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Original article

FINANCIAL INCLUSION AND GROWTH OF SMALL AND MEDIUM ENTERPRISES A CASE STUDY OF MAKINDYE URBAN DIVISION, KAMPALA UGANDA A CROSS-SECTIONAL STUDY.

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ABSTRACT

Background

This study was based on three objectives which included; financial accessibility and growth of small scale, financial technology and growth of small and medium enterprises, financial literacy and growth of small and medium enterprises. The study was guided by three theories which include; the resource-based theory, neoclassic theory, and finance growth theory.

Methodology

The study employed a descriptive study design and sectional survey was used and a sample size of 186 respondents was used from a target population of 360 SMEs operating in the Makindye urban division. Data was collected using questionnaires and analyzed using descriptive statistics (mean and standard deviation) and inferential (correlation and regression) with the aid of SPSS.

Results

The study findings concerning the main objective indicated that financial inclusion influences the growth of small and medium enterprises in Makindye urban division, Kampala, Uganda. The findings indicate financial accessibility as a major challenge limiting the growth of SMEs in Makindye urban division since most of the respondents disagreed that they easily access finance financial technology was also another challenge that limited their growth while financial literacy wasn't a challenge to the owners of SMEs in this area. There is a moderate positive significant relationship between financial inclusion and the growth of SMEs in Makindye Urban Division.

Conclusion

SMEs around are limited to accessing financial services by financial players financial technology in terms of mobile money and mobile banking are being used in SMEs which is improving their growth. Financial literacy has a positive relationship with the growth of SMEs in Makindye Urban Division

Recommendation

There is a need for sensitization of the financial inclusion strategies to the beneficiaries. Financial institutions must make SMEs aware of the importance of full disclosure of the personal and business information required when looking for financial services.

Key words. Financial Inclusions, Small Enterprises, Medium Enterprises

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Background to the Study

The current global investment climate indicates that financial inclusion is critical to the growth of enterprises, especially in developing countries where markets and institutional infrastructure are less developed (Aterido, et al., 2009). (IMF, 2017), Financial inclusion (FI) now gains immense recognition as a policy in developing economies as well as at the international level. (Nwanko & Nwanko, 2014). Defines Financial Inclusion (FI) as the process of access to and usage of diverse, convenient, affordable financial services. Financial inclusion covers sustainable, relevant, cost-effective, and meaningful financial services for the financially underserved population especially rural dwellers (Ibor, et al., 2017). Ene and Inemesit (2015) see the essence of financial inclusion to be in trying to ensure that a range of appropriate financial services is available to every individual, (Johnpaul & Patience, 2021) and enabling them to understand and access those services. Olawale and Garwe (2010) assert that lack of finance is a key factor constraining the growth of small and medium enterprises (SMEs) in Sub-Saharan Africa (SSA). Beck and Demirguc-Kunt (2006) assert that financial inclusion helps alleviate the growth constraints of SMEs and increases their access to external finance, thus levelling the operations between firms of different sizes. However, this phenomenon is not unique to sub-Saharan countries. Klapper, et al., (2004) find that costly regulations constrain the entry of new enterprises in Europe, especially in sectors that should normally have high entry.

Entrepreneurs all over the world start ventures with high hopes of growth (Morse et al. 2007), despite the liability of newness (Kennedy, 1985). Each year firms go out of business, although not all firms that close are failures (Bates, 2005). An understanding of why the growth of firms is crucial to the stability and health of every economy (Corman et al., 1996). The death rate of SMEs in Uganda is very high (Tushabomwe-Kazooba, 2006). The mortality rate of the new and existing SMEs is also very high (Lois & Annette, 2005), inciting the question Why? Research has indicated that micro and small enterprises substantially contribute to the development of economies worldwide (Ali et al., 2019). In developing countries such as Uganda, they make up about 75% of the national gross domestic product (GDP) and comprise the country's largest population of workers (Uganda Business Impact Survey, 2020).

In Uganda, small and medium enterprises (SMEs) employ more than 2.5 million people, SMEs contribute over 75% of the gross domestic product (GDP) and play a crucial role in income generation, especially for the poor (World Bank, 2021). Small and medium enterprises (SMEs) are the backbone of the private sector, contributing approximately 90 percent of Uganda's private sector and contribute two-thirds of national income.

Several studies have been conducted on the problem of growth among SMEs the world over. For example, Eton et al.., (2018) established that SMEs should receive full backing legal protection, and stimulus from all stakeholders so that they can sustain economic growth and development as well as generate revenue to the government through taxation. Murrithi, (2017) established that inadequate information is an obstacle facing SMEs in Africa and this challenge affects Uganda as well. Turyahikayo, (2015) noted the cost of electricity is abnormally higher in Uganda as compared to other countries in the region which affects the SMEs. Egesa, (2010) finds a correlation between technological uptake and a higher SMEs failure rate in Uganda. According to (Sok, et al., 2017), the constraints faced by SMEs could also include weak operational capabilities and limited resources. According to Akeyewale, (2018), noted that Africa is faced with higher challenges such as technology, innovation, and human capital are big obstacles to business enterprises. Sempala and Mukoki, (2018) established the need to train enterprise owners, managers, and other operators to equip them with the relevant skills and knowledge.

Eton, et al., (2019) note that training institutions should strengthen the information and communication technology training programs by aligning them to the required job demands as dictated in the field of business. While all these studies and many others were on the growth of SMEs, none of them related it to financial inclusion in Makindye urban division a gap this study intends to fill.

