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Micro-credit institution's services and sustainability of micro, small and medium-scale enterprises during Covid-19 pandemic in Kigezi region south western Uganda

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ABSTRACT

The study examined the effect of Microcredit institutions' services on the sustainability of micro, small and medium size enterprises during the Covid-19 pandemic of the Kigezi region, South Western Uganda. The specific objectives were to: determine the effect of loan provision by microcredit institutions on the sustainability of MSMEs; determine the effect of the provision of the saving account by microcredit institutions sustainability of MSMEs, The study was conducted in the Kigezi region of Uganda. The region has six (6) districts namely: Kabale, Kisoro, Kanungu, Rukungiri, Rubanda and Rukiga. The Kigezi region is situated in Southwestern Uganda. The sample size was computed using Yamane's sampling formulae and was based on a 5% level of precision. The research used both descriptive and cross-sectional surveys to gather information from various MSMEs records and panel procedures as well as a supplementary interview as methods of data collection. A cluster sampling procedure was applied to select the enterprises' respondents. Enterprises' owners and managers were the units of inquiry due to their importance as custodians of information on all the activities taking place in their respective MSMEs. The research population was divided into clusters (areas or districts) and the required sample was selected using simple random sampling. The study used an interviewer-administered structured questionnaire to collect the data. This suggests that increases in Loan Provision and Saving Accounts help to increase Sustainability. Results further indicate that of the aspects of Sustainability of MSMEs, Loan Provision has no significant effect (β=0.048, Sig=0.279); Saving Account has a significant effect (β=0.125, Sig=0.001); and Training on Managerial Skills has a significant effect (β=0.309, Sig=0.000). The study concludes that loan provision by microcredit institutions did not sustain MSMEs during the Covid-19 pandemic in Kigezi Sub-Region Uganda, accessing an adequate amount of credit is an important factor in increasing the development and growth of SMEs and increasing Saving accounts will increase Micro-credit Institutions Serviceability of MSMEs. The researchers recommend the use of sensitization of the clients and the use of other marketing tools.

Keywords: Micro-credit services, Micro, small and medium scale enterprises - sustainability, Small businness - Finance, Microfinance - Uganda - Kigezi Region, Covid-19 Pandemic, 2020

Introduction

Micro, Small and Medium Enterprises (MSMEs) may be commonly defined as businesses with identified objectives and locations. Mustafa and Saat (2012) refer to Small and Medium Enterprises (SMEs), on the other hand, as an engine of job creation and growth in emerging markets that are central to the larger equation of development.

MSMEs can be a key part of thriving globally competitive industries, creating the large numbers of jobs needed to reduce poverty. In the right business environment, MSMEs can grow into large firms, changing the game locally, and carving their niche globally. But even if remaining small or medium-size, they can create significant income opportunities for their workers and generate new tax revenues for government services. They do so by boosting their productivity and sales and supplying increasingly valuable goods and services. However, throughout the world, the efforts of SMEs are inhibited by a lack of access to financial services such as deposit and credit facilities and other financial services (Eissa, 2013).

Uganda Bureau of Statistics has adopted to categorize MSMEs based on any of the following criteria: number of employees, capital investment and annual turnover. In quantitative terms, micro enterprises are those businesses employing not more than 5 people and their total assets do not exceed UGX: 10 million. On the other hand, small enterprises employ between 5 and 49 people and total assets between UGX: 10 million but not exceeding UGX: 100 million. The medium enterprises, therefore, employ between 50 and 100people with total assets of more than UGX: 100 million but not exceeding UGX: 360 million.

According to the Ministry of Finance, Planning and Economic Development (MFPED), the majority of MSMEs have fewer than 20 employees. MFPED defines a 'Micro Enterprise' as an enterprise employing up to four people, with an annual turnover of 12 million Uganda shillings, and a 'Small Enterprise' as an enterprise employing between 5 and 50 people, with an annual sales/revenue turnover total asset of up to Uganda Shillings (USH.) 360 million, and a 'Medium Enterprise' as an enterprise that employs more than 50 people with an annual sales turnover or assets of between (USH.) 360 million and 30 billion.

Micro, Small and Medium Enterprises (MSMEs) are the backbone of Uganda's economy as they represent 90 per cent of the entire private sector and contribute about 18 per cent to the country's GDP. MSMEs also account for the bulk of employment in Uganda. According to the 2015 MSME policy, 2.5 million people are employed by these enterprises, and the policy is cognizant of the substantial contribution that MSMEs make to technological innovation and new products. Thus, MSMEs are regarded as highly significant, with great potential to change Uganda's economy for the better.

Despite their contribution to the economy, MSMEs still face legal, institutional and attitudinal challenges which impede their growth and survival. Recent evidence indicates that the most significant binding constraint to MSME growth is limited access to affordable short-term and long-term financing. For instance, Lakuma et al., (2019) show that Uganda's MSMEs are more credit constrained than large enterprises, with only 10 per cent of them accessing a bank loan or a line of credit.

