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ACCESS TO FINANCE, BUSINESS ENVIRONMENT, ENTREPRENEUR EXPERTISE AND SME BUSINESS SUCCESS: A CASE OF SMEs IN KAMPALA DISTRICT

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A DISSERTATION SUBMITTED TO MAKERERE UNIVERSITY BUSINESS (faculty of Graduate Studies and research) IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF A MASTER OF SCIENCE IN BANKING AND INVESTMENT MANAGEMENT OF MAKERERE UNIVERSITY

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DECLARATION

I, **Benon Buyinza** declare that this research report titled, '**Access to Finance, Business Environment, Entrepreneur Expertise and Business Success**', has been submitted for the award of a Master of Science in Banking and Investment Management. It is my original work which as far as I am aware has not been submitted to Makerere University or any other institution of higher learning for any academic award.

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APPROVAL

This dissertation has been submitted for examinations with our approval as university supervisors.

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ABSTRACT

The purpose of the study was to assess the relationship between access to financial capital, business environment, entrepreneur expertise and SME business success. The study was guided by three objectives name to establish the relationship between access to finance and SME business success.

A cross sectional design was employed in this study to examine the relationship between financial capital, business regulation, entrepreneur expertise and SME business success. The population for this study comprised of 476 owners of registered businesses in Kampala Central Business District under Kampala Capital City Traders Association by December 2020 (KCCA, 2021). The sample was 210 entrepreneurs who were selected based on Krejcie and Morgan (1970) from the total population. Sekaran (2003) recommends that for research activities, the sample size of respondents should be determined using Krejcie and Morgan (1970) tables. Simple random sampling method was used to establish the respondents. According to Katebire (2007), it minimizes bias and every member stands chance of being selected.

The findings showed a positive and significant relationship access to finance and SME business success. The findings mean that when there is an improvement in access to finance, this will improve business success. From the findings, it can be noted that business environment has a positive and significant relationship with the SME business success. This means that any positive change business associated with a positive change in SME business success. From the findings, it was indicated that there is a positive and significant relationship between entrepreneur expertise and SME business success. This implies that any positive change in entrepreneur expertise will result in a positive change in SME business success. The results revealed that access to finance, business environment, and entrepreneurial expertise combined have a variation in SME business success. Though there are other factors that were not considered in the study that can explain variance in SME business success.

In conclusion, the success of small and medium-sized enterprises (SMEs) is influenced by several factors, including access to finance, the business environment, and the expertise of entrepreneurs. Access to financing allows SMEs to invest in their businesses and take advantage of new opportunities, while a favourable business environment provides SMEs with the resources and support they need to grow and succeed. Entrepreneurs with expertise can provide a competitive

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter highlights the background information, statement of the problem, objectives, scope, significance, and conceptual framework. It also provides a basis on which other chapters are built

1.1 Background

The business world today is considered diverse and more intricate then it was just 10 years ago. To survive and grow in this new millennium, business must move towards innovation in a way to build and sustain competitive advantage (Perry-Smith and Mannucci, 2015). Business success is affected by several factors that include business owners' characteristics, such as self-efficacy, opportunity recognition, perseverance and social skills (Markman, Balkin and Baron, 2015). Other factors include market opportunities, number of business partners, financial capital, and strategies used to reach the firm goals (Schutjens and Wever, 2016).

Globally, access to finance is a significant challenge for businesses, particularly for small and medium-sized enterprises (SMEs). According to a report by the International Finance Corporation, 65 million formal and informal SMEs around the world have an unmet financing need of $5.2 trillion (IFC, 2020). Limited access to finance hinders the ability of SMEs to invest in innovation, equipment, and expansion, limiting their growth potential. The business environment can also be challenging worldwide, with complex regulatory frameworks, inadequate infrastructure, and limited access to markets. The World Bank's Doing Business report highlights the significant differences in the ease of doing business across the world, with some countries having a more favorable business environment than others (World Bank Group, 2020).

In Africa, sub-Saharan Africa, and East Africa, access to finance and the business environment remain critical factors that affect business success. According to a report by the African Development Bank, SMEs in Africa face significant challenges in accessing finance, with only 20% having access to formal financing (AfDB, 2019). Similarly, the business environment in sub-Saharan Africa can be challenging, with complex regulatory frameworks and inadequate infrastructure (World Bank Group, 2020). In East Africa, the challenges faced by businesses are similar, with limited access to finance, inadequate infrastructure, and a challenging business environment (EAC, 2019).

Business success is closely linked to small business performance. Success in business is a matter of opinion and may be related to the degree to which objectives are met or exceeded, some of which may be critical for success. In spite of their contributions of SMEs, the survival rate of SMEs in Uganda remains very low (Asiimwe, 2017; Turyakira, 2012). For instance, it is estimated that about 2 in every 3 start-ups in Uganda cannot enjoy their first anniversary (UBOS, 2012). As such, poor saving culture, lack of entrepreneurial skills and their inability to exploit new opportunities for growth have been underscored as some of the main factors for the low survival rate (Nangoli *et al.*, 2013)

Many SMEs in Uganda fail to reach their first birthday due to a number of factors. Causes of high small business failure rate in Uganda. At least 70% of all small businesses that start in Uganda fail in the next 3 to 5 years. This rate is alarming and discouraging to the entrepreneurs who want to start up their own businesses here in Uganda. These failures have mainly been attributed to issues like limited access to finance, business environment, and entrepreneur expertise (Akpoviroro, Kadiri, & Owotutu, 2018). Financial access is critical for the growth of small and medium-size enterprises (SMEs). It allows entrepreneurs to innovate, improve efficiency, expand to new

markets, and provide millions of jobs. Yet, in developing countries, the majority of SMEs are unable to acquire the financing they need to reach their potential. Financing SMEs in the developing world can be risky and expensive for lenders, leading to an estimated financing gap of one trillion USD (Kristiansen, Furuholt, & Wahid; 2016). Oyen and Gedi (2015) argued that 70 per cent of entrepreneurship in Tanzania did not receive training before starting of the business; therefore, they have weak business records and management skill, low level of business association member which means gaps in knowledge of services providers due to the lack of credit facilities make most of SMEs rely on their own saving, trade credit and relative or friend as sources of finance and very limited chances to access external finance. Lucumay, (2015) reported that small business entrepreneurs faced challenges of accessing funds to be put to their enterprises, since there are just few facilities to offer the products. He further noted that many potential beneficiaries fear such credit due to high interest rates, while others are not informed on the availability of more affordable services on offer.