The study reviewed several theories to explain factors affecting the growth of small and medium enterprises Robert Solow's (1956) neoclassical growth theory stressed the importance of savings and capital formation for economic development. The Neoclassical Growth Theory established that savings and capital formation towards productive, SMEs and real sectors in an economy serve as measures for economic growth and development. The Pecking Order Theory (POT) by Myers and Majluf (1984) relates to the capital structure of a business, it states that managers display the following preference of sources to fund investment opportunities; first through the company's retained earnings, followed by debt and choosing equity financing as a last resort and the Finance Growth Theory this theory was propounded by Bagehot (1873), who stressed that financial mediators establish a productive atmosphere for economic growth and sustainability through the supply and demand leading effect. In this study, the researcher adopted two theories Robert Solow's (1956) neoclassical growth theory and The Pecking Order Theory (POT), as theories supporting this study.

This study conceptualizes financial inclusion as (an independent variable), which is the process of ensuring access to and usage of diverse, convenient, affordable financial services by mainstream financial players to the vulnerable. It was further conceptualized as financial accessibility, financial technology, and financial literacy.

(Charlie Gluckman, 2009) Financial inclusion was regressed against the growth of SMEs (dependent variable), which is the internal or personal and external growth factors of an enterprise. The growth of small and medium enterprises was conceptualized as profitability, sales growth, and market share.

Growth is habitually over a period taken as an indicator of a firm's economic fitness (Mwaniki Linda Nyambura, 2019). There are various ways to measure the growth of a firm which arrests a slightly dissimilar aspect of presentation such as cash inflows and expected returns. The productivity of the firms is also measured in terms of transactions and market jurisdiction (Mwaniki, 2019, Fatoki, 2014). These different measures rate the Growth of SMEs by use of profitability (return on investment, return on equity), liquidity (quick ratio, current ratio), and solvency (gearing). Such growth measures are indicators of commercial success (growth, market share) while others are indicators of financial success (profitability) (Miller, 2013).

SME growth was measured by both internal and external factors as indicated by some studies. They cited sales proceeds, quality of administration, and capability to attend to daily commitments of the firm (Pisa, 2013). Nevertheless, there are only a few studies based on the growth measurement of SMEs in developing countries (Muthoni, 2015). SMEs are the catalysts of economic growth which are the engines to most economies. Researcher suggests that businesses and SMEs account for 95% of firms in most countries. They satisfy industrial growth, support job creation, and embrace innovation which contributes to GDP.

Financial inclusion is the process of bringing unbanked adults into the formal financial sector so that they can have access to basic formal financial services (Dev, 2006). Over the years, financial inclusion has been a top policy priority in many developing countries such as India, the Philippines, Rwanda, Brazil, Argentina, Nigeria, and Cambodia. Financial inclusion is desirable because higher levels of financial inclusion in an economy mean greater access to finance and higher level of business activities for everyone which leads to an increase in people's income and makes it possible for more people to live better lives. The financial inclusion literature has shown that financial inclusion can be increased through microfinance institutions.

Financial inclusion is the provision of access to financial services to all members of the population particularly the poor and the other excluded members of the population (Ozili, 2018). Financial inclusion can also be defined as the delivery of banking services at an affordable cost to the vast sections of the disadvantaged and low-income groups (Dev, 2006). Financial inclusion is also defined as the use of, and access to, formal financial services (Sahay et al, 2015).

Some studies argue that poor people are the ultimate beneficiaries of financial inclusion (Bhandari, 2018), others think that women are the beneficiaries of financial inclusion outcomes (Ghosh & Vinod, 2017; Demirguc-Kunt et al, 2013b; Swamy, 2014) while some think that the economy and the financial system are beneficiaries of financial inclusion (Mehrotra & Yetman, 2015; Kim et al, 2018; Swamy, 2014: Ozili, 2018).

Generally, In Uganda, SMEs make up about 75% of the national gross domestic product (GDP) and comprise the country's largest population of workers (Uganda Business Impact Survey, 2020). Despite such contributions, the failure rate of the SMEs remains alarming (Aketch et al., 2017)

In Uganda, MSME contribute close to 90% of private sector production and play a crucial role in income generation, especially for the poor (UIA, 2008), Yet, enterprises are largely informal and focused on low productivity activities. Entrepreneurship in Uganda is largely a by-product of poverty and a lack of accessible formal employment (World Bank, 2017). Enterprises in Uganda are largely micro and small scale according to Gou (2014), more than 50% of the firms in Uganda employ five or fewer people. Importantly, 69% of firms in Uganda generate UGX10 million or less in annual turnover. Indeed, only 10% of firms have a bank loan or line of credit. The adverse business environment has been blamed for the low rate of survival of firms in Uganda (World Bank, 2014). In a study on factors influencing the growth of small-scale businesses, Aditi (2014), reported that small business entrepreneurs faced several challenges in accessing funds for investing in their enterprises.

In Kampala and Makindye urban division in particular, SMEs have been influenced politically, economically, and socially and this has created a favorable business environment for growth (Nyakaisiki, 2017), (Adibangi & Wamala, 2020).

This study was conducted in Makindye urban division, Kampala, the abode of most SMEs, in fields like welding, metal works, sole shops, schools, restaurants, and other professional firms. Most of these have very small-scale start-up capital limited to their savings and friends and relatives, others acquire financing informally through community SACCOS, and self-help groups, limited to a certain amount. (300,000), so this problem limits the capacity to run their ventures successfully Kamunge et al. (2014). Although Uganda had the highest entrepreneurial index in the world in 2019, the global entrepreneurship index for Uganda was 14.8 index. Though Uganda's global entrepreneurship index fluctuated substantially in recent years, it tended to decrease through the 2015 - 2019 period ending at 14.8 indexes in 2019, the mortality rate of the new and SMEs is also very high (Eton et al, 2019), inciting a question why? Despite these challenges, few researchers such as Kiwanuka (2019), (and Kamunge et al., 2014) have bothered to explore the factors causing their failure. The study hypothesizes that financial exclusion is responsible for the high rate of failure of these small and medium enterprises.