Most importantly, this particular challenge has been exacerbated by the economic crisis triggered by the outbreak of the COVID-19 pandemic. Due to the COVID-19-induced uncertainty and its associated containment measures, most borrowers are afraid to borrow. In addition, the lenders are hesitant to lend to MSMEs because their riskiness has increased. A recent study by the Economic Policy Research Centre confirms that COVID-19 has aggravated the credit and liquidity constraints among MSMEs relative to large businesses – with 69 per cent of businesses reporting a decline in access to credit. Worse still, 65 per cent of the MSMEs having outstanding debts indicated that their Sustainability and ability to service debts declined because of the risk associated with COVID-19.

A recent by the Economic Policy Research Centre (EPRC) in Uganda reveals that three-quarters of the surveyed businesses have laid off employees due to the risks presented by COVID-19 and subsequent containment measures. Indeed, the results suggest that lockdown measures have reduced business activity by more than half. In terms of sectors, we find that businesses in agriculture have experienced the largest constraints in access to both inputs and markets for outputs due to control measures such as transport restrictions, quarantine, social distancing, and bans on weekly markets.

The COVID-19 pandemic may have the most severe and wide-reaching social, economic and health impacts in low- and middle-income countries like Uganda (Dahab, 2020). The Covid-19 Pandemic has hit SMEs in Uganda. The quarantines, travel restrictions, market lockdowns, the ban on public transport and social-distancing measures are leading to a fall in consumer spending. Businesses that rely on physical spaces and interpersonal interactions, such as restaurants, supermarkets, markets, hotels, tour operators, bars, and gyms are experiencing a severe drop in sales. Reduced sales are likely to result in a cash flow crunch in these businesses. Many small businesses import inputs or products for sale, from China. These will suffer shortages. The ban on public transport will also disrupt domestic supply chains. Due to diminished cash flows, many businesses are struggling to pay their employees and meet their other financial obligations. Moreover, the heightened uncertainty is leading to a reduction in access to credit, as financial institutions are less sure of the businesses' ability to pay back loans (Mahabu, 2019 & Dahab, 2020).

MSMEs have experienced a larger decline in business activity since most of the country's micro and small businesses halted operations due to their inability to implement preventative health measures such as the provision of on-site lodging for employees, sanitisers and hand washing equipment for customers. These preventive measures have resulted in an increase in operating expenses for businesses that continued to stay open. Consequently, a majority of micro and small businesses, particularly in the service sector, predict they will have to close within one to three months if the pandemic persists and current restrictions are maintained To ensure MSMEs' recovery from the effects of the pandemic, the government came up with stimulus packages such as the credit facility advanced to the Uganda Development Bank (UDB) to enhance MSMEs' investments in import replacement and export promotion and also stimulate businesses operating in the tourism sector. Other interventions include funds advanced to Savings and Credit Cooperatives (SACCOs) through the microfinance support centre, and cheap capital for special groups such as youth and women through the "*Emyooga*" program, among others.

Nonetheless, COVID-19 being an existential crisis poses challenging questions in this regard: whether these packages can adequately meet the financing needs to be given that the exact financing gap is not known; whether the target beneficiaries are aware of these packages and if they meet the eligibility criteria and the required documentation to apply for them (accessibility); and whether the few enterprises that have accessed these packages will not backslide after servicing them or even whether they will be able to service the loans in the first place (sustainability). Additionally, most of the beneficiary enterprises do not have the requisite financial skills and knowledge to gainfully utilize these packages to enable them to pay back within the credit period and meet other terms of the credit.

For instance, as already indicated, the biggest percentage of the private sector is made up of MSMEs, however, details about these enterprises, including who they are, how many they are, their location, ownership, nature

of the operation and the actual financing gap are not well understood. More so, how much of the MSME financing gap has been created by the pandemic has not been established. This, therefore, justifies the queries on the adequacy of these packages.

Additionally, according to UDB's requirements call for applications for loans directed at businesses engaged in the production of essential goods and services for import replacement and export promotion, applicants are required to be registered and must possess collateral security depending on project specifics and risk, with the current valuation of the assets. Also, among the documents required for loan application are business plans, credit reference bureau and audit reports and proof of compliance with the National Social Security Fund (NSSF) which most MSMEs in Uganda do not possess. (Dahab, 2020).

The application procedure further requires the loan applicants to present a bank statement for the past year, yet most of these enterprises hardly have transacted with formal financial institutions. The World Bank Enterprise Survey (WBES) indicates that only 9 per cent of SMEs in Uganda had a line of credit with formal financial institutions by 2020. Moreover, the majority of the MSMEs are unaware of some of these packages, let alone the inability of MSME owners to understand the requirements and application procedures since they are expressed only in English. This automatically pushes the majority of them out of the bracket of eligible beneficiaries for these packages which are specifically meant for them.

Furthermore, the sustainability component of these packages is not very clear. Apart from the collateral security (which most MSME owners do not even have) that is listed as part of the requirements for accessing the loans, sustainability plans if the borrower fails to service the loan due to some unforeseen factors are not addressed. Just like in other similar government programs, the issue of sustainability has not been given a lot of attention, which partly explains the failure of such initiatives to achieve the intended objectives.

Micro, small and medium enterprises are the engine for job creation and growth in emerging markets that are central to the larger equation of development and are regarded as the most powerful economic forces of the developing world, creating the largest number of jobs needed to reduce poverty (IFC, 2011). In developing districts like Kabale, the majority of the households practice micro, small and medium enterprise activities as a way of earning living and contributing to economic growth. Despite the enormous contributions of MSMEs in Kabale, most of the MSMEs are at the point of stagnation and closure. There is a need, therefore, to examine the causes of business failure that require to be addressed.