Business environment is an attempt to understand the outside forces of the organizational boundaries (Adisa, Adeoye, & Okunbanjo, (2016).). It consists of all elements existing outside the boundary of the organization, which have the potential to affect the organization such as competition, customer's behaviour, technologies, interest rates, inflation, suppliers, government regulatory and tax policies and natural resources (Agbolade, 2014)). Numerous studies all over the world have been conducted to demonstrate the role of the business environment on growth of SMEs. However, it is also evident that the results of these studies are somewhat mixed. Whereas some report a positive relationship (Ylvije & Elez, 2015); Bouazza et al (2015); Muzenda (2014); Adu (2016) Ajayi (2016), some like Ishengoma and Kappel (2011) found a negative correlation, yet others like Njanja et al., (2012) found no relationship. This indicates that opinions on the effect

of business environment on growth of SMEs are still diverse. Moreover, in spite of the large volume of studies on external business environment and performance of SMEs, few studies were conducted in the context of Uganda. KACITA (2017) stated that 30% of business fails in Uganda as a result of lack of expertise of many entrepreneurs. This suggests that most Ugandan indigenous entrepreneurs lack requisite traits for successful entrepreneurship. The necessary traits for successful entrepreneurship include innovation, risk taking, self-confidence, hard work, goal setting and accountability (Nsereko, et al 2021). In Kampala, however, access to finance is a significant challenge for entrepreneurs. A study conducted by AERC (African Economic Research Consortium) found that 58% of businesses in Uganda face difficulty in accessing formal credit, with the majority of them being small and medium-sized enterprises (SMEs) (Nyambara et al., 2019). Limited access to finance constrains the ability of businesses to expand, invest in innovation, and hire more employees, thus impeding their chances of success. Unfortunately, the business environment in Kampala presents several challenges for entrepreneurs. The World Bank's Doing Business Report (2021) ranked Uganda 116th out of 190 countries in terms of ease of doing business, indicating room for improvement (World Bank, 2021). Issues such as bureaucratic red tape, corruption, and inadequate infrastructure can hinder business operations and deter potential investors. The knowledge, skills, and experience of entrepreneurs are critical determinants of business success. Kampala boasts a vibrant entrepreneurial ecosystem, but there are gaps in entrepreneur expertise that need to be addressed. Many entrepreneurs lack formal business education and training, limiting their ability to develop effective business strategies, financial management, and marketing skills. A survey conducted by the International Labour Organization (ILO) revealed that 68% of businesses in Uganda identified a lack of management skills as a major obstacle to growth (ILO, 2020). Addressing this gap by providing training programs, mentorship,

and networking opportunities can significantly enhance entrepreneur expertise and contribute to business success. Thus, this study seeks to investigate whether there is any statistically significant relationship between the access to finance, business environment, entrepreneur expertise and business success of SMEs in the context of Kampala Central Business District in Uganda

1.2 Problem statement

Although Small and medium-sized enterprises (SMEs) are critical drivers of economic growth and development, SMEs in Kampala face significant challenges in accessing finance, navigating the business environment, and developing the necessary entrepreneur expertise to achieve and sustain business success. Uganda Bureau of Statistics (UBOS) revealed that a considerable proportion of businesses in Uganda experience low profit margins, with 56% of businesses indicating that their profit margins were less than 10% (UBOS, 2021). The same UBOS survey found that 47% of businesses reported stagnant or declining sales over a five-year period and approximately 64% of new businesses in Uganda close within the first five years of operation (UBOS, 2021). Only 14% of small and medium-sized enterprises (SMEs) in Uganda have access to formal credit (FSDU, 2019). This lack of capital hampers business growth and limits the ability to seize market opportunities and invest in critical resources. Therefore, this study sought to examine the relationship between access to finance, business environment, entrepreneur expertise and success of SMEs in Kampala Central Business District.

1.3 Purpose of the Study

The purpose of the study was examine the relationship between access to financial capital, business environment, entrepreneur expertise and SME business success.

1.4 Objectives of the study

i. To establish the relationship between access to finance and SME business success.
ii. To examine the relationship business environment and SME business success.
iii. To determine the relationship between entrepreneur expertise and SME business success.
iv. To examine the extent to which access to finance, business environment, and entrepreneur expertise influence SME business success.

1.5 Research Questions

i. What is the relationship between access to finance and SME business success?
ii. What is the relationship the relationship business environment and SME business success?
iii. What is the relationship between entrepreneur expertise and SME business success?
iv. What is the extent to which access to finance, business environment, and entrepreneur expertise influence SME business success?

1.6 Scope of the study

1.6.1 Content Scope

The study focused on examining the relationship between access to finance, business environment, entrepreneur expertise and SME business success.

1.6.2 Geographical Scope

The study was conducted on small and medium enterprise (SMEs) in the areas of Ntinda, Kiwatule, Najjera and Kira in Wakiso district.

1.6.3 Time scope

The study was carried out for a period of 6 months between November 2022 to April 2023

1.7 Significance of the study

i. The results of the study may help KCCA to identify the gaps within the existing business environment. Consequently, it may be able to develop the necessary policies to address such weaknesses. Based on the findings from this study, KCCA may also enact new regulations or review old ones in order to enable SMEs to cope up with the economic, regulatory and industrial business environments.

ii. This study may generate useful insights that can be used by the government, Non-governmental organizations and other stakeholders to institute policies that can promote growth of SMEs in Kampala and other parts of the country.

iii. Future scholars may benefit from this study as they will use the study findings as reference to further research and hence contribute to the existing body of knowledge on business environment and growth of SMEs.

1.8 Conceptual Framework

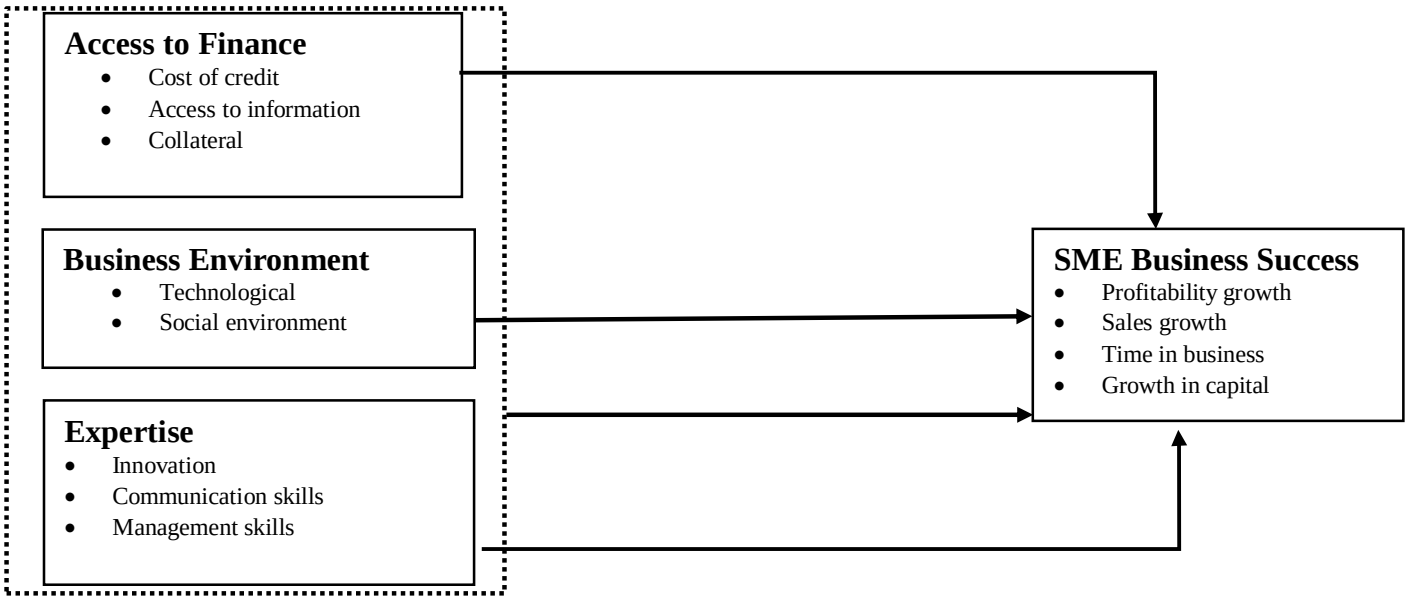


Figure 1: Conceptual Frame work

Source: *Developed after the literature of (Fardosa, 2016; Adeoye, 2012; Alkali, 2012; Adu, 2016)*

The conceptual framework below shows the expected relationship between elements of access to finance, business environment, entrepreneur expertise (independent variable) and SME business success in Kampala Central Business District (dependent variable).

