistics indicate that some SMEs fail to make five years in business and wither off. A number of mistakes according to business experts are attributed among others to the following: failure to handle customers properly; failure to create checks in managing human resource; poor handling of production processes; financing decisions, the ability to calculate the net profits and working capital; high appetite for artificial expansion, acquiring loans at the beginning of the business; high-interest rates on loans (the higher the interest rate, the lower the returns on capital employed); and lavish lifestyles (Murungi,2019). SMEs should know how to access different financing options and be able to ensure their business for better growth, learn how to file their taxes and even get tax incentives. They should know how to keep books of accounts and corporate governance. SMEs should be able to license their businesses and enjoy government services, such as land in industrial parks, tax waives where applicable. All these can help them get joint ventures locally and internationally (Lyatuu, 2019).

Uganda has a well regulated and highly liberalized economy in which all sectors are open for investment and, there is free movement of capital to and from the country. The government created a one-stop centre for business registration and licensing at the UIA: The one-stop centre assists in tax advice and registration; immigration and work permit issues; land acquisition and verification, as well as environmental compliance and approaches. At the UIA, they hold investment conferences for technology innovations, business start-ups and innovative SMEs. The aim is to sensitize SMEs and get into dialogue to get feedback for easing the business environment. UIA identifies, nurtures, mentors and supports competitive technology innovations, start-ups and innovative SMEs in the country. They facilitate entrepreneurial and business skills training for Ugandan domestic investors to penetrate the market place.

The sustainability of SMEs depends on their ability to mobilize capital, access markets, possess the requisite business management skills and financial literacy. Today, SMEs are

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operating in an extraordinary business environment characterized by increasing globalization, heavy competition, newly empowered customers and fast-changing technologies. To prepare for this new environment, SMEs need to transform themselves in fundamental ways by making major changes to their business models. In this respect, SMEs need their microfinance to assist in managing the uncertainties in their business; support their business expansion needs and be there for them, not just in the good times.

According to report findings from the top 10 mid-sized, majority of SMEs in Uganda's company study 2019, still face slow loan payments, high taxes and low working capital that hinder the sustainability of their business. SMEs should better their corporate governance and other aspects so that they can be attractive for financing since microfinance and other financial institutions require certain things to be in place before they lend someone. We are operating on a global scale whereby now entities are looking at convenience and making business more efficient in the way they are growing. SMEs should access microfinance services most effectively and efficiently if they are to grow and remain sustainable. While there are several factors responsible for financial sustainability of small and Medium Enterprises in Uganda, the researchers were interested in investigating some of the microfinance services, where these institutions get financial services (e.g. credit, savings and training services) and how they influence their financial sustainability in Kampala Central Division, Uganda.

This location was found to have the highest concentration of SMEs among the five divisions of Kampala. The area also had different types of SMEs including trading, service and manufacturing. It was also easy on part of the researchers to access data in this area in terms of time and costs.

3.4 Microfinance Savings Services and Financial Sustainability

One of the microfinance services in Uganda are savings services. Savings means sacrificing current consumption for increasing future consumption. Savings is income not spent or deferred consumption (Mulungi, 2014). Savings constitute the key elements on which development of society depends. Local savings provide an asset for society's investment in future (KimeliChenuyot, MugandaKimeli&Ogendo, 2012). Without it, the society and economy at large cannot grow and get out of poverty (Mugasha, 2016; Juuko, 2016 &Kiyingi, 2016). Development is induced by savings, since a high level of savings leads to Capital accumulation, then to investment which consequently leads to high-income levels and hence development and sustainability in the long run. Microfinance institutions must promote a savings culture amongst their clients including SMEs.

However, compared to other countries, in the region, Uganda has the lowest savings to Gross Domestic Product (GDP) ratio, at 13.48 percent of GDP. According to Uganda Bureau of Statistics report, 2017, Ugandans save less than 5 percent of their monthly earnings as compared to other East African countries (Kenya, 23%, Tanzania 13%, Rwanda, 18%). Although there are many factors which determine savings, including confidence about the future, general stability and security of the persons doing the savings, stability in money (savings value), growth in value of savings and level of incomes, MFIs should give hope to

SMEs and encourage them to save, so that they invest in different businesses, grow and become sustainable.