Research Methodology

Research design

This study followed a descriptive correlational and cross-sectional survey design and adopted a quantitative paradigm. The study was descriptive in that the researcher described the level of financial inclusion practiced by the SMEs and the level of their growth in terms of internal and external. A correlational survey research design was used to establish whether there was a significant relationship between financial inclusion and the growth of SMEs. Correlation studies established whether or not and to what extent an association exists between two or more variables (Keitany, 2000). The survey design was used since the study involved an investigation into the level of financial inclusion and growth of a big sample of SMEs (Fanning, 2005). It was ex-post facto since the researcher had no control over the variables and only thought to report what already existed (Cooper & Schindler, 2008). It was quantitative in that variables were measured and analysed using numbers, pre-determined hypotheses, population, procedure, and instrument of data analysis techniques. The researcher obtained an introductory letter from the School of Graduate Studies on 09th March 2023 and was authorized to collect data by on 19th March 2023.

Data and information sources

Data and information for this study were gathered from both primary and secondary sources.

Primary data

Primary data or information was gathered from SSE owners because they had authentic information as they were involved directly in financial inclusion activities and the growth of small and medium enterprises.

Secondary data

Secondary data or information was obtained through an extensive literature review on financial inclusion and growth of SMEs gathered from financial reports, books, and existing literature.

Study Population

The target population of the study comprised 360 formal and informal SMEs in Makindye Urban Division since 2020.

Sample Size

Given a total population of 360 Small and medium enterprises of interest in the Makindye urban division, a sample size of 186 respondents was selected using the Krejcie and Morgan (1970) table for determining sample size for research activities, for any given population.

Sampling Procedures/Techniques

In this study, simple random sampling techniques were used in the selection of the sample size. In this technique, each individual from the target population was given an equal chance of being selected. A researcher used random numbers consisting of the numbers from I to 360 186 cards were picked and the numbers on the cards picked were the members considered.

Data Collection Methods

The researcher obtained the data from mainly primary data sources, obtained directly from the field using questionnaires.

Questionnaires

These are interrelated questions designed by the researcher and given to the respondents to fill in data information and after answering returned to the researcher. Here questionnaires were employed that contained both open-ended and close-ended questions. These questionnaires were self-administered and were collected after a time interval of one week.

Instrument of the data collection

The researcher collected primary data using closed-ended questionnaires that were directly distributed to the respondents, and allowed respondents to fill in the questionnaires for one week before, and after the researcher collected them personally for analysis of the data obtained.

Validity of the instruments

Mugenda and Mugenda (1999) contend that the usual procedure for assessing the content validity of a measure is to use a professional expert in a particular field. To establish the validity of this study's instrument, the researcher sought the opinions of experts in the field of study, including the researcher's supervisor and lecturers in the field of management. These experts were requested to judge the question items one by one, indicating what is relevant and what is not. A content Validity Index (CVI) was then calculated using the following formula;

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CVI = (n / N), where: n = items related to the relevant, N = total number of items. A minimum CVI of 0.7 (Amin, 2005) was used to declare the instrument valid.

Reliability of the instrument

The reliability of the research instrument concerns the extent to which the instrument yields the same result on repeated trials (Mugenda & Mugenda, 1999). The reliability of the instrument was tested using Cronbach's coefficient alpha (α), computed using SPSS. A Cronbach alpha coefficient of 0.7 was used as the minimum coefficient to declare the instrument reliable.

Data Analysis

Data was collected, processed, and analysed using Statistical Package for Social Sciences (SPSS). Frequency counts were used to analyse data on the profile characteristics of respondents. Mean and standard deviations were used to determine the extent of financial inclusion and growth of small and medium enterprises in the Makindye urban division. Pearson's linear correlation coefficient and multiple linear regression were used to establish the relationship between financial inclusion and growth of small and medium enterprises in Makindye urban division. The 0.05 alpha level of significance was used to test the study's null hypotheses.

Ethical Consideration

Ethics relating to respondents was enhanced by keeping information given confidential. Self-esteem and dignity were maintained to eliminate fear and anxiety among respondents. Subjects were told the truth about the research to give reliable information. Letters seeking approval to carry out research were obtained from relevant institutions and the consent of respondents was acknowledged by requesting them to sign the informed consent letter.

Results

Demographic Characteristics of respondents.

Gender of respondents

Table 1 reflects that out of a sample of 175 respondents, only 30.9% were female and the biggest percentage of 69.1 was for male.

Age of Respondents

Table 2 reflects that out of a sample of 175 respondents, biggest proportion were in the age group 25-34 years with a percentage of 49.7, followed by age group 35 - 44 Years with a percentage of 32 then age group of 18-24 years and 45 and above with 13.1% and 5.1% respectively.

Table 3 indicates that the biggest proportion of respondents were Undergraduates with a percentage of 53.7 and the lowest portion of respondents were master's holders with a percentage of 1.1. then tertiary with 59 respondents with a percentage of 33.7 and lastly respondents at secondary level are 17 with a percentage of 9.7.

Area of Education

Table 4 indicates that the biggest proportion of respondents in area of education were in Business with a percentage of 57.1 and the lowest portion of respondents were in others with a percentage of 1.7. Respondents who offered education were 42 with a percentage of 24, then in medical, only 14 respondents were obtained with a percentage of 8, and finally 16 respondents were in statistics and engineering with a percentage of 9.1. others are the respondents who gained education through training from their family members and gained experience of doing the business.

Nature of Business

Table 5 indicates that the biggest proportion of respondents in nature of Business were in sole proprietorship with a percentage of 61.7 and the lowest portion of respondents were in limited company with a percentage of 10.3.

