International Journal Of Management And Economics Fundamental
(ISSN – 2771-2257)
VOLUME 03 ISSUE 06 Pages: 32-36
SJIF IMPACT FACTOR (2021: 5. 705) (2022: 5. 705) (2023: 7. 448)
OCLC – 1121105677
Publisher: Oscar Publishing Services

Journal Website: https://theusajournals.com/index.php/ijmef

Research Article

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

Submission Date: June 11, 2023, Accepted Date: June 16, 2023,
Published Date: June 21, 2023
Crossref doi: https://doi.org/10.37547/ijmef/Volume03Issue06-07

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ABSTRACT

This study examines the relationship between microfinance training services and the financial sustainability of small and medium enterprises (SMEs) in Kampala Central Division, Uganda. It investigates the impact of training programs offered by microfinance institutions on the financial management practices, business performance, and long-term sustainability of SMEs. The study employs a mixed-methods approach, combining quantitative surveys and qualitative interviews with SME owners and microfinance trainers. The findings provide insights into the effectiveness of microfinance training services in enhancing the financial literacy, managerial skills, and access to financial resources for SMEs. The study contributes to the understanding of how targeted training interventions can contribute to the financial sustainability and growth of SMEs, thereby promoting economic development and poverty reduction in the region.

KEYWORDS

Microfinance, training services, financial sustainability, small and medium enterprises (SMEs), Kampala Central Division, Uganda, financial management, business performance, financial literacy, managerial skills, access to financial resources, economic development, poverty reduction.

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INTRODUCTION

The economic development of small and medium enterprises (SMEs) plays a vital role in promoting inclusive growth and poverty reduction in developing countries. In Kampala Central Division, Uganda, SMEs are an essential component of the local economy. However, many SMEs face significant challenges in accessing financial resources, managing their finances effectively, and ensuring long-term financial sustainability. Microfinance institutions have emerged as important actors in providing financial services to SMEs. In addition to financial support, these institutions often offer training programs to enhance the financial management skills of SME owners. This study aims to explore the impact of microfinance training services on the financial sustainability of SMEs in Kampala Central Division.

METHOD

The research employs a mixed-methods approach to capture a comprehensive understanding of the relationship between microfinance training services and the financial sustainability of SMEs. The study design consists of both quantitative surveys and qualitative interviews, allowing for a more nuanced exploration of the topic.

Quantitative Surveys:

A survey questionnaire is developed to collect quantitative data from a sample of SME owners in Kampala Central Division. The survey includes questions related to the demographics of the SME owners, their access to microfinance training services, financial management practices, business performance indicators, and perceptions of financial sustainability. The sample is selected through a combination of random sampling and purposive sampling techniques to ensure a representative and diverse group of SMEs.

Qualitative Interviews:

In-depth interviews are conducted with a subset of SME owners who have participated in microfinance training programs. These interviews aim to gather detailed insights into the experiences, perceptions, and challenges faced by SMEs regarding financial management and the impact of training services. Additionally, interviews are conducted with microfinance trainers to understand the content, delivery methods, and effectiveness of the training programs offered.

Data Analysis:

The quantitative data collected from the surveys are analyzed using appropriate statistical techniques. Descriptive statistics, such as frequencies, means, and percentages, are computed to summarize the data. Inferential statistics, such as correlation and regression analysis, are employed to examine the relationship

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between microfinance training services and financial sustainability indicators.

The qualitative data obtained from the interviews are analyzed using thematic analysis. The transcripts are coded and categorized into themes and sub-themes to identify patterns, trends, and key findings. The qualitative and quantitative findings are then triangulated to provide a comprehensive understanding of the impact of microfinance training services on SMEs' financial sustainability in Kampala Central Division.

Through this mixed-methods approach, the study aims to provide insights into the effectiveness of microfinance training services in enhancing financial management practices, business performance, and long-term sustainability of SMEs. The findings will contribute to the existing literature on microfinance and SME development and provide practical recommendations for policymakers, microfinance institutions, and SME owners in promoting financial sustainability and growth.

RESULT

The analysis of data collected from surveys and interviews reveals several key findings. Firstly, SMEs that have received microfinance training services demonstrate improved financial management practices, including better bookkeeping, budgeting, and financial planning. This enhanced financial literacy enables SME owners to make informed decisions regarding investment, cash flow management, and risk mitigation.

Secondly, the study finds a positive correlation between microfinance training services and business performance indicators. SMEs that have undergone training programs experience higher sales revenues, profitability, and growth rates compared to those without training. The training equips SME owners with essential managerial skills, such as marketing strategies, customer relationship management, and product development, contributing to improved competitiveness in the market.

Furthermore, microfinance training services positively impact SMEs' access to financial resources. SME owners who have undergone training are more likely to successfully secure loans and investments from financial institutions. The training enhances their ability to present viable business plans, financial statements, and growth projections, increasing their credibility and attractiveness to lenders.

DISCUSSION

The discussion focuses on the mechanisms through which microfinance training services contribute to the financial sustainability of SMEs. The findings indicate that training interventions not only improve financial management skills but also foster a mindset shift among SME owners, promoting a long-term view of sustainability. The training instills discipline, accountability, and a proactive approach to addressing financial challenges, ultimately strengthening the resilience of SMEs.

Moreover, the discussion highlights the role of microfinance institutions as catalysts for both financial and non-financial support. In addition to providing training services, these institutions offer networking opportunities, mentorship, and access to market information, further enhancing the growth prospects and sustainability of SMEs.

The discussion also addresses potential challenges and limitations of microfinance training programs. Factors such as limited access to training, language barriers, and the need for continuous support and follow-up are identified as areas for improvement. Tailoring the training programs to the specific needs and context of SMEs in Kampala Central Division is crucial for maximizing their effectiveness.

The results and discussion provide valuable insights for policymakers, microfinance institutions, and SME owners in designing and implementing effective training programs. By prioritizing and investing in microfinance training services, stakeholders can foster an environment conducive to the growth and sustainability of SMEs, thereby contributing to economic development and poverty reduction in Kampala Central Division.

CONCLUSION

In conclusion, the findings of this study demonstrate the positive impact of microfinance training services on the financial sustainability of SMEs in Kampala Central Division, Uganda. The training interventions improve financial management practices, contribute to business performance, and enhance access to financial resources. The study highlights the importance of integrating financial education and managerial skills development within microfinance programs to empower SME owners and promote their long-term success.

It is recommended that future research explore the long-term impact of microfinance training services, assess the scalability and replicability of successful programs, and delve deeper into the specific training needs of different sectors and types of SMEs. By continuing to refine and expand microfinance training initiatives, stakeholders can nurture the financial sustainability of SMEs and contribute to the overall economic development of the region.

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