Access to finance is a critical determinant of business success. Several factors influence entrepreneurs' ability to secure funding and effectively manage their financial resources.

Cost of Credit: The cost of credit, including interest rates, fees, and repayment terms, directly affects the affordability and accessibility of loans. High borrowing costs can place a financial burden on businesses, reducing their profitability and limiting their growth potential. Addressing the cost of credit is essential to ensure that entrepreneurs can access affordable financing options.

Access to Information: Access to accurate and timely financial information is crucial for entrepreneurs to make informed decisions about borrowing, investment, and financial planning. Availability of reliable information on loan products, interest rates, eligibility criteria, and repayment terms enables entrepreneurs to compare options and select the most suitable financial products for their businesses. Improved access to financial literacy programs and resources can empower entrepreneurs with the knowledge necessary to navigate the financial landscape effectively.

Collateral: Many financial institutions require collateral as security for loans, particularly for larger amounts. Collateral provides lenders with a guarantee against potential default. However, limited assets or a lack of formal property rights can pose challenges for entrepreneurs in accessing credit. Exploring alternative collateral options, such as movable assets or innovative financial instruments, can expand access to finance for entrepreneurs without traditional collateral.

Business Environment: The business environment encompasses external factors that influence entrepreneurial activities and business success.

Technological Environment: The technological environment includes access to modern infrastructure, digital connectivity, and technological advancements. Entrepreneurs with access to reliable internet connectivity, digital platforms, e-commerce capabilities, and technological support services can leverage technology to enhance their operations, reach a wider customer base, and innovate their products or services.

Social Environment: The social environment encompasses cultural norms, social attitudes, and community support for entrepreneurship. Factors such as consumer preferences, social acceptance of entrepreneurial ventures, networking opportunities, and access to mentorship and collaboration can significantly impact business success. A supportive social environment can encourage entrepreneurship, foster networking and collaboration, and provide a market for products or services.

Expertise: Entrepreneurial expertise plays a crucial role in driving business success.

Innovation: Entrepreneurial expertise in innovation involves the ability to identify market gaps, develop unique value propositions, and introduce innovative products, services, or business models. Cultivating a culture of innovation, promoting research and development, and fostering entrepreneurial mindsets can enable entrepreneurs to create competitive advantages and drive business growth.

Communication Skills: Effective communication skills are essential for entrepreneurs to convey their business vision, negotiate with stakeholders, build relationships, and market their products or services. Strong communication skills encompass verbal, written, and interpersonal abilities,

allowing entrepreneurs to effectively convey their value proposition, inspire stakeholders, and engage customers.

Management Skills: Entrepreneurial management skills are critical for effective business operations. These skills include financial management, human resource management, strategic planning, problem-solving, and decision-making. Entrepreneurs with strong management skills can optimize resource allocation, drive operational efficiency, and navigate challenges effectively.\

Business Success:

Business success encompasses various dimensions, including profitability growth, sales growth, sustained operations, and capital accumulation. Several factors influence these aspects of business performance.

Profitability Growth: Profitability growth is crucial for business sustainability and expansion. Efficient cost management, pricing strategies, economies of scale, and effective utilization of resources are key factors contributing to profitability growth. Implementing robust financial management practices and continuously monitoring and optimizing costs can enhance profitability.

Sales Growth: Sales growth is a key driver of business success. Effective marketing strategies, market research, product quality, customer satisfaction, and competitive positioning are factors that influence sales growth. Understanding customer needs, leveraging market trends, and adopting innovative marketing approaches can help businesses expand their customer base and increase sales.

Time in Business: The duration of a business's existence is an important indicator of its success. Factors such as strong business models, effective market positioning, customer loyalty, adaptation

to changing market conditions, and continuous innovation contribute to the longevity of a business. By focusing on these factors, entrepreneurs can build resilient businesses that withstand challenges and thrive over time.

Growth in Capital: Growth in capital refers to the accumulation of financial resources within a business. It enables investments in infrastructure, technology, human resources, research and development, and market expansion. Access to finance, profitability, reinvestment strategies, and business resilience are key factors influencing growth in capital. Entrepreneurs can explore various funding sources, such as equity financing, venture capital, grants, or crowdfunding, to secure the necessary capital for growth.

By considering the interplay of these factors, policymakers, financial institutions, and business support organizations can design targeted interventions and policies to foster business success in Kampala, Uganda. Improving access to finance, enhancing entrepreneurial expertise, creating a supportive business environment, and promoting innovation can empower entrepreneurs, drive economic growth, and contribute to the overall development of the region.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focused on the literature of the study regarding the relationship among the variables of the study; access to finance, business environment, entrepreneur expertise and business success.

2.1 Theory of Business Growth

Various authors have postulated theories on business growth. The oldest and the most used theory according to Elhiraika and Nkurunziza (2006) is Gibrat's law of proportionate effect (LPE); (1931). Here, Gibrat stipulates that the rate of growth of a firm is independent of its initial size. By implication it would mean that large firms are preferable in context of private sector development given that they create more employment than small firms. Conversely, Jovanovich (1982) states in his learning model that younger firms learn over time, which helps them improve their performance as they accumulate market knowledge. According to this model, young firms grow faster than old ones. Moreover, given that younger firms are usually smaller than older ones (businesses) for the reasons discussed earlier; Jovanovich deduces that small firms grow faster than large ones. This is a convergence process where small firms will eventually become as large as any other longer firm in the same sector as time goes by. Church and Lewis (1983) as cited in Olawale and Garire (2010) on the other hand claim that as a new small firm start and develops, it moves through some growth stages. He also identified the stages of growth of SMEs as; existence, survival, success, take off and resource maturity.

In relation to this study, in Uganda's SMEs each stage of development as different set of factors is critical to the firm's survival and success. The Churchill Lewis model gives an insight into the

dynamics of SMEs growth including the distinguishing characteristics, problems and requirement of growing SMEs and explains business growth process amongst SMEs, The precise moment in time in which a startup venture becomes a new business has not yet been theoretically determined. However, the ideal business survival could be equated with a firm that has fully completed the transaction to stage two organizations in the five stages of small business growth.

2.1.1 Contingency Theory

Contingency theory posits that there is no single best way of managing organizations (Raduan, Jegak, Haslinda, & Alimin, 2009). This is premised on the assumption that each organization faces a uniqueset of internal and external constraints (Moorthy, Tan, Choo, Sue Wei, Yong Ping & Kah Leong, 2012). In accordance to Moorthy *et al.,* (2012) and Ogbonna and Harris (2000), organizational success will depend on the firm's ability to diagnose and understand business environment factors while adopting organizational processes and structure that enhance its growth.

