
**THE CONTRIBUTION OF VILLAGE SAVINGS AND LOAN ASSOCIATIONS (VSLAs) TO THE
ENTREPRENEURSHIP GROWTH IN RURAL AREAS. A CASE STUDY OF MURIRINYI B
CELL, BUBULO WARD, MANAFWA TOWN COUNCIL, MANAFWA DISTRICT, EASTERN
UGANDA**

By

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BU/UP/2023/1775

**Research Report Submitted To The Department Of Economics And Entrepreneurship In The
Partial Fulfillment For The Requirement For The Award Of Bachelors Of Science And Education
At Busitema University.**

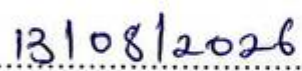
AUGUST, 2026

DECLARATION

I **NAMONO BRENDA** , do hereby declare that this research report “**The contribution of Village Savings and Loan Associations (VSLAs) to the entrepreneurship growth in rural areas**” is original and has been done by me.

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APPROVAL

This research report has been submitted to Busitema University, Nagongera Campus, Faculty of Science and Education, Department of Economics and Entrepreneurship with the approval of the supervisor.

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Date: 13th / 08 / 2026

DEDICATION

I dedicate this report to my family members especially my parents **MR. WAMUWAYA MARTIN** and **MRS.KHAINZA JENIFER** as well as my siblings; **NABULWALA MERCY CHRISTINE**, **WEKWANYA GERALD**, **KIBONE METRINE**, **NANDUTU HOPE** and **MUKISA MERCY ANGEL** who have stood by my side in all circumstances whether good or bad.

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ABBREVIATIONS

VSLAs-Village Savings And Loan Associations

ROSCAs-Rotating Saving and Credit Associations

SPSS -Statistical Package for the Social Sciences

CARE-Cooperative for Assistance and Relief Everywhere.

ABSTRACT

This study examined the contribution of Village Savings and Loan Associations (VSLAs) to entrepreneurship growth in rural areas, with a specific focus on Muririnyi B Cell, Bubulo Ward, Manafwa Town Council, Manafwa District, Eastern Uganda. Rural entrepreneurs in this area face significant barriers to business growth including limited access to affordable credit, high interest rates from informal lenders, lack of collateral, and exclusion from formal financial institutions. VSLAs have emerged as a community-based microfinance mechanism that provides accessible savings and credit services to underserved rural populations, enabling them to invest in income-generating activities and expand their businesses. The study is guided by five theoretical frameworks: Schumpeter's Innovation Theory of Entrepreneurship, Social Capital Theory, and the Financial Inclusion and Asset-Building Theory, Life Cycle Theory of Consumption and Keynesian Theory of Savings. It adopts a cross-sectional descriptive research design using mixed methods (both quantitative and qualitative approaches). A sample of 20 respondents was selected, comprising fifteen (15) VSLA members engaged in entrepreneurial activities and five (5) VSLA group leaders. Data was collected through structured questionnaires, semi-structured interviews, and document review. Quantitative data was analysed using SPSS version 25, while qualitative data was analysed through thematic analysis (identify, analyze and interpret patterns). The study seeks to evaluate the role of VSLA services in facilitating entrepreneurship expansion and diversification, identify factors influencing savings behaviour among rural entrepreneurs, and examine the socio-economic and institutional challenges affecting the use of VSLA loans. The findings of this study are expected to benefit policy makers, academicians, rural entrepreneurs, and VSLA members by providing empirical evidence on how VSLAs contribute to measurable entrepreneurship growth indicators such as business profitability, asset acquisition, employment creation, and business sustainability in rural Manafwa District.

CHAPTER ONE

INTRODUCTION

1.0.Introduction

This chapter comprised of the background of study, statement of the problem, purpose of the study, specific objectives, research questions, significance of the study, the scope of the study and the key definitions in the study.

1.1. Background of the Study.

Village Savings and Loan Associations (VSLAs) surfaced as a response to the failure of conventional banking that's to say commercial banks and microfinance systems to reach the poor rural. In 1991, **CARE International** developed the VSLA model in Niger as a sustainable, self-managed microfinance approach and the main aim of these VSLAs is to create community-based savings groups that requires no external capital injections, promoting self-reliance and could operate independently after initial training (Allen, H., & Staehle, 2007).Historically, African societies practiced informal savings systems like Rotating Savings and Credit Associations (ROSCAs) and "this system enabled members to contribute together, regularly and receive a lump sum on a rotating basis. But however, ROSCAs had limitations, including lack of flexibility in borrowing amounts and absence of interest earnings and hence the introduction of VSLAs which led to improvements in, social funds for emergencies, interest on loans and flexible amounts of borrowing. Non-Governmental Organization driven by VSLAs rapidly filled the rural financial gap created by Uganda's early 2000s structural reforms, providing essential, community-based financial inclusion and poverty alleviation since many of the rural banks had collapsed and concentrated in urban centers which left rural populations financially excluded.

In Eastern Uganda, including **Manafwa District**, the VSLAs were widely spread and adopted in rural areas such as Muririnyi B Cell, Bubulo Ward, Manafwa Town Council however much the area is predominantly rural with agriculture as the primary economic activity with high rates of unemployment and these VSLAs improve the rural livelihoods, stimulate income generating activities and empower women (Nakato &Ochieng ,2023) and this system provides residents with a safe place to save, flexible credit options for emergencies and business as well as a social fund to assist vulnerable community members however it 322encounters various challenges which affect entrepreneurship and this include: Limited financial infrastructure, Low and poor savings culture, Seasonal agricultural income, Limited business training and Market access constraints. VSLAs operate as the main source of accessible credit for rural households.

However, persistent poverty suggested that the link between VSLA participation and entrepreneurship growth requires deeper investigation.

VSLAs are community-managed financial groups consisting of 15–30 members where they save weekly or monthly and their activities run in the cycles of only one year, which is about twelve (12) months and after the accumulated savings and loans are being distributed to the members since their savings accumulate into a loan fund from which members borrow at agreed interest rates. The core components in this VSLAs are; mobilization, credit provision, social insurance. Entrepreneurship growth refers to measurable improvements in business performance such as business startup, increased revenue/profit, asset acquisition, employment creation, and enhanced business sustainability. This study measured entrepreneurship growth using quantitative indicators such as profit change, employee numbers, and business expansion.