In Kabale Unemployment has worsened due to the risks associated with COVID-19 and a preliminary Survey conducted by investigators in November 2020 indicated that some MSMEs lay off or would lay off some workers temporarily and permanently if the threat of COVID-19 persists for the next six months. In addition to the lower demand and higher costs of safety measures, MSMEs surveyed in Kabale shared other worrying concerns, including lessened production and productivity and credit and liquidity constraints. Indeed, risks associated with COVID-19 have exacerbated preexisting credit and liquidity constraints among micro, small, and medium enterprises (MSMEs) in Kigezi. Many SMEs struggle to meet the COVID-19 prevention requirements from the local government agencies. Some local governments also push the burden of coronavirus prevention entirely on businesses. If one COVID-19 case cluster shows up in a business, the business was closed for a longer period. Third, broken supply chain and logistics: Upstream SME closures

are felt by downstream factories that are relying on the parts they produce for SMEs (Hamiza, 2019). In the Kigezi region, South Western Uganda majority of the households practice micro, small and medium enterprise activities as a way of earning living and contributing to economic growth. Despite the enormous contributions of MSMEs in Kabale, most of the MSMEs are at the point of stagnation and closure during Covid-19. There is a need, therefore, to determine the effect of Microcredit institutions' services on the sustainability of micro, small and medium size enterprises during the Covid-19 pandemic in the Kigezi region, South Western Uganda.

The objectives of the study were: To determine the effect of loan provision by microcredit institutions on the sustainability of MSMEs during the Covid-19 pandemic in Kigezi Sub-Region Uganda and To determine the effect of the provision of saving accounts by microcredit institutions on the sustainability of MSMEs during the Covid-19 pandemic in the Kigezi Sub- Sub-Region

Literature Review

Relationship between loan provision by Microcredit Institutions and sustainability of MSMEs

Prah (2016) conducted research on microfinance credit facilities and the growth of SMEs in the Cape Coast Metropolis of Ghana where the researcher used a descriptive study design and quantitative data analysis with a sample of 357 respondents. The study finding revealed that most of the SMEs in the Cape Coast Metropolis has contracted Microfinance credit facilities and that there was a positive significant difference in the growth of the SMEs after receiving the microfinance credit. And this has mainly been attributed to the support of MFIs. The study also discovered unfavourable loan recovery mechanisms used against SMEs and high-interest rates. It was therefore recommended that the government show create enabling environment for financial institutions MFIs not being an exception to advance more of these facilities to people in the SMEs sector.

Accessing an adequate amount of credit is considered to be an important factor in increasing the development and growth of SMEs, and it is also known to boost income, and employment level and thereby reduce poverty (Alhassan et al, 2016). The same authors carried out research to determine the effects of Microcredit on profitability and the challenges of women-owned SMEs in Northern Ghana. A paired t-test was employed to determine the changes in gross profit over time from a sample of 199 respondents. The results indicated a significant increase in the average monthly gross profit over time. According to Alhassan et al, (2016) profit is one of the important measures of growth that must be considered as it is unlikely that enterprise growth can be sustained without profits being available for reinvestment in the business. Growth can be considered in terms of net profit margins.

In another related study conducted by Awuah and Addaney (2016), the research findings revealed that there is a positive relationship between MFIs services and the growth of SMEs in the Sunyani Municipality of Kenya. This was when the researcher investigated the interactions between MFIs and SMEs in the area. According to the findings, the revenue, profits and the asset base of the SMEs targeted increased after benefiting from SME's services. The researcher used a survey approach to examine the effects of microfinance services and the products provided by multi-credit Savings and loan limited on the performance of SMEs in the area. To be specific one of the findings shows that micro-credit from MFI has improved the business

status of its clients in form of increased revenue, profit and increased asset base and opening more branches amidst challenges of short loan repayment duration, high-interest rate, insufficient loan amount and high loan processing fees. The researcher, therefore, recommended a reduction in the interest rate, an increase in the loan repayment period and a reduction in loan processing fees to further boost accessibility to SMEs.

Laetitia et al. (2015) also revealed that MFIs provides services such as loan, advice on investment, saving and training on investment to women who owned SMEs in the Kicukiro district in Rwanda. The finding also revealed that business performance after the loan was fairer compared to before the growth of women SMEs in Kicukiro district, Rwanda where the researchers used a descriptive research design and qualitative and quantitative research approach with a sample size of 275 respondents. To determine the relationship between the two variables, the researchers used Pearson's correlation coefficient. The finding confirmed the loan as one of the services of MFIs. In general, the findings concluded that MFIs have positive impacts on the growth of selected SMEs owned by women in Kicukiro in Rwanda. The research findings nevertheless noted the challenges of a high-interest rate. Hence it was recommended that government should intervene by the means of subsidizing the interest rate.