Rauch, Wiklund, Lumpkin and Frese (2010) points out that the contingency theory suggests that congruence or fit among key variables such as industry condition and organizational processes are critical in obtaining optimal performance. Lumpkins (1996) shares the above views by adding that the congruence between environment, structure and strategy are also critical for realizing best performance under contingency theory. In essence, the ability of SMEs to use the available resources in a manner that takes into account contingencies within its operating environment, under leadership styles that understands that no one situation fits all, will enable them attain increased performance and rate of survival.

Although as noted by Mian, Baiyin and Hai (2011), external business environments sometimes referred to as industrial dynamics tends to dictate how an organization adapts as well as re-

configure it resources and which leadership style to adopt (Ogbonna and Harris, 2000) to be able to realize competitive advantage.

In assessing how contingency factors influence organizational performance, Louis (2004) found out that while increasing both critical success factors and advanced manufacturing technologies directly impacted on operational performance, a mismatch between the two significantly reduced performances in SMEs in Canada. Furthermore, the results revealed that increasing uncertainty in SMEs environment leads to increased critical success factors but not increased assimilation of advanced manufacturing technologies. Similarly, a study undertaken by Ganescu (2012) in automotive industry revealed that organizations with strong and positive organizational culture coupled with strategic research and development that addressed needs of stakeholders, were able to achieve outstanding social corporate performance

In essence, the ability of SMEs to use the available resources in a manner that takes into account contingencies within its operating environment, under leadership styles that understands that no one situation fits all, will enable them attain increased performance and rate of survival. Although as noted by Teece and Pisano (1994); Mian, Baiyin and Hai (2011), external business environments sometimes referred to as industrial dynamics tends to dictate how an organization adapts as well as re-configure it resources and which leadership style to adopt (Ogbonna and Harris, 2000) in order to realize competitive advantage.

2.2 Access to Finance and Business Success

According to Bongomin *et al.,* (2017), access to finance are identified in numerous business studies as the most important factor in influencing the survival and growth of SMEs (IFC, 2010; Organization for Economic Cooperation and Development (OECD), 2006a; 2006b). Beck and Demirgüç-Kunt (2006), as cited by Bongomin *et al.,* (2017), claim that access to finance permits

SMEs in developing economies to obtain productive investments to expand their businesses and to acquire the latest technologies, thereby ensuring their competitiveness, and fostering innovation, macroeconomic resilience, and GDP growth. Based on the studies of Hussain et al. (2018), the most common finding in the existing research is that SMEs encounter external finance restrictions and the limited financial skills also negatively influence SMEs in relation to the chances of survival, growth, and innovation. Fraser et al. (2015), as cited by Hussain et al. (2018), emphasize that an insufficiency of financial management skills is correlated with businesses' access to finance that in return adversely affects firms' ability to access optimal debt and equity that leads toward bankruptcy. Kevane and Wydick (2001), as cited by Bongomin et al. (2017), suggest that the provision of credit to SMEs boosts economic growth in the informal sector through encouraging increased capitalization of business, creating employment opportunities and sustainable income growth. This is reinforced by Aghion and Bolton (1997), as cited by Bongomin *et al.*, (2017), who argue that more credit means further entrepreneurship, further firm formation and economic growth. Carpenter and Petersen (2002), as cited by Hussain *et al.*, (2018), indicate that, the financial possessions are a pre-requisite for all organizations to initiate, sustain, and grow. Current papers argue that "managerial capital" or business skills including financial literacy are main drivers of firm growth and a key factor of productivity (Bloom, Mahajan, McKenzie, and Roberts, 2010; Bruhn, Karlan, and Schoar, 2010 as cited by Cowling, Liu, and Zhang, 2016)

Access to finance has been identified in many business surveys as the most important factor in determining the survival and success (IFC, 2010; OECD, 2006). Beck and Demirguc-Kunt, (2006) argue that access to finance allows SMEs in developing economies to undertake productive investments to expand their businesses and to acquire the latest technologies, thus ensuring their competitiveness, and fostering innovation, macro-economic resilience, and GDP growth. Kevane

& Wydick (2001) also suggest that provision of credit to micro enterprises encourages economic growth in the informal sector through promoting increased capitalization of business, creating employment opportunities, and long term income growth. This is supported by Aghion & Bolton (1997) who argue that more credit means more entrepreneurship, more firm formation, and economic growth. Scholars such as Tiwari, Shahbaz and Islam (2013) postulate that provision of financially disadvantaged families with low cost loans and increasing access to various sources of funding, which is used for business growth can lead to poverty reduction and employment creation (see also Davidsson, Achtenhagen and Naldi, 2010). A study by World Bank (2013) indicate that access to finance improved firm performance and growth by facilitating market entry, risk reduction, promoting innovation, and entrepreneurial activity in developing economies.

2.3 Business Environment and Business Success

SMEs face turbulent and rapid changing environment, delays in availability of resources, political interference and variations in the economic situations have been attributed to poor business success (Kobia and Mohamed, 2016). Tachera (2017) postulate that factors in the external environment influence business processes differently. This can be postulated that the external environment has influence on business success.

The environment determines what is possible for the organization to achieve. In summary, Business environment is the combination of many factors both tangible and non-tangible that provides the live blood for the organizations success by providing a market for its products and services and also by serving as a source of resources to others. According to Ciano (2018), business is a series of collisions with the future while its present day challenges include convergence, corporate governance, corporate reporting, fraud, operating globally, improving business

performance, managing assets, change and People, mergers and acquisitions, risk management, shareholder's values and sustainability.

Environmental conditions such as uncertainty, dynamism, hostility, the number of relevant components in the environment and the interpersonal relationship between these components, all increase perceived complexity in managing organizations (Lehner, 2016) suggest that the environmental construct should be treated as consisting two broad aspects, the factors (internal and external) and second dimensions. Murgor (2016) it is impossible to examine everything occurring and some elements could be more relevant to some businesses than others.

Studies have shown that a favorable business environment is positively associated with the success of SMEs. A study by Beck *et al.,* (2015) found that firms located in countries with better legal and regulatory frameworks and higher levels of financial development have higher growth rates and are more profitable. Similarly, a study by Ayyagari *et al.,* (2016) found that SMEs operating in countries with better business environments have higher sales growth and employment growth rates.

Furthermore, a favorable business environment enables SMEs to access necessary resources and services that can help them grow and succeed. For example, access to finance, infrastructure, and markets are crucial for SMEs to develop and expand their operations. According to a study by World Bank (2020), SMEs in countries with better business environments are more likely to access finance, technology, and other resources that can help them innovate and compete in the market.

In addition, a favorable business environment can also foster an entrepreneurial culture that supports the growth and success of SMEs. A study by Brixiová, Kangoye, and Yogo (2018) found that the availability of entrepreneurial opportunities, networks, and support services are positively

associated with the growth and success of SMEs in Africa. SMEs operating in countries with favorable business environments are more likely to access necessary resources, innovate, and compete in the market. Therefore, policymakers and stakeholders should focus on developing policies and programs that enhance the business environment for SMEs.

2.4 Expertise and Business Success

Studies have shown that expertise is a critical determinant of business success in SMEs. According to a study by Chen et al. (2021), expertise positively influences business performance, including financial and non-financial outcomes. Specifically, the study found that expertise in marketing, finance, and technology management significantly affects SMEs' sales growth and profitability.