1.2. STATEMENT OF THE PROBLEM.

Entrepreneurship served as a stake point on the economic growth, employment creation, and poverty reduction in rural areas of Uganda, where the majority of the population relies on small-scale businesses and agriculture for livelihoods. However, rural entrepreneurs, particularly in districts like Manafwa, face significant barriers to business growth, including limited access to affordable credit, high interest rates from informal lenders, lack of collateral, inadequate financial literacy, and exclusion from formal financial institutions. These challenges were particularly in areas such as **Bubulo town council**, Manafwa district, where the economy is mainly agricultural with reliance on subsistence farming, small trade, and limited infrastructure, restricting the expansion of micro and small enterprises (Namugumya & Mubiru, 2024; Kato & Asiimwe, 2021). **Village Savings and Loan Associations (VSLAs)** have been found as a community-based, informal microfinance mechanism that provides accessible savings and credit services to underserved rural populations, often women and smallholder farmers, enabling them to invest in income-generating activities, expand businesses, and improve household welfare. Previous studies in Uganda have demonstrated that VSLAs enhance financial inclusion, promote agricultural commercialization, support women-led entrepreneurship, and contribute to household business outcomes, income generation, and empowerment (Karlan et al., 2017; Achieng et al., 2025; IPA study on VSLAs in Ghana, Malawi, and Uganda). Despite these positive contributions observed in other regions of Uganda (e.g., northern, eastern, and western districts), there remains a notable gap in comprehensive research specifically examining the role of VSLAs in fostering entrepreneurship growth in rural settings like **Bubulo town council**, Manafwa district. While general evidence indicates that VSLAs help overcome barriers to finance and stimulate business activities, localized studies assessing their specific impact for example on business startup rates, expansion, profitability, employment creation, and sustainability in this area are limited. This lack of targeted empirical evidence hinders the design of effective policies and interventions to strengthen VSLAs

and maximize their potential for rural entrepreneurial development in Manafwa district. Therefore, this study aims to generate experimental evidence on the contribution of VSLAs to entrepreneurship growth in the study area.

1.3. Objectives.

This study was guided by the objectives mentioned below.

1.3.1. Main objective

To assess the contribution of the village savings and loan associations to the entrepreneurship growth in the rural areas of Muririnyi B cell, Bubulo town council, Manafwa district.

1.3.2. Specific objectives.

The objectives of the study included the following;

1. To find out the factors that influence the savings in the rural areas of Muririnyi B Cell, Bubulo Ward, Manafwa Town Council in Manafwa district.
2. To identify the socio-economic, institutional, and operational challenges affecting the use of VSLAs loans by the entrepreneurs of Muririnyi B cell, Bubulo Ward, Manafwa Town Council in Manafwa district.
3. To evaluate the role of VSLA services for example savings, loans, social fund in facilitating the expansion, diversification, and resilience of rural entrepreneurs of Muririnyi B cell, Bubulo Ward, Manafwa Town Council in Manafwa district.

1.5. RESEARCH QUESTIONS

The questions in relation to the specific objectives are;

1. What are some of the factors that are influencing the VSLAs and the savings in particular to the rural areas of Muririnyi B cell, Bubulo Ward, Manafwa Town Council in Manafwa district.
2. What challenges limit entrepreneurship growth amongst the VSLAs members of Muririnyi B cell, Bubulo Ward, Manafwa Town Council in Manafwa district.
3. How do VSLAs services especially loans, savings facilitate expansion and diversification and resilience of rural entrepreneurs of Muririnyi B cell, Bubulo Ward, Manafwa Town Council in Manafwa district.

1.6. SIGNIFICANCE OF THE STUDY.

The contribution of the village savings and loan Associations (VSLAs) to the Entrepreneurship growth in the rural areas, intends to have a variety of the significs on the stakeholders who are being involved, and they do include the following;

To the policy makers.

The research provides restricted, empirical data that enables policymakers to design financial regulations specifically personalized to the unique socio-economic landscape of Manafwa District since it identifies critical gaps in rural credit access, allowing for the alignment of VSLA activities with national development agendas like the Parish Development Model to foster grassroots economic transformation. By understanding group dynamics, leaders can create better risk management frameworks and targeted training programs that enhance the long-term sustainability of informal financial institutions.

To the Academicians:

This study enriches the global body of knowledge by providing a fresh, localized case study that bridges the gap between theoretical microfinance models and the practical realities of rural Uganda. It serves as a foundational baseline for future researchers to conduct comparative studies on social capital, while offering educators real-world data to enhance community development curricula. The findings spark new intellectual debates regarding the evolution of informal finance, ensuring that the unique operational mechanics of Manafwa are preserved within the academic archive.

To the researcher.

The research process serves as a demanding professional development platform, equipping the researcher with advanced skills in data collection, qualitative interviewing, and complex statistical analysis. Beyond technical expertise, it provides a deep, first-hand understanding of the socio-economic challenges in Muririnyi B cell Bubulo Ward, Manafwa Town Council in Manafwa District., significantly broadening the researcher's knowledge of rural financial systems. These enhanced methodological competencies and specialized insights build a strong foundation for a career in consultancy, development work, or further advanced academic scholarship.

To the rural Entrepreneurs and VSLA Members:

To the members of Muririnyi B cell, this research acts as a practical self-assessment tool that highlights best practices for maximizing savings and ensuring the equitable distribution of collective funds. By identifying common pitfalls such as poor record-keeping or unproductive borrowing, the study empowers members to strengthen their internal governance and protect their hard-earned capital. Ultimately, the findings provide a roadmap for using VSLA resources as a strategic engine for business growth, helping households build lasting resilience and financial independence

1.7. SCOPE OF THE STUDY.

The scope of the study is divided into three divisions that is to say the: geographical area, population, and time period covered.

1.7.1. Geographical Scope

The inquiry was got in Muririnyi B cell, Bubulo ward, Manafwa Town Council, Bubulo, Manafwa District in Eastern Uganda which is located approximately 27 kilometres by the southeast of Mbale, the largest city in the sub-region. The area is strategically positioned along the Mbale-Bubulo-Lwakhakha Road, a key transport artery that connects the district to the Kenya- Uganda border. Bubulo Ward itself serves as a vital economic and administrative hub, hosting prominent institutions like Bubulo Girls' High School, Bubulo Secondary School and the Manafwa central market. the choice of Muririnyi B cell provides a manageable, representative, setting for analysing rural entrepreneurship and community driven financial mechanisms in relation to major regional economic hubs and this focus allows for an in-depth case study of a specific rural administrative unit where VSLAs are operational.

1.7.2. Content Scope

The study focused on the intersection of two key variables examining the relationship between the financial services provided by VSLAs and the tangible indicators of entrepreneurship for example; (i) the services provided by VSLAs like savings mobilization, credit provision, social insurance), and (ii) indicators of entrepreneurship growth (business startup, increased revenue/profit, asset acquisition, employment creation, and enhanced business sustainability).and by focusing on this specific areas, the research narrows its scope to evaluate how access to tailored financial services translates into tangible business growth , development and improved livelihood outcomes for the members.

1.7.3. Time Scope:

The study investigated the experiences, activities and the outcomes of VSLA members over a period of the six months starting from March to August, 2026. This timeframe was deliberately chosen to allow for sufficient data collection on relevant financial activities, loan utilization and business departments and it was to look into the transactional data, savings habits and credit utilization within this period of time.