Table 1: Gender of respondents

Gender		Frequency	Percent
	Male	121	69.1
	Female	54	30.9
	Total	175	100

Source: Primary data, 2023

Table 2: Age of Respondents

Age	Frequency	Percent
18 - 24 Years	23	13.1
25 - 34 Years	87	49.7
35 - 44 Years	56	32.0
45 Years and Above	9	5.1
Total	175	100.0

Source: Primary data, 2023

Table 3: Education level of Respondents

Level of education	*Frequency*	*Percent*
Primary	3	1.7
Secondary	17	9.7
Tertiary	59	33.7
Undergraduate	94	53.7
Masters	2	1.1
Total	175	100.0

Table 4: Area of Education

Area of Education	*Frequency*	*Percent*
Business	100	57.1
Education	42	24.0
Medical	14	8.0
Statistics and Engineering	16	9.1
Others like community trainings	3	1.7
Total	175	100.0

Source: Primary data, 2023

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Table 5: Nature of Business

Nature of business		*Frequency*	*Percent*
	Limited Company	18	10.3
	Partnership	25	14.3
	Sole Proprietorship	108	61.7
	Family-owned Business	24	13.7
	Total	175	100.0

Source: Primary data, 2023

Table 6: Business duration

Business duration		*Frequency*	*Percent*
	Less than a year	70	40.0
	2 - 4 Years	73	41.7
	5 years and above	32	18.3
	Total	175	100.0

Source: Primary data, 2023

Business duration

Table 6 indicates that the biggest proportion of respondents in Business duration were between 2-4 years with a percentage of 41.7 and the lowest portion of respondents were in 5 years and above with a percentage of 18.3.

Empirical Results

The researcher analyzed the research problem based on the research objectives. This study was guided by the following objectives: To assess the examine the relationship between financial accessibility and growth of SMEs in Makindye urban division, to examine the relationship between financial technology and growth of small and medium enterprises, to establish the relationship between financial literacy and growth of small and medium enterprises in Makindye urban division. The researcher used the analytical technique that would correctly address the research objective.

Financial Accessibility and Growth of SMEs In Makindye Division

The first objective was to examine the relationship between financial accessibility and growth of SMEs in Makindye Division. In this section, the researcher presents the descriptive statistics on perceived level of financial accessibility by respondents and later correlation analysis between the study variables. It should however be noted that items/ Statements on the variables were measured on a five-point scale and therefor a mean score above the threshold of 3 shows high level of financial accessibility among respondents in Makindye division. The Financial accessibility descriptive findings are presented in the 7

Table 7: Descriptive findings of financial accessibility among respondents in Makindye Division.

Items	SD (%)	D (%)	NS (%)	A (%)	SA (%)	Mean	SD
This business has a bank account	52.6	18.9	2.3	21.1	5.1	2.0743	1.36465
I secured a business loan in last 12 months	37.1	50.3		7.4	5.1	1.9314	1.06452
Does interest rate influence how much you can borrow?	1.7	3.4	1.1	60.0	33.7	4.2057	0.77532
Does collateral security determine how much money you borrow from a financial institution	.6	.6	2.9	29.7	66.3	4.6057	0.63334
Do financial institutions consider the size of your business to give you a loan	.6	1.1	48.0	50.3	100.0	4.48	0.55543
Does accessibility to information influences access to financial services	.6	1.7	19.4	59.4	18.9	3.9429	0.70885
You agree or disagree that you easily access financial services from financial institutions	54.9	25.7	12.0	6.3	1.1	1.7314	0.97785

Source: Primary data, 2023

Table 7 presents the respondents opinion pertaining financial accessibility in Makindye division. It was established from the study that a bigger proportion of respondents disagreed on their businesses having bank accounts in Makindye division as indicated by a mean score value of 2.07 and a standard deviation of 1.36. The findings imply that most of the small-scale business owners in Makindye division don't have business bank accounts.

Concerning securing business loans, the study found that a few respondents secured business loans with a mean score value of 1.93 and standard deviation of 1.06. This may imply that there is likely few businesses owner who secure bank loans in Makindye division for the last 12 months.

Concerning interest rate, it was established from the study that a bigger proportion of respondents agreed that interest rate has a big influence on how much money to be borrowed from the bank as indicated by a mean score value of 4.20 and a standard deviation of 0.77. The findings imply that most of the small-scale business owners in Makindye division don't borrow because of high interest rate offered by banks.

Concerning collateral security, it was established from the study that a bigger proportion of respondents agreed that collateral security was a big determinant if the bank is willing to give you a loan or how much to give as a loan from the bank as indicated by a mean score value of 4.60 and a standard deviation of 0.63. The findings imply that most of the small-scale business's owner in Makindye urban division don't borrow due to lack of collateral security needed by the bank.

Concerning financial institutions and size of the business, the study found that most of respondents agreed that financial institutions normally considered the size of the business to give you access to business loan services, with a mean score value of 4.48 and standard deviation of 0.55. This may imply that in Makindye Urban Division, there is likely few businesses owner who secure business loans from financial institutions due to their small-scale size.

Concerning accessibility to information, the study found that most respondents agreed that accessibility to information influenced easy access to business loans with a mean score value of 3.94 and standard deviation of 0.70. This may imply that there is likely few businesses owner who secure bank loans in Makindye division due to lack of access to information.

Concerning the extent of accessibility to financial services, the study found that a few respondents have access to financial services with a mean score value of 1.73 and standard deviation of 0.97. This may imply that there is likely few businesses owner who easily access financial services in Makindye division.