Moreover, the importance of expertise varies across industries and business functions. For instance, a study by Cetindamar *et al.*, (2019) found that expertise in innovation and technology management is crucial for SMEs operating in the high-tech industry. Similarly, a study by Han *et al.*, (2021) found that expertise in supply chain management significantly affects SMEs' operational performance.

Furthermore, SMEs can acquire expertise through various means, including hiring employees with specialized knowledge, training programs, and collaborations with universities and research institutions. A study by Wang *et al.*, (2021) found that SMEs that invest in human capital, including training programs and employee development, are more likely to achieve higher levels of innovation and financial performance.

In addition, the relationship between expertise and business success is influenced by other factors, such as the business environment and entrepreneurial orientation. A study by Kaliappan *et al.*, (2021) found that the positive effect of expertise on SMEs' innovation performance is stronger in

a favorable business environment. Similarly, a study by Jiang *et al.*, (2021) found that entrepreneurial orientation positively moderates the relationship between expertise and SMEs' financial performance.

Overall, the latest research supports the notion that expertise is critical for SMEs' success in various business functions and industries. SMEs that invest in acquiring and developing expertise are more likely to achieve higher levels of financial and non-financial performance. Therefore, SME owners and policymakers should prioritize initiatives that enhance SMEs' access to expertise and support the development of human capital.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter described the data collection techniques and data analysis. It will cover the research design, sampling techniques, sample size, measurement instruments, data processing, data analysis and study limitations.

3.2 Research Design

A cross sectional design was employed in this study to examine the relationship between financial capital, business regulation, entrepreneur expertise and SME business success. Cross-sectional research was used because it is a relatively quick and cost-effective research method as it involves collecting data from participants at a single point in time and Cross-sectional research design is relatively simple and easy to conduct, especially when compared to longitudinal research that involves collecting data over an extended period.

3.3 Study population

The population for this study comprised of 476 owners of registered SME businesses in Kampala Central Business District under Kampala Capital City Traders Association by December 2020 (KCCA, 2021). The unit of analysis were SME business in Kampala. This was because it was more accessible to the researcher and ties in very well with the operationalization of the research problem under study.

3.4 Study Sample and Sampling technique

The sample was 210 owners of registered businesses in Kampala Central s who were selected based on Krejcie and Morgan (1970) from the total population. Sekaran (2003) recommends that

for research activities, the sample size of respondents should be determined using Krejcie and Morgan (1970) tables. The unit of inquiry was the owner of the SMEs in Kampala. Simple random sampling method was used to establish the respondents. According to Katebire (2007), it minimizes bias and every member stands chance of being selected. Indicate how you reached the actual respondents as unit of inquiry

3.5 Sources of data

Primary data was sought from SME businesses in Kampala district.

3.6 Data collection instrument

A self-administered structured questionnaire were used to measure the perception of the respondents since they helped in gathering data over a large sample and saves time. If a structured questionnaire is self-administered, detailed instructions on how to complete the questionnaire are usually given to the respondents ((Amin, 2005). The questions in the questionnaire were close-ended because they are exhaustive and mutually exclusive. The questionnaires were administered with the help of research assistants. Questions were rated using a 5-point Likert Scale of strongly agree (5), agree (4), uncertain (3), disagree (2) strongly disagree (1). The questionnaire were divided into sections to address specifically all the variables in the model.

3.7 Measurement of Variables

Access to finance, business environment, entrepreneurial expertise and SME business success will be measured through their indicators as shown in the table 1 below:

Table 1: Measurements of the Research Variables

Variable	Author	Measures
Access To Finance	*Fardosa, 2016*	● Cost of credit ● Access to information ● Collateral
Business Environment,	*Adeoye, 2012*	● Economic environment ● Technological ● Social environment
Entrepreneurial Expertise	*Alkali, 2012*	● Innovation ● Communication skills ● Management skills
SME Business Success	*Adu,2016*	● Profitability growth ● Sales growth ● Time in business ● Growth in capita

Source: Secondary Data

3.8 Validity and reliability

Reliability is the ability of a measure to produce consistent results when the same entities are measured under different conditions (Field, 2009). The Cronbach Alpha coefficient was used to test for reliability of the instrument and if the Cronbach's alpha coefficient is above 0.70, the instrument will be considered reliable (Amin, 2005).

Validity determines whether the research instrument truly measures what it was intended to measure or how truthful the research results are (Golafshan, 2003). The questionnaire scale for

expert validity was used to establish this. The questionnaire was pretested before it administered to the respondents The questionnaire was given to a number of experts to evaluate the relevance of each item in the instrument to the objectives and how well scores on one measure predict scores on another measure of interest. In this study, the researcher concentrated on content validity to ensure that the content of the questionnaire is appropriate and relevant to the study purpose.

Table3.2: Validity and reliability results

Variable	CVIs	Cronbach's Alpha	No of Items
Access To Finance	.784	.956	12
Business Environment	.875	.700	8
Entrepreneur Expertise	.862	.798	7
SME Business Success	.875	.825	15

Source: Primary Data, 2021

3.9 Ethical Consideration

The researcher gave attention to the ethical issues associated with carrying out the study by adhering to the following procedures:

Permission of the respondents was sought to conduct research involving them. This was done by seeking permission from individual through an introductory letter from the university and allowing the respondents to choose to be a part of the study or not. Written or verbal informed consent from all respondents was sought before the questionnaires are distributed and the purpose and objectives of the study will be carefully explained to the respondents.

The researcher took into consideration the privacy and confidentiality of the respondents by safe guarding the information of the respondents and providing explanation for the relevance of the

information they provide as well as who it was shared with. The researcher ensured that there was be anonymity of the respondents by requesting the respondents not to provide their names, designations and contacts. Here the researcher designed the tools in such a manner that the respondents are not required to provide personal details. The major ethical problem in this study will be privacy and confidentiality of the respondents. This is because the researcher gained access to staff lists and files which is an infringement on the privacy of the respondents. This however is the only way of constructing a sampling frame and generating a representative sample.

3.10 Data Processing and Analysis

The data was coded, cleaned, edited and computed using Statistical package for social scientists (SPSS) version 25. The descriptive statistics such as frequency units, percentages and inferential statistics such as Pearson correlating coefficient, multiple regression was conducted.

CHAPTER FOUR

PRESENTATION, ANALYSIS, AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter covers the data analysis performed, its presentation, and its interpretation. It focused at satisfying the following research objectives;

i. To establish the relationship between access to finance and SME business success.
ii. To examine the relationship between business environment and SME business success.
iii. To determine the relationship between entrepreneur expertise and SME business success.

4.2 Demographic characteristics of respondents

The respondents' gender, age, level of education, and length of time working with SMEs were all taken into; account. The findings are indicated in Table 4.1.

Table 4.1: Demographic characteristics of Respondents

Gender				
	Frequency	Percent	Valid Percent	Cumulative Percent
Male	112	53.3	53.3	53.3
Female	98	46.7	46.7	100.0
Total	210	100.0	100.0	
AGE				
18-24	19	9.0	9.0	9.0
25-35	94	44.8	44.8	53.8
36-45	47	22.4	22.4	76.2
46-55	28	13.3	13.3	89.5
Above 55 years	22	10.5	10.5	100.0
Total	210	100.0	100.0	

Education				
Certificate	28	13.3	13.3	13.3
Diploma	93	44.3	44.3	57.6
B.Degree	89	42.4	42.4	100.0
Total	210	100.0	100.0	

Period in business				
1-5	51	24.3	24.3	24.3
6-10	71	33.8	33.8	58.1
11-15	88	41.9	41.9	100.0
Total	210	100.0	100.0	

Source: Primary Data 2023

The findings in Table 4.1 indicate that most of the respondents were male (53.3%), and their female counterparts were 46.7%. This implies that men are more involved in business than women in the Central Business District under Kampala Capital.