1.8. Definition of the key terms.

The key terms and their definitions were got from what other researchers talked about the Village Savings and Loan Associations in rural areas

Entrepreneurship refers to the process of starting and running a business to solve a problem and make profits.

Entrepreneurship growth refers to the gradual expansion and development of new businesses and entrepreneurs in an economy.

VSLA is a community group where 15-30 people pool savings together and give each other small loans.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed what other researchers said about the Village Savings and Loan Associations to the entrepreneurship growth in the rural areas and it was comprised of the contextual review, theoretical review and the conceptual view.

2.1. Contextual view.

This section answered the research questions

2.1.1. Village savings and loan associations (VSLAs)

VSLAs played an important role in extending financial services to the rural areas of Uganda including those that are in Muririnyi B cell, Bubulo Ward, Manafwa Town Council in Manafwa district where the access of the formal financial services are very limited due to various factors as being talked about by Teoh(2019) and the World Bank Report (2020) had an estimate of about 1.2 billion of people who remain unbanked and have no access to the formal financial services and it further added on and said that people who are involved in this state of not having access to the formal financial services like loans might have insufficient capital together to invest in the economic activities that can generate money to them.

Most of the formal and informal sectors are actively increasing the access to financial inclusion services which are quite expensive for the people who are in the rural areas of Uganda and greatly remain unbanked. Since it's difficult for the poor rural areas to afford most of the expenses for example investing in their farms and businesses or even paying bills for their illness expenses as point from Teoh and Chong (2007) on Micro enterprise limitations. VSLAs provide a unique platform for trust and solidarity amongst the rural people who are the foundation on which to build societal empowerment and relationship (Mwenda & Nansamba, 2021). Evidence has shown that VSLAs contribute to the increment of household income and improvements in food security, health status or children's access to education (World Bank, 2012)

2.1.1.2. Factors influencing savings

Level of the income. The income levels were the main determinant of the savings. that is to say the higher the level of income, the higher the savings and vice versa for example John Maynard Keynes in his fundamental psychological law said that "when the level of incomes increase, the consumption rate also increases but not at the same time and therefore higher incomes absolutely lead to higher savings and the propensity of savings increases with income" Mankiw,(2019) and Milton Friedman proposed that "

consumption and savings are determined by person's permanent (expected long term)income rather than the temporary(current) income. **Age bracket.** Life cycle theories of consumption argued that" people tend to smoothen consumption over the time" for example a person whose life is in the student years was tend to borrow money and then in their 40s and 50s was save then in their retirement age was slow down the savings and therefore the aging can lead to a slow in the savings".

Inflation. Higher inflation which is higher than the interest rate was discourage savings and for this case, households were decide on either to spend money before falling in value or buy assets that can hold money during the inflation period. **Fiscal Policy of Government:** The Income and expenditure policy and process of government create a heavy impact on the savings within the country. The types of fiscal policies are majorly two that is to say expansion and contraction fiscal policy and this can be adopted by the government so as to improve the culture of savings within the country. Expansionary fiscal policy helps in the increment in the savings, where by the government can reduce on the rate of tax and increase government expenditure which enable the increment in people's incomes and savings automatically. On the other hand, the contraction fiscal policy reduces the ratio of saving, where government imposes high tax system and also reduces the government expenditure. (Alesana &Ardagna ,2019)

2.1.1.3.Challenges that limit the entrepreneurship growth among the VSLAs members.

Institutional and the regulatory gaps where by the VSLAs highly operate on informal regulations and this hinders them from acquiring loans from the formal financial institutions, leading to high rates of internal fraud and mismanagement of the association funds. Pienaaah et.al (2022) found out that "The lack of external factors like regulations and formal linkage creates a ceiling for business growth with 51% of the loan applications being disapproved". **Limited market access.** Rural entrepreneurs highly face a challenge of accessing the market due to the poor conditions of the infrastructure for example the roads, communication networks and majorly during the rain seasons which lead to high costs of transportation and lack of information from the market. Solidarities International (2016) found out that "The relative closure of zones due to poor road network led to the limited access to the market hindering trading and hence limiting potential economic growth

Capital limitations and small loans being offered. Here the VSLAs loans are being got from its members which is usually small in the amounts and are mostly generated to facilitate consumption or even being invested the small medium enterprises. Ksoll et.al (2018) and CARE International (2019) show that" VSLAs increase capital within the set pool but however with the low interest rates and little amounts being offered limit the expansion of the businesses that the VSLAs members operate. **Mismanagement skills of the business and high financial illiteracy.** VSLAs members aren't able to access formal business training with

high illiteracy rates which lead to mismanagement of the association funds since they are unable to separate household funds from the business funds which causes high rates of business failure. CARE International (2019) emphasizes that “without selection, training, and management, many members fail to maximize profits resulting in stagnant businesses” and a study was conducted in 2018 and it was reported that over 40% of the members surveyed faced significant limitations due to low financial literacy. (Nakazibwe & Lwanga, 2021).

2.1.1.4. Importance of the village savings and loan associations.

Savings refer to the way people tend to accumulate their capital assets which can facilitate the future consumption (Rutherford 2020). However, savings are seen in different angles for example classical and Keynesian Economists, behavioural economists and psychologists. According to Adam Smith in the **classical view**, defined savings as the foundation of the economic growth, he later said that savings provide necessary capital which later be used in the investment of high economic activities and lead to the economic growth and According to John Maynard Keynes in the **Keynesian view**, defined savings as a double-edged sword who argued that savings can reduce aggregate demand which later slows down the economic growth which heavily depends on disposable income(Keynes ,1936; Mankiw,2019). And lastly, under the **behavioural economists** and psychologists, many people have talked savings for example Richard Thaler and Shlomo Benartzi (2019) “famous for developing Save More Tomorrow” program which encourages to save their salaries to secure for uncertainties.

These savings are far important to the people majorly those in the rural areas as explained below.

Savings in the economic development. It has been researched that village and individual saving act as the primary driver to the economic development of the society through channeling funds into productive investments such as infrastructure, education and technology. Not all individual savings can lead to economic growth but rather they vary depending on the amount of money being saved (John Maynard Keynes 1936). the increment of savings in terms of the investments can positively affect the economy and people’s businesses since it stimulates the individual businesses which reduces on the demand. And when mobilized through the banks, and financial institutions, they generate capital which is given out as loans hence reducing on unemployment and fostering economic growth and those that keep their money within themselves is not considered not to be part of the economic development since they don’t accumulate it through lending and hence slowing down the economic development World Bank 2020). **Beyond the macro-level growth**, these personal savings serve a critical risk management function through helping households overcome bankruptcy during the unforeseen emergencies like hospital bills, natural disaster or business losses Zeller (2020). **Furthermore** accumulated savings facilitate asset creation for example housing, land,

or machinery which are essential for generating more income or investing in the intangible assets which may include education, health, or community life events such as weddings and funerals.(Rutherford ,2020).