The savings mobilization has recently been recognized as a major force in microfinance. In the past, microfinance focused almost exclusively on credit. Savings were the "forgotten half" of financial intermediation (Bukirwa, 2017). The importance of savings mobilization has been highlighted in several papers in the context of microfinance. Microfinance programs can play a significant role to foster savings among SMEs. Domestic savings provide the assets for the economy's investment in future production without them, the economy cannot grow unless there are alternative sources of investment. Better availability of safe savings facilities increases self –financing capacity and thus reduces the need to borrow, with its inherent risks. When a poor household needs a relatively large amount of money for an investment purpose, savings is a less risky way to obtain it, than taking on a debt with a fixed financing obligation (Bukirwa, 2017).

Savings services are necessary because many poor households are not in a position to take advantage of the credit for investing in human or physical capital to increase and diversify their incomes. Other households require additional services besides credit to manage the household budget. In many cases, households are too poor and the fluctuations in their incomes and the risks they face are too high for them to rely on borrowing strategies alone (Mutesaasira, 2000). Savings enable clients of MFIs to deal with the severe crisis and to cope up with the shocks and reduce vulnerability. Savings could be used to acquire microfinance cycles and also to start and expand on existing micro-enterprise activities (Yunus, 2003). From the literature review, it can be seen that microfinance savings services contribute greatly to the growth of SMEs. However, previous studies were mainly carried out beyond Uganda. Even those carried out in Uganda, (e.g. Mulungi, 2014) were on other performance measures of SMEs and did not adequately address the issue of financial sustainability of these institutions. There was, therefore, a need for this study which was designed to investigate the influence of microfinance savings services on the financial sustainability of SMEs in Kampala Central division.

Drawing from previous studies, the independent variable in the study was the nature of Microfinance savings services given to SMEs operationalized by variables including savings interest being adequate and encouraging capital growth, savings accounts being easy to open and run, and savings terms being clear and known to clients of MFI. All those were assumed to influence financial sustainability of SMEs. Financial sustainability of SMEs was the dependent variable and was measured in terms of operational efficiency (the ability of SMEs to generate income out of their operations) and financial self –sufficiency (when an enterprise can cover from their own generated income, both operating and financing costs).

4.0 METHODOLOGY

4.1 Research Design

The study adopted a correlational cross-sectional descriptive survey research design. The correlational design was used because the problem in this study was mainly identifying the influence of microfinance credit services on the financial sustainability of Small and Medium

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Enterprises. The study used a cross-sectional design also known as single-short, because of the need to collect data at a single point in time, the cross-sectional design did not necessitate the researchers to make a follow-up on respondents. It was thus, used on account of its rapid turnaround in data collection as Creswell (2003) advises. Descriptive design was used to obtain information concerning the current status of the phenomenon to describe "what exists" concerning variables.

The survey design enabled the collection of data from a large number of respondents. Surveys are also amenable to rapid statistical analysis and comparatively easy to administer and manage (Ahuja, 2005 &Shajahan, 2005). The study also used both qualitative and quantitative data collection methods. Qualitative data collection methods were used because it helped the researchers to study the variation of complex, human behaviour in context and quantitative data collection methods were used because they allow for a broader study involving a greater number of subjects and entrusting the generalization of the results.

4.2 Study Area and Population

This study was conducted in the Central Division of Kampala district, Uganda. The area comprised of many different types of SMEs, including retail, manufacturing, restaurants, wholesalers, etc, which were beneficiaries of Pride microfinance services. It was also convenient on part of the researchers to collect data, especially in terms of costs and time involved. The study population comprised of SMEs owners and employees, pride microfinance managers and employees. SME owners and employees were involved because they are involved in the day to day activities of SMEs which access microfinance credit services. Managers and employees of the MFI were involved because of their information about credit services that the MFI gives to the SMEs and implement a variety of MFIs activities.
However, due to time, costs, and other constraints, the researchers found it more convenient to carry out the study on part of the target population which was more accessible hence became their sampled population.

4.3 Study Sample

The study sample included owners and employees of selected SMEs and managers together with employees of pride microfinance institutions. All these groups of respondents were aware of small and medium enterprise activities and microfinance savings services.

4.4 Sampling Design

Since the sample had many categories, namely; owners and employees from the different SMEs and managers and employees of the MFI, the sampling design combined purposive sampling from categories and random sampling within the categories.

4.5 Sampling Procedures

To attain the respective sample size from the population, the target population was divided into categories using a stratified sampling technique to ease the collection of relevant data from each category, most efficiently and effectively (American statistical association, 1999), taking into consideration the heterogeneous nature of the population to be sampled (Amin, 2005). Then, some sampling methods were utilized as follows to select the sample from each category: for owners/entrepreneurs of SMEs and managers, credit officers and other key informants of pride MFI, the purposive method was used on account of their knowledge concerning the operation of their enterprises and MFI, respectively. Employees of Small and Medium Enterprises were selected using the simple random sampling method with the aid of sampling frames at Small and Medium Enterprises. This was on account that, every respondent gets an equal chance of being selected to participate in the study. Small and Medium Enterprises were randomly selected from their groups.