The findings in Table 4.1 indicate that most of the respondents were between 25 and 35 years old (45.2%). They were followed by those between the ages of 36 and 45 (22.4%), 45 and 55 (22.4%) and the oldest group, those above 55years (10.5%) and the youngest between 18 and 24 (9%). This implies that SMEs are employing adult employees capable of making critical decisions that boost the financial inclusion of the business.

The findings in Table 4.1 indicate that most of the respondents had finished their diploma (44.3%), followed by those who were Degree holders (42.4%), and the least group, those with certificates (13.3). This suggests that SMEs are employing competent individuals who are aware of financial inclusion, which could help the SMEs perform better.

The findings in Table 4.1 indicate that most of the respondents had spent 11-15 years there (41.9%). These were followed by those who had spent 6-10 years (33.8%), and those who had spent 1-5 years (24.3%) were the least. This implies that most of the respondents had long working experience in handling the business, 11-15 years of experience and all this learning comes in handy to improve their performance.

4.2 Demographic Characteristics of SMEs

Demographic characteristics of Small and Medium-sized Enterprises (SMEs) provide insights into the composition and diversity of businesses which participated in the study

Table 4.2: Characteristics of the SMEs

Business Registration				
	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	126	60.0	60.0	60.0
No	84	40.0	40.0	100.0
Total	210	100.0	100.0	
Capital invested to start the business				
Less than 5 million	46	21.9	21.9	21.9
5-20 million	124	59.0	59.0	81.0
21-50 million	39	18.6	18.6	99.5
51-100 million	1	.5	.5	100.0
Total	210	100.0	100.0	
Source of the initial capital				
Savings	77	36.7	36.7	36.7
Bank Loan	94	44.8	44.8	81.4
Grant	33	15.7	15.7	97.1
Other (specify)	6	2.9	2.9	100.0

Total	210	100.0	100.0	

Source: Primary data, 2023

Table 4.2 above shows that majority of the respondents (60%) revealed that the businesses were registered, while (40%) were not registered.

Table 4.2 reveals that majority of the respondents (59%) invested an initial capital between 5 – 20 million, followed by less than 5 Million (21.9%), 21-50 Million (18.6%) and 5% had invested 51-100 million.

Table 4.2 further revealed that majority of the respondents had invested using bank loans (44.8%), 36.7% had used their own savings, 15.7% had used grants, and 2.9% had used other source of finance like family financing.

4.3 Correlation

Pearson correlation was used to examine the relationship between relationship between access to financial capital, business environment, entrepreneur expertise and SME business success. The findings are shown in table 4.3 below

Table 4.3: Correlation

	Access To Finance	Business Environment	Expertise	SME Business Success
Access To Finance	1			
Business Environment	.677**	1		
Expertise	.425**	.450**	1	
SME Business Success	.522**	.450**	.677**	1

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

*. Correlation is significant at the 0.05 level (2-tailed).

4.3.1 Access to finance and SME business success

The results in table 4.3 above show that is a positive and significant relationship between access to finance and SME business success ($r = .522^{**}$, $P \leq .01$). This implies that any positive change in access to finance is associated with a positive change in SME business success. The results also revealed that access to finance has significant relationship with dimensions of business success which were sales growth, profitability, time in business, and growth in capital.

4.3.2 Business environment and SME business success

Table 4.3 shows that there is a significant positive relationship between business environment and business success ($r = .450^{**}$, $P \leq .01$). This means that any positive change in business environment is associated with a positive change in business success. The results further indicate that business environment has a significant relationship with the dimensions of business success, which include were sales growth, profitability, time in business, and growth in capital, and that, on the other hand,

all the elements of business environment have a positive and significant relationship with SME business success.

4.3.3 Entrepreneur expertise and SME business success

The results in Table 9 above indicated that there exists a significant and positive relationship between entrepreneur expertise and SME business success (r = .677** P<.01). The findings indicate that entrepreneur expertise can significantly improve SME business success. According to the findings, SMEs that invest more in entrepreneur expertise can improve business success.

4.4 Regression analysis

The results in Table 10 below show the prediction model which was presented to examine the level to which access to finance, business environment and entrepreneur Expertise can account for variances in business success.

Table 4.4: Regression analysis results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	17.907	3.627		4.937	.000
	Access to Finance	.436	.072	.363	6.066	.000
	Business Environment	.342	.081	.256	4.225	.000
	Expertise	.365	.113	.208	3.228	.001
R	0.635					
R Square	0.404					
Adjusted R Square	0.395					
Std. Error of the Estimate	4.854					
F	46.455					
Sig.	0					

a. Dependent Variable: Business Success

Source: Primary Data, 2023

The results in table 4.4 above posit that access to finance, business environment, and entrepreneurial expertise combined predict 39.5% (Adjusted R square= 0.395) of the variation in SME business success. This means that other factors that were not considered in the study explain the 60.5% of the variance in SME business success. The adjusted R square gives the idea of how well the regression model generalizes the study variables. Since R square is very sensitive to sample size, Adjusted R square was used as a better goodness of measure as opined by Field (2009). The results in table 4.4 further show that the independent variables (access to finance, business environment, and entrepreneurial expertise) are significant predictor of SME business success respectively. According to the table, access to finance is the highest predictor of SME business success (Beta=.363, P<.01). This implies that a unit increase in access to finance increases SME business success by .363. The results also show that business environment also predicts SMEs business success (Beta = .256, P<.01) and Entrepreneurial expertise predicts SME business success (Beta = 208, P<.01). The regression model was also found to be well specified (F Statistic= 46.455, P<.05), meaning that all the independent variables were significant predictors of performance of insurance and insurance brokerage firms. Therefore, the H3 which was stated that there is a predictive power of governance structures and regulatory pressures on the performance of insurance and insurance brokerage firms in Uganda is validated

.4.1 Variance of cost of finance on Business Success

Table 4.5 Variance of cost of finance on Business Success

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	31.747	3.587		8.850	.000
	Cost of Credit	.266	.198	.086	1.340	.182
	Access to information	.665	.195	.241	3.418	.001
	Collateral	.839	.161	.345	5.221	.000

a. Dependent Variable: Business Success

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.538[a]	.289	.279	5.29830

a. Predictors: (Constant), Collateral , Cost of Credit, Access to information

F: 27.944

The results show that the overall model is statistically significant ($p < .001$), with an R-squared of .289, indicating that access to finance explain around 29% of the variance in Business Success. This means that there are other factors that contribute to business success other than access to finance that are not accounted for in the model. Looking specifically at the determinants of Access to finance the results reveal that Cost of Credit, is not statistically significant ($p = .182$), with a beta value of .086, indicating a weak positive relationship with Business Success. In contrast, Access to Information and Collateral are both statistically significant predictors of Business Success, with beta values of .241 and .345, respectively, indicating moderate to strong positive relationships with Business Success. F-Statistic: 27.944, indicating that the regression model is

statistically significant. Significance (Sig.): p-value less than .05 (0.000b), indicating that the model is statistically significant.