Abdinor (2013) researched to establish the effects of microfinance institutions' lending on the growth of SMEs in Somalia, by the use of the regression model, the finding shows that MFIs lending has an effect on the growth of small and medium enterprises in Somalia and has a positive relationship. The researcher, therefore, recommended government and other partners facilitate the accessibility of credit for Small and medium enterprises to Microfinance Institutions and minimize the collateral conditions since these have been noted to be some of the challenges. Finally, the researcher also recommended that to reduce the rate of default, MFIs can research very profitable business lines and offer credit to clients who can exploit such business lines. SMEs should be encouraged also to adopt group financing to avert loan defaulting.

In another similar research conducted by Olowe et al. (2013) in an attempt to investigate the impacts of MFIs and the growth of SMEs in Nigeria, the researcher use a regression model and the results from this study showed that financial services obtained from MFIs have a positive significant impact on SMEs growth in Nigeria. The results also revealed that the duration of the loan has a positive impact on SME growth but is not statistically significant. The results also showed that high-interest rates, collateral security and frequency of loan repayment can cripple the expansion of SMEs in Nigeria. Therefore, the paper recommended that MFIs should lighten the condition for borrowing and increase the duration of their customers' loans and also spread the repayment over a long period.

Nahamya et al. (2013) conducted a research study that sought to establish the impact of microfinance service delivery on the growth of SMEs in eastern Uganda, by the use of multiple regression and logit model, the findings indicate that although the MFIs have performed below a set standard on average due to some industry-wide challenges, they have had a significant impact in linking SMEs and the poor to sources of credit and contributed to their growth in terms of growth of business capital and stock accumulation. The researchers recommended that there is a need for an institutionalized public-private partnership for creating favourable conditions for the operations of these enterprises. This will reduce the numerous constraints facing SMEs to make the nationals benefit from their overall contribution to poverty reduction. Designed tailored made products for SMEs are essential through investment in education, setting up an authority

or coordination centre for SMEs and promotion of prudential mechanisms by setting a regulatory and supervisory framework for all Microfinance Institutions.

Salomey et al (2013), in their research to determine the impact of MFIs on the growth of SMEs in Ghana used a regression model for data analyses the result also revealed that MFIs have a positive effect on the growth of SMEs. As per the research findings, some of the critical contributions of MFIs include; greater access to credit, savings enhancement and provision of business, financial and managerial training. And the researchers recommended that to enhance sustained and accelerated growth in the operations of SMEs, credits should be client-oriented and not product-oriented. Proper and extensive monitoring activities should be provided for clients who are granted loans.

Veronica & Kerongo (2014) conducted similar research on the Effects of Micro-Financing on the Growth of Small and Micro Enterprises in Mombasa County, the researchers adopted a stratified and systematic random sampling method where a descriptive survey method was used and the results indicated that microfinance has positive effects on growth of SMEs. The majority of the owners indicated that microfinance has enabled them to expand businesses, and build their business assets. Also, the ability of the business to compete was enhanced. The researcher recommended that credits should be client-oriented and not product-oriented. Proper and extensive monitoring activities should be provided for clients who are granted loans. Microfinance institutions should reduce interest rates and increase the grace period to three to six months. The MFIs demand the payment immediately of the loans advanced to borrowers. The longer the grace period will enable borrowers to pay interest and principal using income generated from the borrowed money. This will accommodate more start-up MSEs to participate in MFI lending. Finally, the researcher recommended that business and financial training should be provided by MFIs regularly and most cases should be tailored toward the training needs of the clients.

In another related research study, Quaye (2011) conducted research to study the effects of microfinance institutions on the growth of small and medium-scale enterprises among selected SMEs in Kumasi, the research finding showed that MFIs have contributed enormously to the growth of the SME sector through several activities as enumerated such as:
Greater access to credit. The MFIs have provided SMEs with greater access to credit than traditional banks. Most respondents indicated that 100% of their credit demand was granted. Since most of these SMEs are Micro, their credit needs are very small and their credit needs are most of the time meet. Most SMEs were found to be dealing with more than one MFI, and the credits granted helped to boost their capital and expand their businesses. And through other ways such as enhanced saving habits, and financial and managerial training. The findings also revealed a majority of 86 per cent of respondents indicated that the operations of MFIs had had a positive effect on their businesses.

In another study conducted by Xitian (2013), on the impacts of microfinance on the development of SMEs in Taizhou in China by the use of multiple linear regression models, the finding revealed that SMEs that participated in micro financing had better performance in terms of higher net profit growth and revenue growth. However, it also points out that SMEs that have a large portion of capital from microfinancing do not perform as well as expected. The author recommended the use of microfinancing by firms only in unhealthy conditions.

Abiola (2012) carried out related research on the effects of microfinance on Micro and Small business enterprises in Nigeria. The paper employed panel data and multiple regression analysis to analyse a survey of 502 randomly selected enterprises financed by microfinance banks in Nigeria. A contrabass result between IV and DV was obtained that indicated strong evidence that access to microfinance does not enhance the growth of micro and small enterprises in Nigeria. However, other firm-level characteristics such as business size and business location, are considered to be the determinant factors for SME growth.

Relationship between the provision of saving accounts by Microcredit Institutions and Sustainability of MSMEs

Mulungiand (2015) conducted a related study on the accessibility of Microfinance saving services and its effect on business growth of Small scale enterprises in Uganda: a case study of pride microfinance branches and their small-scale enterprise clients in Kampala, descriptive cross-sectional research design and multiple regression with a sample size of 156 respondents was used, the finding revealed that the level of accessibility of the saving services had a positively significant but weak relationship with the business growth that the selected small scale enterprises attained in terms of sales revenue, profit, business expansion and product range. The recommendation the researchers gave was to improve this relationship by the use of sensitization of the clients and using other marketing tools like an advertisement.