4.6 Sample Size

The researchers used the Table developed by Krejcie and Morgan (1970) to determine the sample size from every stratum. According to that Table, for the 10 managers, 20 credit officers and 10 other pride MFI, key employees and for the 160 owners and employees (80 owners and 80 employees) of Small and Medium Enterprises, the required minimum samples were 10, 19, 10 and 113, respectively.

4.7 Data Collection

A cross-sectional design adopted for this study required the researchers to use more than one data collection method. Data were collected from both primary sources (by administering of questionnaires and interviewing key informants) and from secondary sources (by reviewing relevant written documents at Small and Medium Enterprises and the MFI and others such as textbooks, journals, etc). Self-administered questionnaires and interview guides were utilized as the main data collection instruments. The questionnaire as a tool was preferred because it is an appropriate instrument for survey research. Apart from items on the demographic characteristics of the respondents, the rest of the items were on the Likert type scale. This scale served as a measurement for the relationship between microfinance savings services and financial sustainability of small and medium enterprises. The Likert scale was:

(i) Strongly disagree = 1;
(ii) disagree = 2;
(iii) Neither disagree nor agree = 3;
(iv) agree = 4;
(v) Strongly agree = 5.

Validity and reliability of instruments were taken care of. Validity was determined using the content validity index which was 0.846 and was above 0.7 as recommended by (Amin, 2005). Validity was established through a validity test using the content validity index (CVI). These were computed as follows: $\frac{R+VR}{VI+RS+R+VR}$ following the expert's rating of items (4 = very relevant; 3= relevant; 2= relevant to a small extent; 1= not relevant at all.) Reliability tried to show that each section produced reliable results. The Cronbach's Alpha coefficient reliability method was applied from SPSS and was found to be 0.79. Again, according to Amin (2005),

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if the reliability is 0.7 and above, then the questionnaire is considered to be reliable for research.

4.8 Data Processing and Analysis

The researchers used the computer for data entry, cleaning, editing, coding, and summarizing to ascertain the accuracy, consistency, universality, proper arrangement, and completeness of the data. After capturing the information, it was analyzed using SPSS, version 16, to summarize data into frequency tables. Descriptive statistics, Pearson correlation, and regression analyses were utilized to describe the variables, to determine the associative relationship as well as the influence of MFIs savings services on the financial sustainability of Small and Medium Enterprises, respectively.

5.0 FINDINGS

The study's findings are presented given the objective of the study and the hypothesis tested. Descriptive statics, correlation and regression results are presented below.

5.1 Descriptive statistics

According to the study, the independent variable was the MFI savings services. The dependent variable was the financial sustainability of SMEs. In the next sub-sections, the summary descriptive statistics are given and later both the associative relationship and regression of MFI savings services on the financial sustainability of SMEs are also determined. Table 1, gives the summary descriptive statistics results (mean, and standard deviations) on the financial sustainability of SMEs and MFI savings services.

Table 1: Description of the dependent variable (financial sustainability) and Microfinance savings services

Variable	Mean	Standard deviation
Financial sustainability (overall)	2.91	0.541
Microfinance savings services	3.10	0.466

Table 1, shows that on the aspects of financial sustainability, on a scale of 5, respondents rated themselves low (mean = 2.91; SD = 0.541), meaning that SMEs in Kampala Central Division were not operationally sustainable. Further, results in Table 1, indicate that respondents rated themselves moderate overall on all aspects of microfinance savings services (mean =3.10; S.D =0.466). This suggests that microfinance savings services are moderately implemented. Savings terms and conditions of the MFI are moderate.

5.2 Correlation results

Table 2: Correlation between Microfinance savings services and Financial Sustainability of SMEs

		Microfinance savings services	Financial sustainability

Microfinance savings service	Pearson correlation	1	0.346***
	Sig (2-tailed)		0.000
	N		142
Financial sustainability	Pearson correlation	0.346***	1
	Sig (2-tailed)	0.000	
	N	142	

**Correlation is significant at the 0.01 level (2-tailed)

Correlation results in Table 2, show that there is a significant but weak positive associative relationship between microfinance savings services and financial sustainability of SMEs (r=0.346; sig =0.000). The positive associative relationship if predictive means that, the two variables (Microfinance savings services and financial sustainability of SMEs) move in the same direction. That is, if microfinance savings services increase, the financial sustainability of SMEs also increases and vice versa. However, there was a need to confirm whether the relationship was predictive or not. This was done by running a simple regression analysis.