4.4.2 Variance of Business Environment on Business Success

Table 4.6 Variance of business Environment on Business Success

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	40.051	2.677		14.961	.000
	Technological	.300	.164	.138	1.827	.069
	Social Environment	.982	.197	.375	4.983	.000

a. Dependent Variable: Business Success

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.469[a]	.220	.212	5.53869

a. Predictors: (Constant), Social Environment , Technological

F: 29.109

The regression analysis results shows that there is a statistically significant relationship between the predictors of business environment (Social Environment and Technological) and the dependent variable (Business Success). The model as a whole explains about 22% of the variance in Business Success, indicating that there may be other important factors that also contribute to business success. The coefficient for Technological is not statistically significant at the conventional level

of significance ($p < 0.05$), suggesting weak evidence of a relationship between Technological and Business Success. On the other hand, Social Environment is a statistically significant predictor of Business Success, indicating that businesses operating in a more supportive social environment tend to have higher levels of success.

4.4.2 Variance of Expertise on Business Success

Table 4.7 Variance of Expertise on Business Success

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	36.371	3.081		11.804	.000
	Innovation	.804	.215	.247	3.729	.000
	Communication	.866	.177	.324	4.892	.000

a. Dependent Variable: Business Success

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.477[a]	.228	.220	5.50933

a. Predictors: (Constant), Communication, Innovation

F: 30.526

The model has an R-squared value of 0.228, indicating that the predictors of expertise (Communication and Innovation) explain 22.8% of the variance in Business Success. The coefficients, of both Innovation and Communication are statistically significant predictors of Business Success, as their p-values are less than 0.05. Specifically, for every one unit increase in

Innovation and Communication, Business Success is predicted to increase by 0.247 and 0.324 units, respectively. The constant term in the model is 36.371, which represents the predicted value of Business Success when both Innovation and Communication are zero. The standardized coefficients (beta) indicate that Communication has a stronger effect on Business Success than Innovation, as it has a larger beta value. This suggests that businesses that have better communication practices and are more innovative tend to have higher levels of success.

CHAPTER FIVE

DISCUSSION OF FINDINGS CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a discussion, conclusion of the analysis and interpretation of the results, and strategic recommendations. The discussion explains in detail the results compared to other scholars and the conclusion addresses the final observations regarding the study objectives goals. The chapter ends by raising the limitations of the study and raises areas of further research consideration.

5.2 Discussion of findings

5.2.1 Access to finance and SME business success

The findings showed a positive and significant relationship access to finance and SME business success. The findings mean that when there is an improvement in access to finance, this will improve business success. This further implies that when the management of the SME is aware that if they improve their access to finance by understanding the cost of credit and god access to information on finance and have valid collateral they can access finance, this will improve their chances of SME business. The results are in agreement with Bongomin *et al.,* (2017) who asserts that access to finance is a critical factor in the success of small and medium-sized enterprises (SMEs). SMEs often face challenges in securing financing, and access to adequate funding can make a significant difference in their ability to grow and succeed. Cowling, et al, (2016) also asserts that adequate financing allows SMEs to invest in the resources they need to run their operations and to take advantage of new business opportunities. For example, access to financing

can help SMEs purchase equipment and machinery, hire additional employees, improve their marketing and advertising efforts, or expand into new markets.

5.2.2 Business environment and SME business success

From the findings, it can be noted that business environment has a positive and significant relationship with the SME business success. This means that any positive change business associated with a positive change in SME business success. This further implies that the business environment plays a significant role in determining the success of small and medium-sized enterprises (SMEs). A favourable business environment can provide SMEs with the resources, support, and opportunities such as technology and a blissful social environment they need to grow and succeed, while a challenging business environment can make it difficult for SMEs to achieve their goals. This is in agreement Kobia & Mohamed, (2016) SMEs face turbulent and rapid changing environment, delays in availability of resources, political interference and variations in the economic situations have been attributed to poor business success. Machuki and Aosa (2011) suggest that the environmental construct should be treated as consisting two broad aspects, the factors (internal and external) and second dimensions.

5.2.3 Entrepreneur expertise and SME business success

From the findings, it was indicated that there is a positive and significant relationship between entrepreneur expertise and SME business success. This implies that any positive change in entrepreneur expertise will result in a positive change in SME business success. This implies that the expertise of an entrepreneur plays a critical role in the success of small and medium-sized enterprises (SMEs). An entrepreneur's expertise and experience can provide a competitive advantage and help SMEs overcome challenges and capitalize on opportunities. In-depth knowledge of the industry in which the SME operates can help the entrepreneur make informed

decisions, identify new opportunities, and respond to challenges. In agreement with Wekesa et al., (2016) who asserted that the expertise of an entrepreneur is a critical factor in the success of SMEs. Entrepreneurs who have a strong understanding of the industry, business operations, leadership, and adaptability are better equipped to overcome challenges and capitalize on opportunities, which can lead to long-term success

5.2.4 Combined effect of independent variable on SME Business Success

The results revealed that access to finance, business environment, and entrepreneurial expertise combined have a variation in SME business success. Though there are other factors that were not considered in the study that can explain variance in SME business success. It was also revealed that access to finance was the best predictor of SME business success. This is in agreement with Ssekajugo (2013) who states that When SMEs have access to adequate financing, operate in a favourable business environment, and have entrepreneurs with expertise, they are better equipped to overcome challenges and capitalize on opportunities, which can lead to long-term success.

5.3 Conclusion

In conclusion, the success of small and medium-sized enterprises (SMEs) is influenced by several factors, including access to finance, the business environment, and the expertise of entrepreneurs. Access to financing allows SMEs to invest in their businesses and take advantage of new opportunities, while a favourable business environment provides SMEs with the resources and support they need to grow and succeed. Entrepreneurs with expertise can provide a competitive advantage and help SMEs make informed decisions, attract and retain talent, and respond to changes in the market and customer needs. The combined effect of these factors can have a significant impact on the success of SMEs, and it is important for entrepreneurs and policymakers to consider the role they play in supporting the growth and success of SMEs.

5.4 Recommendations

Based on the findings on the relationship between access to finance, the business environment, and entrepreneur expertise and the success of small and medium-sized enterprises (SMEs), the following are some recommendations that can help support the growth and success of SMEs:

Governments and financial institutions should work together to provide SMEs with access to affordable financing. This can include providing loan guarantees, low-interest loans, and other financing options to help SMEs secure the funding they need to grow and succeed.

SMEs should also be encouraged to explore alternative financing options, such as crowd funding and peer-to-peer lending, to help them secure the funding they need.

Governments should work to create a favorable business environment for SMEs by reducing regulatory barriers, providing tax incentives, and promoting entrepreneurship.

Local communities can also support SMEs by creating networks, mentorship programs, and other resources to help entrepreneurs connect with each other and with potential customers, suppliers, and investors.

Policymakers can create a favorable business environment by providing SMEs with access to resources, support, and opportunities, such as business training and mentorship programs, tax incentives, and access to markets.

Governments and organizations can provide entrepreneurs with education and training opportunities to help them develop their expertise and skills, such as courses in business management, finance, and marketing.