Methods

The study was conducted in the Kigezi region of Uganda. It has six (6) districts namely: Kabale, Kisoro, Kanungu, Rukungiri, Rubanda and Rukiga. The Kigezi region is situated in southwestern Uganda. A very hilly, cold and mountainous region bordering the Republic of Rwanda and the Democratic Republic of Congo Because of its hills, mountains and cold weather, people call it the Switzerland of Africa. It is full of Agricultural Terraces and home to the world-famous mountain guerillas. According to the National Census of 2014 and Uganda Bureau of Statistics (UBOS) of 2016, the region has a population of about 1.5 million people from the following 6 Districts:
The research uses both descriptive and cross-sectional surveys to gather information from various MSMEs records and panel procedures as well as a supplementary interview as methods of data collection. Descriptive designs are applied to explain particular individual(s) or group(s) to determine the Micro-Credit Institution's Services and Sustainability of Micro, Small and Medium Scale Enterprises during the Covid-19 Pandemic in Kigezi Region, South Western Uganda. The standardized information collected is processed statistically to enable this study to be generalized. The adoption of this research design was a result of the economic and cost-effectiveness of the method. The researchers used questionnaires and supplementary interviews as well as firms' records from the sample size.

The population of this study are owners of micro, small and medium enterprises in the six (6) districts of the Kigezi region, Uganda. These districts have a high concentration of MSMEs. The owners and the managers of these MSMEs were the units of enquiry or respondents as a result of their direct involvement in the planning, implementation and management of the firm's growth and development. The population of firm owners and managers were 1400 MSMEs.

A cluster sampling procedure was applied to select the enterprises' respondents. Enterprises' owners and managers are the units of inquiry due to their importance as custodians of information on all the activities taking place in their respective MSMEs (Rhodes, 2009). In cluster sampling, the research population shall be divided into clusters (areas or districts) and selected using simple random sampling. The sample size is in line with Kothari (2010) who believes that sample size should be optimum, that is, one that fulfils the requirements of efficiency, representativeness, reliability and flexibility. The unit of sampling in the study was 312 respondents (MSMEs) in the six (6) districts of the Kigezi region.

Yamane's sampling formulae were used for sample size determination (Yamane, 1967). It was based on a 5% level of precision (e) and the formula below was used to determine the sample size.

$$n = \frac{N}{[1 + N(e)^2]}$$

Where; N is the population of study; n is the sample size and e is the precision level.
This enables the target population of firms to be adequately and sufficiently represented in the sample size as indicated in the table below:

Table showing the Number of firms for the respective districts in the Kigezi region.

District	Population Size	Sample Size	Sampling Technique
Kabale	480	107	Cluster Sampling
Kisoro	160	36	Cluster Sampling
Kanungu	190	42	Cluster Sampling
Rukungiri	320	71	Cluster Sampling
Rubanda	130	29	Cluster Sampling
Rukiga	120	27	Cluster Sampling
TOTAL	1400	312	

Source: UBOS (2016)

Data Collection

It is an interviewer-administered structured questionnaire to obtain information from SMEs by trained interviewers. The criteria of selection shall be based on the inclusive criteria that the SMEs are registered. The firms that were selected have spent a minimum of one year in business and are categorized as micro, small or medium in their scale of production. The firms were based in any of the six (6) districts of the Kigezi region and under the selected area of the study. Firms owners and managers are the units of inquiry due to their importance as custodians of information of their respective enterprises.

Three (3) Research Assistants and three (3) Research Officers are needed based on a set of criteria such as expertise and knowledge of the local language. The Research Assistants were trained for two days by the Research Officers on the purpose of the study, data collection tools or instruments, how to interview and how to extract information from firm records and the overall data collection procedures.

Data Analysis

The study results that microcredit institutions' services and sustainability are a function of Loan Provision, Saving Accounts and Training in Managerial Skills.

Microcredit institutions' services are key factors in the Sustainability of MSMEs. Data obtained from the questionnaire were entered, cleaned and prepared for tabulation using Statistical Package for Social Sciences (SPSS). Frequencies and descriptive statistics were determined and Pearson Product Moment correlation statistics were used to establish the level of the relationship.

Ethical Considerations

The research proposal was approved by the research ethics review committee of Mbarara University of Science and Technology, Mbarara, Uganda before conducting the study. Permission to undertake the study was obtained from all the relevant authorities in the region, district and respective LCS. The applicable consent form and the information sheet were duly integrated along with the respective data collection instruments. All the study participants were informed about the objectives or purposes, procedures, risks and benefits, and privacy and confidentiality issues of the study. Finally, verbal informed consent was obtained from each study participant before the interview. This method of consent was specifically approved by the ethical committee of Mbarara University of Science and Technology, Mbarara, Uganda.