2.2. Theoretical view

This section discussed theories that explain savings behavior and entrepreneurship development, including the Schumpeter's Innovation Theory of Entrepreneurship, Social Capital Theory, Financial Inclusion and Asset-Building Theory, Keynesian Theory of Savings, the Life Cycle Theory of Consumption, Financial Inclusion Theory. These theories help explain how savings groups contribute to business creation and growth in rural communities.

a) Schumpeter's Innovation Theory of Entrepreneurship. The theory of economic development argued that entrepreneurs are responsible for change and can drive economic development through introducing innovative ideas on board for example new products, markets, or even the production methods like mass production, batch production. Schumpeter, J.A. (1934). VSLAs support innovation activities through providing capital to members who are in rural or underserved areas who may not have access to formal banking for example one of the members might utilize a loan being got from VSLA to purchase new type of seed and adapt modern farming technique which can ease farming, and this can be referred to as product innovation.Mukasa,2020.Relatively in the rural areas of Muririnyi B Cell, Bubulo Ward, Manafwa Town Council in Manafwa district, VSLA loans may enable entrepreneurs to buy stock for their retail businesses and acquire agricultural inputs like seeds, fertilizers etc. which help to improve on their standards of living through the stimulated entrepreneurial innovation.

(b) Social Capital Theory

This theory explained social capital as networks, norms, and trust that facilitate cooperation for mutual benefit. VSLAs members operate on trust, the shared rules, and collective and secure accountability but do not rely on physical collateral to give a loan. This theory contributed to the entrepreneurship growth in the following ways; reducing on the transaction costs, sharing of business information and encouraging enterprises within the formed groups since there is built in trust within the member groups. Robert Putnam, R.D. (1993). Making democracy work.

(c) Financial Inclusion and Asset-Building Theory

This theory was proposed by the CARE International in 1991 by Paul Ripper, supports extremely the poor, and it gives the best way to build financial assets and saving skills before relying on the debt. In VSLAs, it is the safe and accessible place for savings hence allowing members to accumulate capital in small amounts and access the credits and financial risks without relying on the commercial banks Ozili, P.K. (2020). Theories of financial inclusion. SSRN Electronic Journal. Asset Building Theory which is pioneered by

Michael Sherraden argues that households and community wellbeing is derived not solely from income but also from the stock of tangible wealth and assets. Sherraden, M., Johnson, L., Clancy, M.M., et al. (2013). Asset building: Toward inclusive policy. Encyclopedia of social work.

d) Keynesian Theory of Savings. This theory determined the equilibrium level of income and employment that is to say it deals with the S Y income (Savings and Investment Equality). There is another alternative approach to determine the equilibrium level of income and employment by bringing equality between saving and investment. Saving is the excess of income over consumption expenditure ($S = Y - C$). According to Keynes, aggregate saving is the result of the saving of individuals in the economy. It is current income which determines the current saving and not the past income as stated by Robertson. Swedish economists have defined saving in ex-ante and ex-post sense. According to them, ex-ante savings are planned or expected savings of the economy whereas Ex-post savings are actual or realized savings. Investment, according to Keynes, is the additions to the stock of real capital assets such as the construction of roads, new factories, infrastructure, etc in the economy. His definition excludes investment on financial assets such as purchase of stocks, securities, bonds, etc. Investment also includes additions to inventories (stock of goods). Ex-ante investment is planned or expected investments of the economy. Ex-post investment is actual or realized investment. Saving, in a sense, is withdrawal of money from the income stream whereas investment is injection of money into the income stream. **When intended investment is greater than intended saving,** it means more money is put into the income stream than what is taken out. Thus, national income was increase in such case. In case, **intended investment is less than the intended saving,** it would mean more is withdrawn from the income stream than what is put into it. This results in decrease in national income. **When intended saving is just equal to intended investment,** it would mean that what is withdrawn is put into the income stream. At this position, national income was be in equilibrium.

e). Life Cycle Theory of Consumption

The **Life Cycle Theory of Consumption**, developed by Franco Modigliani and Richard Brumberg, explained how individuals plan their consumption and savings over their lifetime. The theory suggests that people tend to “**save during their working years and spend those savings during retirement or periods of low income**”. Saving groups help individuals smooth their consumption by enabling them to **save regularly and access funds during financial difficulties or when investment opportunities arise**. In rural settings, where income may fluctuate due to seasonal agricultural activities, saving groups enable households manage financial risks and invest in small enterprises. This theory highlights the role of savings groups in improving **long-term financial stability and investment capacity** among rural households.

f). Financial Inclusion Theory

Financial Inclusion Theory emphasizes the importance of providing affordable and accessible financial services to all individuals, particularly those in underserved or rural areas. According to World Bank (2021), financial inclusion allows individuals and businesses to access useful financial products such as savings accounts, credit, insurance, and payment services. Saving groups promote financial inclusion by offering basic financial services to individuals who may not have access to formal banking institutions. Through these groups, rural residents can save money, obtain small loans, and learn financial management skills. Improved financial inclusion enables individuals to start businesses, expand existing enterprises, and improve household incomes, which contributes to economic development in rural communities (World Bank. (2018). *Financial Inclusion Overview*. Washington, DC)

2.3. Research Gap

Although numerous studies have examined the role of Village Savings and Loan Associations (VSLAs) in promoting financial inclusion and improving household welfare, there remains a significant gap in empirical research linking VSLA participation to measurable entrepreneurship growth, particularly in localized rural settings such as Muririnyi B Cell, Bubulo Ward, Manafwa District.

Existing studies largely focus on general outcomes such as poverty reduction and access to financial services, with limited emphasis on specific indicators of entrepreneurship growth including business profitability, expansion, employment creation, and sustainability. Furthermore, while theoretical perspectives such as the Keynesian theory of savings, developed by John Maynard Keynes, emphasize the role of income in determining savings behavior, there is inadequate empirical evidence demonstrating how these savings translate into entrepreneurial investment and business growth within VSLA frameworks.

Additionally, previous research has not sufficiently explored the mediating role of factors such as financial literacy, access to credit, and social capital in influencing the relationship between VSLA participation and entrepreneurship outcomes. Behavioural aspects of saving, as highlighted by Richard Thaler and Shlomo Benartzi, are also underexplored in rural microfinance contexts.