Table 8: Pearson correlation coefficient between Financial Accessibility and Growth of SMEs in Makindye Division

		Financial Accessibility	Growth of SME
Financial Accessibility		1	.203**
	Sig. (2-tailed)		.007
	N	175	175
Growth of SME	Pearson Correlation	.203**	1
	Sig. (2-tailed)	.007	
	N	175	175
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary data, 2023

Correlation Analysis between Financial Accessibility and Growth of SMEs in Makindye Division

The study examined the relationship between financial accessibility and growth of SMEs in Makindye Division. The findings are presented in the table 8 using Pearson correlation coefficient at 0.01 level of significance

The results from the table 8 reveal that Financial Accessibility had a positive and significant relationship with growth of small-scale enterprise in Makindye division at 0.001 level of significance (r=0.203, P-Value (0.007) <0.01). This implies that there is a linear relationship between Financial Accessibility and Growth of SMEs in Makindye Division, meaning that as Financial Accessibility among SMEs increases also there is a growth of small-scale enterprise in Makindye division.

Financial Technology and Growth of SMEs in Makindye Division

The second objective was to examine the relationship between financial technology and growth of SMEs in Makindye Division. In this section, the researcher presents the descriptive statistics on perceived level of financial technology by respondents and later correlation analysis between the study variables. It should however be noted that items/ Statements on the variables were measured on a five-point scale and therefor a mean score above the threshold of 3 shows high level of financial technology among respondents in Makindye division. The Financial technology descriptive findings are presented in the table 9.

Table 9: Descriptive findings of Financial Technology among respondents in Makindye Division.

Items	SD (%)	D (%)	NS (%)	A (%)	SA (%)	Mean	SD
Am able to request for bank statements through my phone	45.7	25.7	9.1	14.9	4.6	2.0686	1.24839
mobile finance relieves me the problem of having to open a bank account	8.6	25.1	9.1	54.3	2.9	3.1771	1.10773
I have seen profit growth since I started saving with mobile money	6.3	34.9	25.7	30.9	2.3	2.88	0.99562

Mobile finance has enabled me gain enough finance to my business	9.7	28	16	41.7	4.6	3.0343	1.12902
I am able to make deposit to my bank account through mobile banking	10.3	29.7	28	28.6	3.4	2.8514	1.05628
Presence of mobile money and mobile banking has prevented theft of money that results from storing a lot of money at business premises	0.6	8	39.4	41.7	10.3	3.5314	0.80792
I am careful while selecting a financial product to use in my business	0.6	1.7	2.9	64.6	30.3	4.2229	0.63567

Source: Primary data, 2023

Table 9 presents the respondents opinion pertaining Financial Technology in Makindye division. It was established from the study a bigger proportion of respondents disagreed on being aware to use their phones to request for bank statements in Makindye urban division as indicated by a mean score value of 2.06 and a standard deviation of 1.24. The findings imply that most of the small-scale business owners in Makindye division don't know how to request for bank statements through their phone.

Concerning mobile finance and opening a bank account, the study found that most respondents agreed that using mobile finance has relieved them the burden of going in bank to open up business account with a mean score value of 3.17 and standard deviation of 1.10. This may imply that most businesses owner use mobile finance than to secure bank accounts.

Concerning saving with mobile money and profit growth, the study found that most respondents disagreed that mobile money influenced their profit growth with a mean score value of 2.88 and standard deviation of 0.99. This may imply that most of business owners disagree that their profits increase due to saving with mobile money in Makindye urban division.

Concerning mobile finance and gaining enough finance to business, the study found that most respondents agreed that mobile financing made it easy to get enough finance into their business with a mean score value of 3.03 and standard deviation of 1.12. This may imply that most of small-scale business owners secure enough of financial services using mobile finance in Makindye urban division.

Concerning ability to make deposits to a business bank account through a mobile phone, the study found that most respondents disagreed that were not able to make deposits to their business bank account through their mobile phone with a mean score value of 2.85 and standard deviation of 1.05. This may imply that most of the small-scale business owners don't make their business deposits using mobile phones in Makindye urban division.

Concerning presence of mobile money and mobile banking on prevention of theft of business money, the study found that most respondents agreed that availability of mobile money and mobile banking has tried to prevent theft of money with a mean score value of 3.53 and standard deviation of 0.80. This may imply that most of the small-scale business owners keep their business money using their mobile money accounts in Makindye urban division.

Concerning being careful in selection of a financial product, the study found that most respondents agreed that were careful in selection of a financial product with a mean score value of 4.22 and standard deviation of 0.63. This may imply that most business owners are considerate about the financial products they use.

Table 10: Pearson correlation coefficient between Financial Technology and Growth of SMEs in Makindye Division

		Financial Technology	Growth of SME
Financial Technology	Pearson Correlation	1	.208**
	Sig. (2-tailed)		0.006

	N	175	175
Growth of SME	Pearson Correlation	.208**	1
	Sig. (2-tailed)	0.006	
	N	175	175
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary data, 2023

Correlation Analysis between Financial Technology and Growth of SMEs in Makindye Division

The study examined the relationship between financial technology and growth of SMEs in Makindye Division. The findings are presented in the table 10 using Pearson correlation coefficient at .01 level of Significance.

The results from the table 10 reveal that Financial Technology had a positive significant relationship with growth of small-scale enterprise in Makindye division at 0.001 level of significance (r=0.208, P-Value (0.006) <0.01). This implies that there is a linear relationship between Financial Technology and Growth of SMEs in Makindye Division, meaning that as Financial Technology among SMEs increases also there is an increase in the growth of small-scale enterprise in Makindye division.

Financial Literacy and Growth of SMEs in Makindye Division

The third objective was to examine the relationship between financial literacy and growth of SMEs in Makindye Division. In this section, the researcher presents the descriptive statistics on perceived level of financial literacy by respondents and later correlation analysis between the study variables. It should however be noted that items/ Statements on the variables were measured on a five-point scale and therefor a mean score above the threshold of 3 shows high level of financial accessibility among respondents in Makindye division. The Financial literacy descriptive findings are presented in the table 11.