Expected Outcomes & Dissemination

The study findings validate the argument that there is a need to access credit to initially re-start business activities for many MSEs that lack working capital as a result of the COVID-19 pandemic. The findings would be useful to the managers of Micro, Small and Medium Enterprises in the Kigezi region of Uganda who would examine other organizational factors and micro-credit institutions' services toward supporting micro, small and medium enterprise recovery programs during the Covid-19 pandemic.

The government can use the research findings as a guide on policy formulation and implementation of the COVID-19 Pandemic and the socio-economic wellbeing of the people.

For the academic environment, the research findings would provide a piece of new knowledge to the existing ones because of the empirical evidence that was provided on the Micro-Credit Institution's Services and Sustainability of Micro, Small and Medium Scale Enterprises during the Covid-19 Pandemic in Kigezi Region, South Western Uganda. The research findings would be useful to future researchers who might want to carry out further research on the same or related topics with relevant literature.

Lastly, at the end of this project, at least two articles would be published from this study and this will increase the research output for Kabale University.

Validity

Mazaki (2009) echoes LoBiondo-wood & Haber (2002) by referring to validity as the extent to which an instrument measures what it is supposed to measure and whether it measures it accurately. To ensure validity, the research instrument covered all the dimensions of the phenomenon under study as clarified in the conceptual framework. The questionnaire was discussed among the Principal Investigator and Co-Investigators; and experts were also requested to rate the instrument to assess its structure, contents, clarity, level of consistency and relevancy to the research objectives. The content validity of the instrument was found worthy of execution.

The following formula was used to test the validity index.
According to Amin (2005), the Content Validity Index (CVI) must be greater than or equal to 0.7 and this was calculated as:

The following formula was used to test the validity index.

$$CVI = \frac{\text{Number of items regarded as relevant by judges}}{\text{Total number of items}}$$

According to Amin (2005), the Content Validity Index (CVI) must be greater or equal to 0.7 and this was calculated as:

$$CVI = \frac{\text{Number of items regarded as relevant}}{\text{Total number of items}} = \frac{23}{28} = 0.821$$

The value of CVI obtained, which is a measure of the validity of the instrument, was interpreted based on George and Mallery's (2003) scale. Accordingly, a value of 0.821 obtained is greater than the standard value of 0.7 which indicates that the items were extremely relevant for the kind of data that was needed by the study.

Reliability

The reliability of an instrument is the degree of consistency which measures the attribute; it is supposed to be measured Cohen, Manion and Morrison (2000). It also measures the degree to which a research instrument yields consistent results if administered on different occasions. Reliability can be equated with the stability, consistency, or dependability of a measuring tool.

According to Cohen et al. (2000), a correlation value greater than 0.7 makes possible group predictions that are accurate enough for most purposes. A high degree of stability indicated a high degree of reliability, which meant the results are repeatable (Amin, 2005). The less variation an instrument produces in repeated measurements of an attribute, the higher its reliability.

Researchers administered some copies of questionnaires to respondents who were not part of the final sample for the study. They administered questionnaires were later entered into Statistical Package for Social Sciences (SPSS). Reliability analysis was conducted for the scales using Cronbach's Alpha. Cronbach's coefficient alpha is designed as a measure of internal consistency, that is, do all items within the instrument measure the same thing (George and Mallery, 2003).

Cronbach's alpha is used here to measure the reliability of the questionnaire between each construct. The normal range of Cronbach's coefficient alpha value is between 0.0 and + 1.0. The closer the Alpha is to 1, the greater the internal consistency of items in the instrument is assumed. As the number of items (variables) in the construct increases, the value becomes large. If the inter-correlation between items is large, the corresponding value was also large. Since the alpha value is inflated by a large number of variables then there is no set interpretation as to what is an acceptable alpha value.

A rule of thumb that applies to must situations according to Cohen, Manion and Morrison (2000) and (George and Mallery, 2003) is:

Between 0.9 and 1.0 - Excellent
Between 0.8 and 0.9 - Good
Between 0.7 and 0.8 - Acceptable
Between 0.6 and 0.7 - Questionable
Between 0.5 and 0.6 - Poor
Between 0.0 and 0.5 - Unacceptable

The Cronbach's coefficient alpha was calculated for each construct of the questionnaire. The most identical values of alpha indicate that the mean and variances in the original construct do not differ much, and thus standardization does not make a great difference in alpha. The value obtained was 0.857. This value is considered high and acceptable; the result ensures the reliability of each construct of the questionnaire; and indicates a good degree of reliability of the entire questionnaire, as supported by Cohen, Manion and Morrison (2000) and (George and Mallery, 2003). Hence, it is proved that the questionnaire is valid, reliable and suitable for the study.

Results

Response Rate

According to Amin (2005), response rate refers to the number of respondents who answered the questionnaires divided by the number of respondents in the sample who received the questionnaires. It is normally expressed in form of percentages. Before the researchers embarked on the analysis of the data collected, an assessment of the return rate was done by dividing the number of respondents who were involved in answering the questionnaire by the targeted categories of the respondents in each case and multiplied by 100 as presented in Table 3.

Table 3: Response rate for the questionnaire.