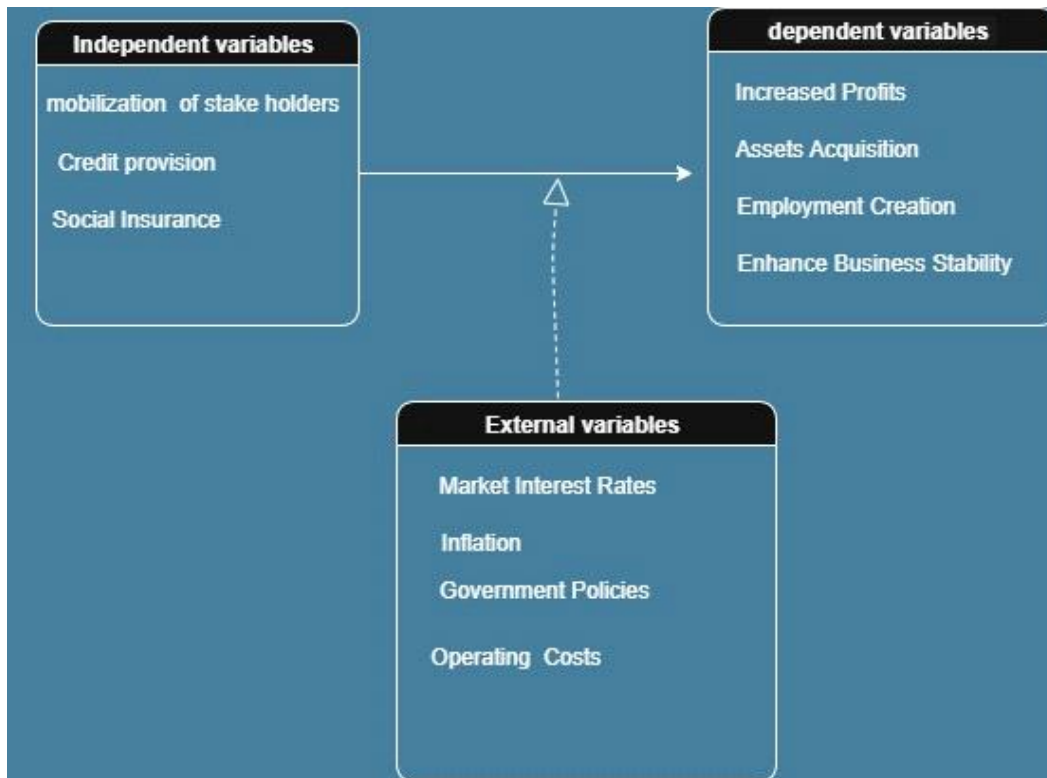
Therefore, this study sought to fill these gaps by providing localized, empirical, and comprehensive analysis of how VSLAs contribute to entrepreneurship growth in Muririnyi B Cell, with a focus on measurable business outcomes and the underlying mechanisms influencing this relationship.

2.3.1. Conceptual view

The conceptual framework of this study illustrates the relationship between Village Savings and Loan Associations (VSLAs) and entrepreneurship growth in rural areas. VSLAs, as the independent variable, provide key financial services including savings mobilization, credit provision, and social insurance, which are expected to influence entrepreneurial outcomes. The relationship between VSLAs and entrepreneurship growth is mediated by several factors such as financial literacy, access to credit, savings behavior, and social capital. These mediating variables explain how VSLA services are transformed into productive investments and business development. For instance, access to loans enables entrepreneurs to invest in income-generating activities, while financial literacy enhances effective utilization of these resources.

The framework is further supported by the Keynesian theory of savings developed by John Maynard Keynes, which emphasizes that savings are primarily influenced by income levels and play a critical role in capital formation. In the context of VSLAs, even low-income individuals are able to accumulate savings gradually, which can then be invested in entrepreneurial activities. Additionally, moderating variables such as income level, education, market access, and government policy may influence the strength and direction of the relationship between VSLAs and entrepreneurship growth. These factors can either enhance or limit the effectiveness of VSLA services in promoting business development.

Therefore, the framework provides a comprehensive understanding of how VSLAs contribute to entrepreneurship growth through both direct and indirect mechanisms.



framework 1

CHAPTER THREE

RESEARCH METHODOLOGY

3.0. Introduction

This chapter described the research methods that were used to investigate the contribution of Village Savings and Loan Associations (VSLAs) to entrepreneurship growth in the rural areas of Muririnyi B Cell, Bubulo Town Council, Manafwa District. It covered the research design, study area, study population, sample size and sampling techniques, data collection methods and procedures, data analysis, ethical considerations, and the anticipated limitations of the study.

3.1. Research design

This study adopted a cross-sectional descriptive research design with elements of both qualitative and quantitative approaches (mixed methods) (Creswell 2018). A cross-sectional design was appropriate because data was collected at a single point in time from VSLA members and entrepreneurs in Muririnyi B Cell, allowing the researcher to capture the current state of entrepreneurship growth as influenced by VSLA participation.

The quantitative component was enabled the researcher to measure indicators of entrepreneurship growth such as changes in profit, number of employees, and business expansion. The qualitative component allowed for an in-depth exploration of the challenges, motivations, and experiences of VSLA members in their entrepreneurial activities. This mixed methods approach strengthens the validity and comprehensiveness of the study findings.

3.2. Study area

The study was conducted in Muririnyi B Cell, Bubulo Ward, Bubulo Town Council, Manafwa District, Eastern Uganda. Manafwa District which is a predominantly rural district where agriculture forms the primary livelihood activity. Muririnyi B Cell was specifically selected because it has active and documented VSLA groups operating within the community, and it represents the typical rural setting where VSLAs serve as the main source of accessible credit and savings for households. The area was characterized by limited infrastructure, low access to formal financial services, and a population that largely depends on small-scale trade and subsistence farming. These characteristics make it an ideal setting to examine the relationship between VSLA participation and entrepreneurship growth (Namugumya & Mubiru 2024).

3.3. Study population

The target population for this study was comprise of active members of Village Savings and Loan Associations (VSLAs) in Muririnyi B Cell who are also engaged in entrepreneurial or income-generating activities. This population includes both male and female VSLA members, small business owners, and traders who have accessed VSLA loans or savings services within the study period. Additionally, VSLA group leaders and local community development officers was be included as key informants to provide institutional and operational perspectives on the functioning of VSLAs and their contribution to entrepreneurship in the area.

3.4. SAMPLE SIZE AND SAMPLING TECHNIQUES

3.4.1. Sample Size

A sample of 20 respondents was selected for this study. This included 15 VSLA members who are engaged in entrepreneurial activities and 5 VSLA group leaders (chairpersons or secretaries) (Taherdoost,2018). This sample size is considered adequate for a localized community-based study of this nature and was provide sufficient data for both quantitative and qualitative analysis.

3.4.2. Sampling Techniques

Simple random sampling was be used to select the 15 VSLA member respondents from the available VSLA groups in Muririnyi B Cell. This technique ensures that every member has an equal chance of being selected, thereby reducing bias and improving the representativeness of the sample. Purposive sampling was be used to select VSLA group leaders and community development officers, as these individuals possess specific knowledge and experience relevant to the research objectives. They was be selected based on their direct involvement in VSLA management and community development activities in the study area.