Table 11: Descriptive findings of Financial Literacy among respondents in Makindye Division

Items	SD (%)	D (%)	NS (%)	A (%)	SA (%)	Mean	SD
I have easy access to an automatic teller machine (ATM)		0.6	1.7	35.4	62.3	4.5943	0.55809
My financial service providers serve me with respect.	0.6	5.7	15.4	50.9	27.4	3.9886	0.8441
I find it cheap to operate a bank account		2.9	17.7	50.9	28.6	4.0514	0.76013
I find it easy using the available financial services		0.6	0.6	62.3	36.6	4.3486	0.52379
I find it easy to transfer money via my mobile phone		0.6	1.7	64.6	33.1	4.3029	0.53039
I find it cheap switching from one bank to the other	1.1	10.9	67.4	17.7	2.9	3.1029	0.66154
I find it cheap to operate a mobile money account		0.6	6.9	62.9	29.7	4.2171	0.58599

Source: Primary data, 2023

Table 11 presents the respondents opinion pertaining financial literacy in Makindye division. It was established from the study that a bigger proportion of respondents agreed on easy access to automatic teller machine in

Makindye division as indicated by a mean score value of 4.59 and a standard deviation of 0.55. The findings imply that most of the small-scale business owners in Makindye division know how to use the ATM.

Concerning respect from financial service providers, the study found that most respondents were respected by their financial service providers with a mean score value of 3.98 and standard deviation of 0.84. This may imply that there is likely to be a god relationship between small scale businesses owner and financial service providers in Makindye division

Concerning the cost of operating a bank account, it was established from the study that a bigger proportion of respondents agreed that was cheap to operate a bank account as indicated by a mean score value of 4.05 and a standard deviation of 0.76. The findings imply that most of the small-scale business owners in Makindye division are able to afford operating a bank account.

Concerning the use of available financial services, it was established from the study that a bigger proportion of respondents agreed that they find it easy to use the available financial products as indicated by a mean score value of 4.34 and a standard deviation of 0.52. The findings imply that most of the small-scale business owners in Makindye division easily access and use the available financial services.

Concerning transfer of money via mobile phone, the study found that most of respondents agreed that they have no problem with transferring the money through a mobile phone, and this is illustrated with a mean score value of 4.30 and standard deviation of 0.53. This may imply that in Makindye Urban Division, there is likely few businesses owner who don't know how to transfer money via a mobile phone

Concerning switching from one bank to another, the study found that most respondents agreed that they can easily change from one bank to another, as illustrated with a mean score value of 3.10 and standard deviation of 0.66. This may imply that majority of small-scale business owners find it cheap to easily switch from one bank to another.

Concerning operating a mobile money account, the study found that majority respondents have knowledge and capacity to operate a mobile money account as illustrated with a mean score value of 4.21 and standard deviation of 0.58. This may imply that the biggest population of small-scale businesses owner in Makindye division are able to operate a mobile money account

Correlation Analysis between Financial Literacy and Growth of SMEs in Makindye Division

The study examined the relationship between Financial Literacy and growth of SMEs in Makindye Division. The findings are presented in the table 12 using Pearson correlation coefficient at .01 level of Significance.

Table 12: Pearson correlation coefficient between Financial Literacy and Growth of SMEs in Makindye Division

		Financial Literacy	Growth of SME
Financial Literacy	Pearson Correlation	1	.405
	Sig. (2-tailed)		.008
	N	175	175
Growth of SME	Pearson Correlation	.405	1
	Sig. (2-tailed)	.008	
	N	175	175

Source: Primary data, 2023

The results from the table 12 reveal that Financial Literacy had a positive significant relationship with growth of small-scale enterprise in Makindye division at 0.001 level of significance (r=.405, P-Value (0.008) <0.01). This implies that there is a linear relationship between Financial Literacy and Growth of SMEs in Makindye Division, meaning that if Financial Literacy among SMEs was related to the growth of small-scale enterprise in Makindye urban division.

Summary of Findings

The study established that owners of SMEs are evenly distributed across different age groups, dominated by the age group between 25-34 years, the most attained level of education is undergraduate and their area of education is mostly business with the life span for the majority of SMEs is 5-10 years. Most of the SME's structure is sole proprietorship, mostly dominated by males. In terms of funding, most SMEs derive it from family and friends, mobile loan services, and other credit facilities like money lenders. The majority are classified under the trade and service sectors.

The purpose of the study was to establish the relationship between financial inclusion and the performance of SMEs in the Makindye urban division. There is a weak positive and significant relationship between financial inclusion and the growth of SMEs. SMEs are likely to grow and expand if they are financially included by the main financial players. Financial exclusion is a long-term factor that moves together with the growth of SMEs. Therefore, it is more likely to negatively affect their ability to grow and expand since they are limited in accessing enough funds to use in their enterprises.

The correlational analysis indicates that financial accessibility had a weak positive relationship with the growth of SMEs. influenced by three key factors among others as agreed or strongly agreed by the respondents which included interest rate charged on loans by financial institutions with a response rate of (mean 4.20 and standard deviation of 0.77), collateral security required with a response rate of (mean 4.60 and standard deviation of 0.63), and size of the business was also among the key determinants used by banks which came out with a response rate of (mean 4.48 and standard deviation of 0.55). This shows that from the findings, interest rate, collateral security, and size of the business are the main barriers for SMEs to access finance because they are required by the financial institutions to be allowed to secure a loan.

On the second objective of the study which was financial technology and growth of small and medium enterprises, the correlational analysis indicates financial technology had a weak positive relationship with the growth of SMEs. this was also mainly determined by two key factors among others which included mobile money which is the most used financial technology among the SMEs with a response rate of (mean of 3.5 and standard deviation of 0.80), mobile banking with a response rate of (mean 3.17 and a standard deviation of 1.10). the findings show that mobile money and mobile banking are the most used services of financial technology by SMEs in the area rather than going to banks. The study findings were consistent with those of Donner and Escobari (2018), who that the role of online transactions is to increase the economic growth of business.