Category of the respondents	Number of questionnaires administered	Number returned	Return rate (%)
MSMEs	312	294	94.2%

Source: Primary Data (2021)

From Table 3, three hundred and twelve (312) questionnaires were administered but the number of respondents (MSMEs) who returned the filled questionnaires was two hundred and ninety-four (294) giving the overall return rate as 94.2%. According to Babble (2001), a response rate that is above 94.2% is appropriate to make conclusions. The return rate was a clear indication that a good number of respondents (MSMEs) participated in the study. Amin (2005) argued that a high return rate ensures more accurate survey results. Therefore, the results obtained were representative and relied on for investigating the Micro-Credit Institution's Services and Sustainability of Micro, Small and Medium Scale Enterprises during the Covid-19 Pandemic in Kigezi Region, South Western Uganda.

Table Showing the Social Demographic Characteristics of the Respondents.

Characteristics		Frequency	Percentage (%)
Gender	Female	162	55.1
	Male	132	44.9
	Total	294	100.0
Level of Education	Informal	74	25.2
	Primary	56	19.0
	Secondary	81	27.6
	Vocational School	55	18.7
	University	28	9.5
	Total	294	100.0
Year of Experience with MFIs	2 years and below	73	24.8
	3-5 years	112	38.1
	6-8 years	29	9.9
	9 years and above	80	27.2
	Total	294	100.0
Type of Enterprise (to stakeholders)	Trade	160	54.4
	Small Scale Farming	63	21.4
	Creative Design	71	24.1
	Total	294	100.0

Source: Primary Data (2022)

The results above indicate more females 162 (55.1%) participated than males 132(44.9%). Respondents at an informal level of education were 74 (25.2%), primary level was56 (19.0%), the secondary level was 81 (27.6%), vocational school were 55(18.7%), and University level was 28 (9.5%). Respondents (24.8%) the experience of 2 years, 38.1% the experience of 3-5 years, 9.9% had the experience of 6-8 years and 27.2% had experience of above 9 years. This implies that most respondents had the experience of up to 5 years with MFIs. Respondents (54.4%) engaged in trade enterprise, 21.4% of the respondents engaged in small-scale farming and 24.1% of respondents engaged in creative design. This implies that most respondents engaged in trade and small-scale farming.

Therefore, the respondents were mostly females (55.1%), with secondary level and below (71.8%), had up to 5 years of business experience were (62.9%) and involved in trade and small-scale farming.

Pearson product-moment correlation between the Loan Provision by microcredit institutions and the Sustainability of MSMEs.

Variables Computed index		Loan provision by microcredit institutions	Sustainability of MSMEs
Loan provision by microcredit institutions	Pearson Correlation	1	0.163
	Sig. (2-tailed)		0.025
	N	294	294
Sustainability of MSMEs	Pearson Correlation	0.163	1
	Sig. (2-tailed)	0.025	
	N	294	294

Correlation is not significant at the 0.05 level (2-tailed)

Source: Primary Data (2022)

Results in Table reveal that the Pearson product moment correlation was applied to establish the effect of loan provision by microcredit institutions on the sustainability of MSME during the Covid-19 pandemic in Kigezi Sub-Region Uganda. The results show a weak and positive but not statistically significant relationship between loan provision by microcredit institutions and the sustainability of MSMEs during the Covid-19 pandemic (r=0.163**, p>0.05). Thus, the null hypothesis was not rejected. This implies that there was a low, positive but non-significant effect of loan provision by microcredit institutions on the sustainability of MSMEs during the Covid-19 pandemic in Kigezi Sub-Region Uganda.

Pearson product moment correlation between the Provision of saving accounts by microcredit institutions and the Sustainability of MSMEs.

Variables Computed index		Provision of savings accounts by microcredit institutions	Sustainability of MSMEs
Provision of saving accounts by microcredit institutions	Pearson Correlation	1	0.326**
	Sig. (2-tailed)		0.000
	N	294	294
Sustainability of MSMEs	Pearson Correlation	0.326**	1
	Sig. (2-tailed)	0.000	
	N	294	294

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

Source: Primary Data (2022)

The results in Table reveal the results for Pearson product moment correlation when applied to determine the effect of the provision of saving accounts by microcredit institutions on the sustainability of MSMEs during the Covid-19 pandemic in Kigezi Sub-Region Uganda. The results show a statistically moderate positive and significant relationship between the provision of saving accounts by microcredit institutions and the sustainability of MSMEs (r=0.326**, p<0.01). Thus, the null hypothesis was rejected. This implies that there the provision of saving accounts by microcredit institutions was significantly and moderately related to the sustainability of MSMEs during the Covid-19 pandemic in Kigezi Sub-Region Uganda.

Discussion

The study was set up to determine the effect of micro-credit institution's services and the sustainability of micro, small and medium-scale enterprises during the covid-19 pandemic in the Kigezi region, southwestern Uganda.

The effect of loan provision by microcredit institutions on the sustainability of MSMEs during the Covid-19 pandemic in Kigezi Sub-Region Uganda.

The Results reveal that the Pearson product-moment correlation was applied to establish the effect of loan provision by microcredit institutions on the sustainability of MSMEs during the Covid-19 pandemic in Kigezi Sub-Region Uganda. The results show a weak and positive but not statistically significant relationship between loan provision by microcredit institutions and the sustainability of MSMEs during the Covid-19 pandemic (r=0.163**, p>0.05). Thus, the null hypothesis was not rejected. This implies that there was a low, positive but non-significant effect of loan provision by microcredit institutions on the sustainability of MSMEs during the Covid-19 pandemic in Kigezi Sub-Region Uganda.