Results are presented in Table 3.

Regression Results

Table 3: Regression results of Microfinance Savings Services and Financial Sustainability of SMEs

model		sum of squares	df	mean square	F	Sig
1	Regression	623.872	1	623.872	19.031	0.000
	Residual	4589.544	140	32.782		
	Total	5213.415				

Predictors: (constant), MF savings services, Adjusted R square = 0.113 dependent variable financial sustainability of SMEs

Table 3, shows that microfinance savings services aspects are collectively explanatory variables of financial sustainability of SMEs in Kampala Central Division (F=19.031; sig =0.000). However, Microfinance savings service explain only 11.3 percent to variations in the financial sustainability of SMEs (adjusted R square =0.113). This is also supported by the regression value of 623.872, compared to the residual value of 4589.544. The study hypothesis that microfinance savings services do not significantly influence the financial sustainability of SMEs in Kampala Central Division was therefore rejected. There is a statistically significant influence of microfinance savings services on the financial sustainability of SMEs in Kampala Central Division.

Findings concur with previous studies (e.g. Yunus, 2003& Mutesaasira, 2000). Yunus (2003), note that savings enable clients of MFIs to deal with a severe crisis and to cope up with the shocks and reduce vulnerability and could be used to acquire another microfinance cycle and also the start and expand on existing micro-enterprise activities which increase profitability for SMEs and consequently their financial sustainability.

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In the same vein, Mutesaasira (2000), observe that savings services are necessary because many households are not in a position to take advantage of credit for investing in human or physical capital to increase and diversify their incomes. Other households require additional services besides credit to manage the household budget. However, in many cases households are too poor and the fluctuations in their incomes and the risks they face are too high for them to rely on borrowing strategies alone.

The weak relationship between Microfinance Savings Services and financial sustainability of SMEs also support Mweheire (2018)'s conclusion that whereas access to financing is one of the key issues faced by SMEs among other businesses, it is not the main cause of failure. Rather, it is lack of access to markets and access to resources such as (legal, procurement, guidance, quality of control and governance amongst others) that are the more crucial challenges. Mweheire (2018) opined that, if you had those taken care of, the access to financing is a natural positive outcome.

6.0 CONCLUSION AND RECOMMENDATIONS

The main focus of the study centered on determining the influence of microfinance savings services on financial sustainability of SMEs in Kampala Central Division. The study concludes that microfinance savings services are influential factors of financial sustainability of SMEs and explain 11.3 percent to variations in financial sustainability of these institutions. Since financial sustainability is mainly affected by financial factors and since it is well known that several factors determine savings, for example, savings value, growth in value of savings, level of incomes, other factors strongly explain the financial sustainability of SMEs in Kampala Central Division. Savings, however, constitute the key elements on which development of the society depends. Local savings provide an asset for society's investment in the future. Without it, the society and the economy at large cannot grow and get out of poverty. Further, development is induced by savings, since high level of savings lead to capital accumulation, then, to investment which consequently lead to high income levels and hence development and sustainability in the long run. SMEs should develop a culture of savings; provide the assets for the economy's investment in future production. Without savings SMEs cannot grow and become sustainable unless they have other sources of investment. Savings services are necessary because many poor households and SMEs are not in position to take advantage of credit for investing in human or physical capital to increase and diversify their incomes. Savings also act as collateral for acquiring loans.

Although the study has contributed to the understanding of the influence of microfinance savings services on financial sustainability of Small and Medium Enterprises (SMEs), it has limitations and therefore findings should be used with caution to the extent of the following limitations; First, the study was essentially a cross-sectional study that examined the influence of MF Savings services on the financial sustainability of SMEs at a particular point in time. This may not give a complete picture of the phenomenon studied and limits some of the conclusions obtained. Secondly, there were a few variables included in the model. There were many other measures of microfinance savings services that were left out and other financial sustainability measures other than operational efficiency and financial self-sufficiency. Lastly, the nature of the sampling units under study cannot be a generalized countrywide, as only 80 SMEs out of many were used and only in Kampala Central Division, yet there are many other SMEs in other parts of the country including rural areas.

The study opens up areas for further research given the above-mentioned limitations. One, more variables should be included in the model based on literature and be tested empirically to increase our understanding of the influence of MF savings services on the financial sustainability of SMEs. Secondly, future studies should explore appropriate econometric methods that may improve our understanding of factors responsible for the financial sustainability of SMEs. Lastly, a large sample size could be used for more accurate findings which are more generalized nationwide.

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