3.5. DATA COLLECTION METHODS

The study was using the following data collection methods to gather both primary and secondary data:

(a) Questionnaires

A structured questionnaire was be administered to the 70 VSLA member respondents. The questionnaire was contained both closed-ended and open-ended questions covering: VSLA membership details and participation history, access and use of VSLA loans and savings, indicators of entrepreneurship growth (business revenue, number of employees, asset acquisition, business expansion), and challenges experienced in using VSLA services for business purposes. Questionnaires was be administered in person by the researcher to ensure high response rates and clarity of responses.

(b) Interview Guide

Semi-structured interviews was be conducted with VSLA group leaders and community development officers. The interview guide was focus on the operational aspects of VSLAs, challenges faced by members, and the perceived contribution of VSLAs to entrepreneurship growth in Muririnyi B Cell. Interviews was be audio-recorded (with consent) and transcribed for qualitative analysis.

(c) Document Review

The researcher was reviewing relevant secondary sources including VSLA group records (loan registers, savings books, meeting minutes), government and NGO reports on microfinance and VSLAs in Uganda, and published academic literature. This was provided contextual and supporting information for the primary data collected.

3.6. DATA COLLECTION PROCEDURE

The data collection process followed the steps outlined below:

Step 1: The researcher obtained an introductory letter from Busitema University authorizing the conduct of the research in Muririnyi B Cell, Bubulo Town Council, Manafwa District.

Step 2: The researcher sought permission from the local council chairperson (LC1) of Muririnyi B Cell and the VSLA group leaders before data collection begins.

Step 3: The researcher was identified and list all active VSLA groups in the study area to form the sampling frame from which respondents was be randomly selected.

Step 4: Selected respondents was be briefed on the purpose of the study, their rights as participants, and the voluntary nature of participation before completing the questionnaire or participating in interviews.

Step 5: Questionnaires was be administered face-to-face during VSLA group meetings or home visits. Interviews with group leaders and community development officers was be scheduled at their convenience.

Step 6: Completed questionnaires and interview transcripts was be checked for completeness and accuracy before data entry and analysis.

3.7. DATA ANALYSIS

3.7.1 Quantitative Data Analysis

Data from the questionnaires was be coded and entered into the Statistical Package for Social Sciences (SPSS) version 25. Descriptive statistics including frequencies, percentages, means, and standard deviations was be used to summarize and present the data. Tables, charts, and graphs was be used to illustrate the

findings. Inferential statistics such as correlation analysis was be applied to determine the relationship between VSLA participation and indicators of entrepreneurship growth.

3.7.2. Qualitative Data Analysis

Data from the interviews and open-ended questionnaire responses was be analyzed using thematic analysis. The researcher was read through the transcripts, identify recurring themes and patterns, code the data, and organize findings under key themes aligned with the research objectives. Direct quotes from respondents was be used to support and illustrate the identified themes.

3.8. ETHICAL CONSIDERATIONS

The researcher was adhere to the following ethical principles throughout the study:

3.8.1. Informed Consent: All participants was be fully informed about the purpose of the study, the procedures involved, and their right to withdraw from the study at any time without penalty. Written or verbal informed consent was be obtained from each participant before data collection begins.

3.8.2. Confidentiality: The identity of all respondents was be kept strictly confidential. No names or personally identifying information was be disclosed in the research report. Data was be stored securely and used only for the purposes of this academic study.

3.8.3. Voluntary Participation: Participation in the study was entirely voluntary. Respondents were not pressured to participate, and no negative consequences resulted from declining or withdrawing from the study.

3.8.4. Institutional Authorization: The researcher obtained the necessary authorization from Busitema University and relevant local authorities in Manafwa District before commencing data collection.

3.8.5. Avoidance of Harm: The researcher ensured that no physical, psychological, or social harm is caused to respondents as a result of participating in the study. Sensitive questions was be handled with care and respect.

3.8.LIMITATIONS OF THE STUDY

The following limitations are anticipated in the course of this study:

3.9.1. Geographical limitation: The study is confined to Muririnyi B Cell, which limits the generalizability of the findings to other rural communities in Uganda. To minimize this limitation, the researcher was ensure a sufficiently representative sample within the study area and relate findings to existing broader literature.

3.9.2. Recall bias: Some respondents may not accurately recall specific figures related to their business income, loan amounts, or savings history. The researcher was cross-check responses with available VSLA group records where possible to improve data accuracy.

3.9.3. Response bias: Respondents may provide socially desirable answers rather than their true opinions or experiences, particularly on sensitive topics such as financial difficulties or loan misuse. The researcher was address this by ensuring anonymity and creating a comfortable, non-judgmental interview environment.

3.9.4. Time constraint: The study is limited to a period of three months, which may not be sufficient to capture the full long-term impact of VSLA participation on entrepreneurship growth. The researcher was acknowledge this limitation in the discussion of findings and recommend longitudinal studies for future research.

3.9.5. Limited literacy levels: Some VSLA members in the study area may have low literacy levels, which could affect their ability to complete written questionnaires. The researcher was administer questionnaires orally in the local language (Lumasaaba or Luganda) where necessary to ensure full participation and accurate data collection.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0. Introduction

This chapter presented, analysed and interpreted the findings of the study on the contribution of Village Savings and Loan Associations (VSLAs) to entrepreneurship growth in rural areas, using Muririnyi B Cell, Bubulo Ward, Manafwa Town Council in Manafwa District as the case study. It begins with the response rate and the background characteristics of the respondents. The chapter then presents findings in line with the three specific objectives of the study, namely: the factors that influence savings among VSLA members; the socio-economic, institutional and operational challenges affecting the use of VSLA loans; and the role of VSLA services in facilitating the expansion, diversification and resilience of rural entrepreneurs. Quantitative data are presented using frequencies, percentages, means and standard deviations, while qualitative data obtained from the interviews with VSLA group leaders are used to support and enrich the quantitative findings.

Table 4.1: Response rate of respondents

Category of respondents	Sample size	Response	Response rate
VSLA members (questionnaire)	15	15	100%
VSLA group leaders (interview)	5	5	100%
Total	20	20	100%

Response rate of respondents 1

Primary data, 2026 1

Table 4.1 shows that all 15 questionnaires distributed to VSLA members were fully completed and returned, while all 5 VSLA group leaders who were purposively selected honored their interview appointments. This gave an overall response rate of 100%. The high response rate was largely because the questionnaires were administered face-to-face during VSLA group meetings and the interviews were scheduled at the convenience of the group leaders, as planned in the data collection procedure. A response rate of this level is considered very well for a study of this nature and provided sufficient data on which to base the analysis and conclusions of the study.

Background information of respondents

This section presents the background characteristics of the VSLA members who took part in the study,

namely their gender, age, level of education and duration of membership in the VSLA. This information helps to describe the respondents who provided data for the study and the context within which the findings should be understood.