The results of this research are not in accord with Prah (2016) who researched microfinance credit facilities and the growth of SMEs in the Cape Coast Metropolis of Ghana where the study finding revealed that most of the SMEs in the Cape Coashastropolis have contracted Microfinance credit facilities and that there was a positive significant difference in the growth of the SMEs after receiving the microfinance credit.

In addition, this research disagrees with Alhassan et al, 2016 who carried out research to determine the effects of Microcredit on profitability and the challenges of women-owned SMEs in Northern Ghana. The results indicated a significant increase in the average monthly gross profit over time.

However, this research is supported by Awuah and Addaney (2016), whose research findings revealed that there is a positive relationship between MFIs services and the growth of SMEs in the Sunyani Municipality of Kenya. This was when the researcher investigated the interactions between MFIs and SMEs in the area. According to the findings the revenue, profits, and the asset base of the SMEs targeted increased after benefiting from SMEs' services.

The effect of the provision of saving accounts by microcredit institutions on the sustainability of MSMEs during the Covid-19 pandemic in the Kigezi Sub-Region Uganda
The results show a statistically moderate positive and significant relationship between the provision of saving accounts by microcredit in accounts on the sustainability of MSMEs ($r=0.326^{**}$, $p<0.01$). Thus, the null hypothesis was rejected. This implies that there the provision of saving accounts by microcredit institutions was significantly and moderately related to the sustainability of MSMEs the during the Covid-19 pandemic in the Kigezi Sub- Region Uganda

The findings are supported by Mulungi and Kwagala (2015) who conducted a related study on the accessibility of Microfinance saving services and its effect on business growth of Small scale enterprises in Uganda: a case study of pride microfinance branches and their small-scale enterprise clients in Kampala, their findings revealed that the level of accessibility of the saving services had a positively significant but weak relationship with the business growth that the selected small scale enterprises attained in terms of sales revenue, profit, business expansion and product range.

Conclusion and Recommendation

Conclusion

The study was set up to determine the effect of micro-credit institution's services and the sustainability of micro, small and medium-scale enterprises during the covid-19 pandemic in the Kigezi Sub-region, Southwestern Uganda. Specifically, the study sought to determine the effect of loan provision by microcredit institutions on the sustainability of MSMEs during the Covid-19 pandemic in Kigezi Sub- Region, The effect of the provision of saving accounts by microcredit institutions on the sustainability of MSMEs during the Covid-19 pandemic in the Kigezi Sub-Region Uganda and the effect of the provision of Managerial skills by microcredit institutions on the sustainability of the MSMEs during the Covid-19 pandemic in Kigezi Sub-Region Uganda by evaluating responses obtained through questionnaires using descriptive analysis and multiple regression analysis. From the analysis of respondents, the percentage of targeted respondents that responded to the questionnaire was 94%. From the preliminary analysis conducted in the study, the majority of respondents in this study have the following attributes
1 Secondly level education
2 are Females
3 aged between 36–45 years
4 type of enterprise is trade.

The results show that Micro-credit Institutions Services (LP: Loan Provision; SA: Saving Account and TMS: Training on Managerial Skills) account for a 23.8% increase in the Sustainability of MSMEs. Concerning the coefficients, results further indicate that of the aspects of Sustainability of MSMEs, Loan Provision has no significant effect (β=0.048, Sig=0.279); Saving Account has a significant effect (β=0.125, Sig=0.001); and Training on Managerial Skills has a significant effect (β=0.309, Sig=0.000).
Therefore, the study concludes that loan provision by microcredit institutions did not sustain MSMEs during the Covid-19 pandemic in Kigezi Sub- Region Uganda.

The study further concludes that accessing an adequate amount of credit is an important factor in increasing the development and growth of SMEs boost employment levels hence reducing poverty.
The study concludes that increasing Saving Accounts will increase Micro-Credit Institutions Services .
The government of Uganda can use the findings of this study to develop appropriate strategies to support MSME businesses in a bid to rescue them since they are the greatest contributors to the Ugandan economy.
Finally, this article highlights the voice of both entrepreneurs and managers on the effect of business lockdown and this may aid in diagnosing the required remedies, given the gravity of the situation.

Recommendations

It is therefore recommended that the government should create enabling environment for MSMEs to advance more financial facilities to people in the SME sector.
The researchers recommended that Proper and extensive monitoring activities should be provided for clients who are granted loans Microfinance institutions should reduce interest rates and increase the grace period to three to six months.

The researchers, therefore, recommend that government and other partners facilitate the accessibility of credit for Small and medium enterprises to Microfinance Institutions and minimize the collateral conditions since these have been noted to be some of the challenges.

Finally, the researcher also recommended that to reduce the rate of default, MFIs can research very profitable business lines and offer credit to clients who can exploit such business lines. SMEs should be encouraged also to adopt group financing to avert loan defaulting.

Recommendations for Further Research

While this study was carried out in Kigezi Sub Region, it can be applicable to many other Regions in Uganda with the same level of development. Other studies can also be conducted on the formal and informal institution's lending policies from small-scale to credit enterprises in Kigezi Sub Region

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