Educational institutions should invest in programs that provide training and support to entrepreneurs to help them develop their expertise and skills.

Entrepreneurs should also be encouraged to seek out mentorship and networking opportunities to connect with other business owners and learn from their experiences.

Provide mentorship and support to SMEs: Governments, financial institutions, and organizations can provide mentorship and support to SMEs, such as business coaching and technical assistance, to help them overcome challenges and capitalize on opportunities.

These recommendations can help support the growth and success of SMEs, which can have a positive impact on local and national economies. By providing SMEs with access to financing, resources, support, and opportunities, and by supporting the development of entrepreneurial expertise, policymakers and organizations can help create the conditions that support the growth and success of SMEs.

5.6 Limitations of the study

There was a limited willingness to respond to questionnaires by respondents because they found it time-consuming. The researcher tried to explain each question to simplify the complexity of the questions in the questionnaire.

5.7 Areas of further research

i. The study used a cross-sectional design, in which data is gathered at a single moment in time, and the results are always limited to the most recent period. As a result, future research should consider a longitudinal research design that allows for the use of longitudinal data.

ii. Future research should include qualitative factors using, for example, observations and interview guides, as the study was limited to a quantitative approach and used a structured questionnaire to elicit information from the respondents. As a result, other features that could be observed were not included in the findings.

iii. Further research should be conducted to investigate other determinants of financial inclusion and, if possible, variables such as managerial competence, political factors, and government policies that should be combined with these variables to stimulate financial inclusion.

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Sample Questionnaire

MAKERERE UNIVERSITY

MAKERERE UNIVERSITY BUSINESS SCHOOL

GRADUATE RESEARCH CENTRE

Dear respondent,

You have been selected to participate in a study *On* ***the Evaluation of Agency Banking Service Adoption*****.** The study is purely for academic purposes. The information provided will be treated highly **CONFIDENTIAL**. Your candid response is highly appreciated.

SECTION A: Particulars of respondent

Please pick the most appropriate option

1. What is your gender?

Male	Female
1	2

2. What is your age group?

18-24 years	25-35 Years	36-45 years	46-55 Years	Above 55 years
1	2	3	4	5

3. What is your level of education?

Certificate	Diploma	B. Degree
1	2	3

4. How long have you been win this business working with this company?

1-5 years	6-10 Years	11-15 years
1	2	3

5. Is your business registered? Yes ☐ No ☐
6. How much capital did you invest to start the business?
   Less than 5million ☐ 5-20 million ☐ 21-50 million ☐ 51-100 million ☐
   More than 100 million ☐
7. What was the source of the initial capital?

Personal and family Savings ☐ Bank Loan ☐ Grant ☐ Other ☐ pecify)

SECTION B: ACCESS TO FINANCE

In the following section please state the extent to which you agree or disagree to a particular statement about each competence by ticking the appropriate response based on this scale 1 Strongly Disagree, 2 Disagree, 3 Not Sure, 4 Agree, 5 Strongly Agree

S/N	**Cost of credit**	**1**	**2**	**3**	**4**	**5**
CC1	All financial institutions demand collateral	1	2	3	4	5
CC2	Loan service fees are too much	1	2	3	4	5
CC3	The interest charged on the loan is too high for my business	1	2	3	4	5
CC4	Limited bank credit	1	2	3	4	5
	Access to information	**1**	**2**	**3**	**4**	**5**
AI1	Information about financing is limited	1	2	3	4	5
AI2	All information about credit is only found at the financial institution	1	2	3	4	5
AI3	There is limited training on financial management	1	2	3	4	5
Ai4	Always get information on credit on my phone	1	2	3	4	5
	Collateral	**1**	**2**	**3**	**4**	**5**
CL1	Only successful business can get credit	1	2	3	4	5
CL2	Financial institutions require successful guarantors	1	2	3	4	5
CL3	Financial institutions require bank statements	1	2	3	4	5
CL4	SMEs don't have enough collateral to access funds .	1	2	3	4	5

SECTION C: Business Environment

In the following section please state the extent to which you agree or disagree to a particular statement about each competence by ticking the appropriate response based on this scale 1 Strongly Disagree, 2 Disagree, 3 Not Sure, 4 Agree, 5 Strongly Agree

S/N	**Technological**	**1**	**2**	**3**	**4**	**5**
TQ1	Emerging technologies make business easy	1	2	3	4	5
TQ2	infrastructure exists to support the use of new technologies in business	1	2	3	4	5
TQ3	I have the necessary resources to use various technologies in my business	1	2	3	4	5
TQ4	We have invested in electronic payment systems	1	2	3	4	5
	Social environment	**1**	**2**	**3**	**4**	**5**
SE1	The people in the business always share ideas	1	2	3	4	5
SE2	The business attracts various investors	1	2	3	4	5
SE3	I am directly involved in the day to day running of the business.	1	2	3	4	5
SE4	Good management, technical knowledge and skills support business success	1	2	3	4	5

SECTION D: Expertise

In the following section please state the extent to which you agree or disagree to a particular statement about each competence by ticking the appropriate response based on this scale 1 Strongly Disagree, 2 Disagree, 3 Not Sure, 4 Agree, 5 Strongly Agree

S/N	**Innovation**	**1**	**2**	**3**	**4**	**5**
EI1	I always come up with new ideas	1	2	3	4	5
EI2	I have introduced new product in my business	1	2	3	4	5
EI3	Innovation is key to business success	1	2	3	4	5
	Communication skills	**1**	**2**	**3**	**4**	**5**
CS1	I communicate with customers regularly	1	2	3	4	5
CS2	I listen to all what my employees have to say	1	2	3	4	5
CS3	I have put in place many communication channels	1	2	3	4	5
CS4	Communication between management and customers is key	1	2	3	4	5

SECTION B: BUSINESS SUCCESS

In the following section please state the extent to which you agree or disagree to a particular statement about each competence by ticking the appropriate response based on this scale 1 Strongly Disagree, 2 Disagree, 3 Not Sure, 4 Agree, 5 Strongly Agree

S/N	**Sales Growth**	**1**	**2**	**3**	**4**	**5**
SV1	The company sales revenue has improved significantly.	1	2	3	4	5
SV2	The company makes more sales daily.	1	2	3	4	5
SV3	The number of customers has increased.	1	2	3	4	5
SV4	Improved prices of our products.	1	2	3	4	5
SV5	The stock we hold in our shops has increased.	1	2	3	4	5
SV6	Stock is regularly replaced from our suppliers.	1	2	3	4	5
	Profitability	**1**	**2**	**3**	**4**	**5**
PF1	The business's net profits have improved	1	2	3	4	5
PF2	Expenses of the business' are less compared to the revenue	1	2	3	4	5
PF3	The sales of the business are high	1	2	3	4	5
	Time in Business	**1**	**2**	**3**	**4**	**5**
TB1	The business has grown beyond it first birthday	1	2	3	4	5
TB2	Sales have grown significantly.	1	2	3	4	5
TB3	The business has grown a strong customer base over time	1	2	3	4	5
	Growth in Capital	**1**	**2**	**3**	**4**	**5**
GC	The capital invested is high	1	2	3	4	5
GC	The company reinvests its profits	1	2	3	4	5
GC	The company's capital base is strong	1	2	3	4	5

THANK YOU