Table 4.2: Gender of respondents

Gender	Frequency	Percentage
Male	6	40.0%
Female	9	60.0%
Total	15	100

Gender of respondents 1

Table 4.2 shows that 60.0% of the respondents were female while 40.0% were male. This shows that female members formed the majority of the VSLA members who participated in the study. This finding is consistent with the observation in the literature that VSLAs mostly attract women and smallholder farmers who often have limited access to formal financial institutions. However, the presence of a meaningful proportion of male respondents (40.0%) shows that men in Muririnyi B Cell are also increasingly embracing the VSLA model as a source of savings and credit for their businesses.

Table 4.3: Age of respondents

Age group	Frequency	Percentsage (%)	Cumulative percentage (%)
18–24 years	2	13.3%	13.3%
25–34 years	6	40.0%	53.3%
35–44 years	4	26.7%	80.0%
45–54 years	2	13.3%	93.3%
Above 54 years	1	6.7%	100%
Total	15	100	

Age of respondents 1

The table above shows that most of the respondents, 40.0%, were between 25–34 years, followed by those aged 35–44 years at 26.7%. Respondents aged 18–24 years and 45–54 years each accounted for 13.3%, while only 6.7% were above 54 years. This shows that the VSLA in Muririnyi B Cell is dominated by youthful and middle-aged members who are in their most economically active years. Their age is important for the study because respondents in this age bracket are more likely to be actively engaged in starting and growing businesses, and are therefore well placed to give informed views on how VSLA services have

contributed to their entrepreneurial activities.

Table 4.4: Level of education of respondents

Education level	Frequency	Percentage (%)	Cumulative percentage (%)
Primary	5	33.3%	33.3%
Secondary	7	46.7%	80.0%
Tertiary	3	20.0%	100%
Total	15	100	

Level of education of respondents 1

Table 4.4 shows that 46.7% of the respondents had attained secondary education, 33.3% had attained only primary education, while 20.0% had attained tertiary education. This shows that the majority of VSLA members in Muririnyi B Cell have a moderate level of formal education, which is fairly typical of rural communities in Manafwa District. This background is important because it partly explains some of the challenges reported later in this chapter, particularly those relating to financial literacy and record keeping, since respondents with limited formal education may find it harder to keep proper business and savings records.

Table 4.5: Duration of membership in the VSLA

Duration	Frequency	Percentage (%)	Cumulative percentage (%)
Less than 1 year	2	13.3%	13.3%
1–2 years	6	40.0%	53.3%
3–4 years	5	33.3%	86.7%
Above 4 years	2	13.3%	100%
Total	15	100	

Duration of membership in the VSLA 1

The table shows that most respondents, 40.0%, had been VSLA members for 1–2 years, followed by 33.3% who had been members for 3–4 years. Only 13.3% had been members for less than a year and a similar proportion had been members for more than 4 years. This shows that the majority of the respondents had spent enough time in the VSLA to meaningfully experience its savings cycles, loan services and social fund, and were therefore well positioned to comment on the contribution of the association to their entrepreneurial activities.

Factors influencing savings among VSLA members in Muririnyi B Cell

This section presents findings on the first objective of the study, which sought to find out the factors that influence savings in the rural areas of Muririnyi B Cell, Bubulo Ward, Manafwa Town Council. Respondents were asked to rate their level of agreement with a number of statements on a five-point scale, where 5 = Strongly Agree (SA), 4 = Agree (A), 3 = Neutral (N), 2 = Disagree (D) and 1 = Strongly Disagree (SD).

Table 4.6: Descriptive statistics on factors influencing savings

Statement	Mean	Std. Dev.
The level of my household income determines how much I am able to save	4.13	0.74
My age influences how regularly I save in the VSLA	3.20	1.15
Rising prices of goods (inflation) affect my ability to save	3.87	0.92
Government programmes and policies affect saving habits in my area	2.93	1.10
Encouragement from fellow group members influences me to save regularly	4.00	0.85
The fixed weekly/monthly meeting schedule of the VSLA helps me to save consistently	4.27	0.70
Trust in the leadership of my VSLA group influences my willingness to save	4.33	0.62
Overall	3.82	0.87

Descriptive statistics on factors influe 2

Source: Primary data, 2026

On whether the level of household income determines how much a member is able to save, the mean of 4.13 shows that most respondents agreed with the statement. The standard deviation of 0.74 shows that the responses were fairly close. This suggests that, as observed in the literature on the income determinants of savings, members with higher and more stable incomes from their businesses and farming activities are able to set aside more money during each VSLA meeting, while those with lower incomes save smaller amounts. A VSLA member explained: *“When business is good and I have sold enough produce, I add more to my share. When it is a bad week, I only save the minimum required.”* This shows that income fluctuation directly affects how much members are able to contribute to their savings each cycle.

Regarding whether age influences how regularly members save; the mean of 3.20 shows a moderate level of agreement, and the standard deviation of 1.15 shows that respondents had varied views. This suggests that while age plays some role in saving discipline, as suggested by life-cycle theories of consumption, it is not as strong a factor among VSLA members as income or group-related factors, possibly because most

members are of working age and are all actively engaged in income-generating activities regardless of their exact age.

On the issue of whether rising prices affect the ability to save, the mean of 3.87 shows general agreement, with a standard deviation of 0.92 showing moderate variation in views. This indicates that inflation reduces the amount of disposable income available for saving, since members have to spend more on basic household needs before they can set money aside for their VSLA share.

Concerning whether government programmes and policies affect saving habits, the mean of 2.93 was the lowest in the table, showing that respondents were largely undecided or only mildly in agreement. The standard deviation of 1.10 shows considerable differences in opinion. This suggests that most members do not directly link government policy to their day-to-day saving decisions, and instead consider more immediate factors such as income, prices and group dynamics to be more influential.

On whether encouragement from fellow group members influences saving, the mean of 4.00 shows general agreement, with a standard deviation of 0.85. One respondent, a VSLA group leader, noted: *“Members push each other. When you see your friend saving more and getting a bigger share-out at the end of the cycle, you also want to save more next time.”* This shows that peer influence and social comparison within the group are an important driver of saving behaviors, consistent with the idea that VSLAs build on social capital and trust among members.

Regarding whether the fixed meeting schedule helps members save consistently, the mean of 4.27 shows strong agreement, with a low standard deviation of 0.70 indicating that respondents held similar views. This suggests that the discipline imposed by regular VSLA meetings is one of the strongest drivers of consistent saving, since members are required to bring a contribution at every meeting whether they feel like saving or not.

The highest mean of 4.33 was recorded on trust in the leadership of the group, with the lowest standard deviation of 0.62 in the table, showing that respondents were in strong and consistent agreement. This indicates that members are more willing to save, and to save larger amounts, when they trust that the funds are being managed honestly and transparently by the group leadership.

Overall, the mean of 3.82 shows that respondents generally agreed that the factors listed above influence their saving behaviour in the VSLA. The standard deviation of 0.87 shows a moderate level of variation in the responses. The findings suggest that while personal factors such as income and age matter, group-level factors such as trust in leadership, peer encouragement and the discipline of regular meetings are the strongest drivers of savings among VSLA members in Muririnyi B Cell.