And on the third objective of the study which was financial literacy and growth of small and medium enterprises, the correlational analysis indicates financial literacy had a low positive relationship with the growth of SMEs. this was mainly determined by three key factors among others which included the ability to use the available financial product which came out with a response rate with (a mean of 4.34, and standard deviation of 0.52), the ability to operate a bank account with a response rate of mean 4.05, and standard deviation of 0.76, and ability to operate a mobile money account that resulted in a response rate of (mean 4.21, and a standard deviation of 0.58). The findings show that most of the SSE owners have knowledge and can use the financial products.

Discussion of findings

The relationship between financial accessibility and the growth of SMEs

The study sought to establish the relationship between financial accessibility and the growth of SMEs.

The findings show that most of the SMEs don't have business accounts and it's very difficult for these to access loans because of the high-interest rates, and collateral security required by banks which also consider the size of the business before given a loan and also these don't easily access information about the financial services hence most of these disagree that they easily access financial services from financial institutions. The findings of the study are consistent with Ayyagari et al., (2016) who established that SMEs are constrained financially and find it hard to access credit compared to large firms. The findings of the study agree with Waithanji (2014), who studied the relationship between financial accessibility on the financial performance of small and medium enterprises in Kiambu County, Kenya. The study found that there is a direct relationship between financial accessibility and the financial performance of the companies. The study also concludes that the enterprises benefit from loans from microfinance institutions, and the SMES seek financial assistance from the MFIs due to interest rates, easy loan repayment, and the amount offered.

The findings of the study also agree with the study by (Nakiyingi, 2010; Muktar, 2017) who linked financial accessibility to the performance of SMEs. They assert that access to finance which is a component of operating expenses, profit motive, and inflation rate in the country significantly affects the performance of small and medium enterprises. This is measured in terms of level of output, level of revenue, and level of employment depending on how the borrowed money is put to use. The findings of the study are consistent with Kakuru, 2015. who Investigated into financial accessibility and growth of SMEs in Uganda and from the findings of the study, he noted that Credit terms are unfavourable to SMEs from accessing loans. Findings agree with Hasnah, et al., (2015), who investigated the relationship between financial accessibility and the performance of SMEs and found that Collateral security seems to be the greatest hindrance to financial accessibility by SMEs. In Uganda, for example, the Bank of Uganda stipulates that all loans above a certain minimum must be adequately secured, with first-class guarantees or a bond over property as preferred by the security type, which most SMEs do not have.

However, the study findings disagree with then the study by Rahman et al., (2015) who established that collateral becomes a problem for borrowers depending on the period of maturity of the loans. These argue that loans with long-term maturity require higher collateral than those with short-term maturity. The study findings also disagree with Duarte et al, (2016) who identified the effect of a reformed credit environment on collateral requirements in Eastern Europe and Central Asia. The findings of the study, also disagree with Piatkowski, (2020) who established that undertaking investment activities contributes much to enterprise performance, regardless of the source of financing. The study examined that SSE owners consider bank requirements as the main determinant of financial access in Makindye Urban division as they depend on borrowers' trust and credit history. Different authors present similar results to the current study on the association between financial accessibility and the growth of SMEs. However, the current findings of the study do not indicate whether SSE owners are not bothered about credit terms offered by financial institutions because they are likely to differ. However, it should be noted barriers to financial accessibility are linked to firms' specific effects and owners' specific effects. Therefore, there is a need to harmonize policies so that the financial accessibility environment is favourable whole system, which includes SMEs, owners, and financial players.

The relationship between financial technology and the growth of small and medium enterprises

The study sought to identify the relationship between financial technology and the growth of SMEs. The findings of the study established that most SME owners didn't know how to use their phone to request bank statements, they also argue that the presence of mobile finance relieves them from opening up bank accounts, also these disagree that usage of mobile money help them increase profits because of the accompanying charges, but most of them agree that mobile finance helps them raise funds for their business, and these agree that presence of mobile money and mobile banking has reduced on theft issues as they no longer keep a lot of cash at their business premises and these accept that they are careful while selecting a financial product to use in their business. The findings of the study agree with Abbot (2021) who investigated the relationship between financial technology and credit usage by SMEs in Kenya and identified the increase in usage of fintech by SMEs which has enhanced efficiency in accessing credit facilities. The study findings are also in support of Ndugu, (2021) who used illustrative descriptive design to look at Fintech and SME growth in Kenya and noted that SME growth was linked to mobile money, mobile banking, digital lending, and online banking. The findings of the study are also consistent with Bosire et al., (2019) who analysed the relationship between mobile money transfer services and SMEs growth in Nairobi City County. And found out that mobile finance services and loan services had a significant effect on the growth of SMEs because of an increase in convenience in receiving and payments also increased sales transacted and total revenue and safety. The study findings also agree with (Aron, 2018; Suri, 2017) who found that the introduction of mobile money is a promising solution to provide easier and cheaper access to financial services compared to other alternatives. Study findings are also consistent with Kimolo, et al., (2020), who studied fintech and growth of SMEs in Tanzania. Primary data was collected using interviews and questionnaires. The probity model was adapted. Fintech services enhanced access to short-term credit facilities. In an urban setting, Beck et al, (2018) noted that mobile money adoption among enterprises enhances business growth and development through reduced risk of theft (compared to cash holdings) and more efficient and effective transfers.

The relationship between financial literacy and the growth of small and medium enterprises

The study findings established that most of the SSE owners have access to and usage of ATMs, these argue that they can operate a bank account, also these can use the available financial services well, and find it cheap and easy to switch from one bank to another and mostly these know how to operate a mobile money account. The findings are in support of Lusardi and Mitchell (2011) who studied the impact of literacy levels on entrepreneurs' performance and revealed that persons of limited financial literacy are more prone to exploitations when it comes to debt management, savings, and credit, and are not able to administer their resources competitively. Also, study findings are consistent with Worthington, (2005) who observed that the level of education influences the level of financial literacy. Study findings also agree with Goswami et al., (2017) established that education assists entrepreneurs not only in managing risk but also influences the value-added output and better financial access that promptly leads to profitability which acts as a safeguard against any undesirable failure of venture. The findings also support Mindra & Moya (2017) who found out that individuals with low levels of financial literacy find it difficult to select and ultimately use financial products and services which limits achievement of Financial Inclusion. Malik (2017) noted that financial literacy among enterprises improves performance to a greater extent. Furthermore, the findings within the study agree with the findings of Esiebugie, et al., (2018), who found that financial knowledge and attitude do affect the performance of these enterprises both positively and significantly. The study also explains that an individual with such knowledge and the ability that apply it can make well-informed decisions, and that may drive the organization into sustainable growth, survival, and development.

However, the findings of the study disagree with (Murendo et al., 2017; Mashizha et al., 2019) who showed that the old respondents had low levels of financial literacy and encountered difficulties in improving their financial capabilities. The findings are not consistent with Mashizha et al., (2019) who established that financial literacy among entrepreneurs of micro and small enterprises was relatively low. The study findings also disagree with Mah (2020) who concluded that there is a negative but highly significant relationship between profit realization time and cash collection time from customers.

Conclusion

Under the first objective, the study examined the relationship between financial accessibility and the growth of small and medium enterprises in Makindye Urban Division Kampala Uganda. Based on the study findings of this study, it can therefore be concluded that in this area, SMEs are limited to accessing financial services by financial players, which has led to poor or failure in their growth and expansion. This failure of growth was found caused by financial providers that attach them with high-interest rates, require collateral security, and also look at the size of the firm, thus SMEs end up being excluded because they don't meet the requirements and their only source of capital remains from family and friends, business angels and money lenders that continue to exploit them. However, the correlational analysis shows that financial accessibility has a weak positive relationship with the growth of SMEs in the Makindye urban division. Therefore, the increase in financial accessibility will automatically lead to an increase in the growth of SMEs in the area.

The second objective sought to examine the relationship between financial technology and the growth of small and medium enterprises in the Makindye urban division of Kampala Uganda. Based on the findings of the study, it can be concluded that financial technology in terms of mobile money and mobile banking is being used in SMEs which is improving their growth. Although most of them are complaining of higher charges incurred when transacting. This is consistent with the study findings according to Joseph (2018), which established that mobile money technology has a weak positive significant impact on financial inclusion. Therefore, the increase in the usage of financial technology by SSE owners also supports the growth of SMEs in the area.

The third objective of the study sought to establish the relationship between financial literacy and the growth of small and medium enterprises. The findings of the study revealed that Financial Literacy had a low positive and significant relationship with the growth of small-scale enterprises in the Makindye division. Therefore, based on the findings we concluded that financial literacy has a positive relationship with the growth of SMEs in Makindye Urban Division. this implies that SSE owners in urban areas know financial products it is assumed that it may be the reason why these are still surviving the business.

Finally, the main objective of the study was to examine the relationship between financial inclusion and growth of small scale in Makindye Urban Division Kampala Uganda. Therefore, the major outcome of the study is that financial inclusion is significant in supporting SME growth however, is generally weak. The weakness appears from the cost of acquiring and servicing financial services, the difficulty in using some of the financial services, the collateral security needed, and the way financial providers treat financial users, lacking some degree of respect and dignity, and high charges charged on mobile finance like mobile money.

Recommendations

From the findings of the study, SMEs have different stakeholders e.g., Government, employees, owners, and financial institutions, and they are known as engines for economic growth around the world and mostly in developing countries like Uganda. Although they are being financially excluded by the main financial players. Therefore, the following factors should be considered to improve them so their benefits are enjoyed.

There is a need for sensitization of the financial inclusion strategies to the beneficiaries. Sensitization of the financial inclusion strategies is essential; this allows the financial institutions to be aware of the SMEs about the strategies so that they can make informed decisions. Ignorance is one of the major problems in the SME sector that has made most businesses not to access financial services. Financial institutions must make SMEs aware of the importance of full disclosure of the personal and business information required when looking for financial services.

From the findings of the objective, the study recommends that financial institutions specifically banks should come up with a way to help SMEs by reducing collateral security requirements, and the Bank of Uganda should intervene and regulate interest rates charged by these banks and also establish other policies to help SMEs access and use financial products.

From the findings in the second objective the study recommends that financial institutions and mobile finance companies like Airtel and MTN mobile money providers should at least reduce the charges suffered while making transactions because this is the most used service among the SMEs in the area and financial institutions like banks should establish more banking agents in the area and around the country since it is the most favoured and used by SMEs because they have extended working hours than banks, located near these enterprises.

From the findings in the third objective, the study recommends that owners of SMEs should gather more information on the operations of the financial institutions to avoid being charged hefty penalties and interest which could be addressed since it would lead to increased operational costs which in turn could affect growth strategies.

Contribution of the study

The study contributes to the existing literature about financial inclusion and growth of SMEs, though most especially contributes unique evidence in Makindye urban division Kampala Uganda the study provides a measurable relationship between financial inclusion and growth of SMEs. this extends research on financial inclusion in developing economies.

Areas of future research

Financial capability and growth of small and medium enterprises in Uganda

Firm size and financial accessibility on growth of SMEs in Uganda

Source of funds

The researchers used own funds to carry out this study.

Conflict of Interest

The researchers have no any conflict of interest in carrying out this research.

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