Challenges affecting the use of VSLA loans by entrepreneurs in Muririnyi B Cell

This section presents findings on the second objective of the study, which sought to identify the socio-

economic, institutional and operational challenges affecting the use of VSLA loans by entrepreneurs in Muririnyi B Cell.

Table 4.7: Descriptive statistics on challenges affecting the use of VSLA loans

Statement	Mean	Std. Dev.
The loans I receive from the VSLA are too small to meet my business needs	3.93	0.88
Poor roads and market infrastructure make it difficult to grow my business even after getting a loan	3.60	1.06
I lack sufficient business and financial management skills to use loans effectively	3.47	1.13
The informal nature of the VSLA limits my access to larger amounts of external financing	3.73	0.96
Non-repayment of loans by other members reduces the amount available for me to borrow	4.07	0.80
Poor record keeping in the group sometimes affects the fair distribution of loans	2.87	1.19
Overall	3.61	1.00

: Descriptive statistics on challenges 1

Source: Primary data, 2026

On whether loans received from the VSLA are too small to meet business needs, the mean of 3.93 shows general agreement, with a standard deviation of 0.88 showing fairly close responses. This confirms the observation in the literature that VSLA loans, being drawn from members' own pooled savings, are usually small and are more suited to financing petty trade and small working-capital needs than large business expansion.

A VSLA member said: *“The loan helps me restock my shop, but it is never enough to build a bigger structure or buy a lot of stock at once. I have to keep borrowing small amounts over several cycles.”* This shows that although loans are useful for day-to-day business needs, their limited size constrains members from making larger, transformative investments.

Regarding poor roads and market infrastructure, the mean of 3.60 shows moderate to general agreement, with a standard deviation of 1.06 showing some variation in experience, which is expected since members are engaged in different types of businesses that are affected differently by infrastructure. This suggests that even when members access loans, the poor state of roads connecting Muririnyi B Cell to the wider Manafwa Town Council market limits how much value they can add to their businesses, for instance through higher

transport costs and delays in reaching customers.

On the issue of limited business and financial management skills, the mean of 3.47 shows moderate agreement, with a standard deviation of 1.13 indicating considerable differences in responses. This is consistent with the background finding that a third of the respondents had only attained primary education, suggesting that some members may struggle to plan, budget for, and account for the loans they receive, which can reduce the returns they get from borrowed funds.

Concerning the informal nature of the VSLA limiting access to larger external financing, the mean of 3.73 shows general agreement. A VSLA group leader observed: *“Because we are not registered with a bank, our members cannot use their VSLA savings record as collateral when they want a bigger loan from a formal institution. It limits how far they can grow.”* This shows that while VSLAs are effective at mobilising small, accessible amounts of credit, their informal status remains a barrier when members need to scale up their businesses beyond what the group can offer.

The highest mean of 4.07 was recorded on non-repayment of loans by other members reducing the funds available for borrowing, with a standard deviation of 0.80. This indicates that loan defaults by some members have a direct and strongly felt effect on the amount of money in the pool, which in turn limits how much other members, including those who repay promptly, are able to borrow in subsequent cycles.

On whether poor record keeping affects the fair distribution of loans, the mean of 2.87 was the lowest in the table, with a standard deviation of 1.19 showing wide differences in opinion. This suggests that while record keeping is a recognised weakness in some VSLA groups generally, members in Muririnyi B Cell do not consider it to be as serious a problem as loan size, infrastructure or defaults, possibly because their groups keep relatively simple and transparent passbooks that most members can follow.

Overall, the mean of 3.61 shows that respondents generally agreed that the challenges listed above affect their use of VSLA loans, with an overall standard deviation of 1.00 showing moderate variation in experience. The findings indicate that the small size of loans, limited market infrastructure, low financial literacy, the informal status of the VSLA, and loan defaults by other members are the main challenges limiting entrepreneurship growth among VSLA members in Muririnyi B Cell.

Role of VSLA services in facilitating expansion, diversification and resilience of rural entrepreneurs

This section presents findings on the third objective of the study, which sought to evaluate the role of VSLA services, namely savings, loans and the social fund, in facilitating the expansion, diversification and resilience of rural entrepreneurs in Muririnyi B Cell.

Savings services and entrepreneurship growth

Table 4.8: Descriptive statistics on savings services and entrepreneurship growth

Statement	Mean	Std. Dev.
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Statement	Mean	Std. Dev.
Savings from the VSLA enabled me to start my business	3.80	0.94
I use my accumulated savings to buy business assets and equipment	4.00	0.76
I use my savings to restock and support the daily running of my business	4.13	0.64
Savings have reduced my dependence on informal money lenders	4.27	0.70
Overall	4.05	0.76

Descriptive statistics on savings 1

On whether savings from the VSLA enabled members to start their businesses, the mean of 3.80 shows general agreement. This supports the view in the literature that VSLAs provide a safe and accessible avenue for accumulating capital in small amounts, which rural entrepreneurs who cannot easily access formal bank loans can then use as start-up capital.

A VSLA member narrated: “*I did not have enough money to start my tailoring business. I saved small amounts every week for almost a year, and when I received my share-out, I used it to buy my first sewing machine.*” This shows how the cyclical savings and share-out model of VSLAs directly supports business start-up among members who would otherwise lack access to lump-sum capital.

The findings further show that members use savings to buy business assets and equipment (mean of 4.00) and to restock and run their businesses daily (mean of 4.13), both with relatively low standard deviations, showing consistent views among respondents. The highest mean of 4.27 was recorded on savings reducing dependence on informal money lenders, with a standard deviation of 0.70. This suggests that the availability of a member’s own savings is one of the strongest ways in which the VSLA protects entrepreneurs from the high interest rates typically charged by informal lenders in rural areas.

Overall, the mean of 4.05 shows that respondents strongly agreed that savings services have contributed to their entrepreneurial activities, with a standard deviation of 0.76 showing that views were fairly consistent.

Loan services and entrepreneurship growth

Table 4.9: Descriptive statistics on loan services and entrepreneurship growth

Statement	Mean	Std. Dev.
Loans from the VSLA have enabled me to expand my existing business	3.93	0.80
Loans have enabled me to diversify into new business activities	3.33	1.11
Loans have increased my business profit	3.80	0.86
The loan repayment terms set by my group are manageable for my business cash flow	3.47	1.06

Statement	Mean	Std. Dev.
Overall	3.63	0.96

Descriptive statistics on loan services 1

Regarding whether loans have enabled members to expand their existing businesses, the mean of 3.93 shows general agreement, with a standard deviation of 0.80. This confirms the important role that credit plays in enabling entrepreneurs to increase stock levels, hire additional help, or open new outlets.

On whether loans have enabled diversification into new business activities, the mean of 3.33 was the lowest in the table, with a standard deviation of 1.11 showing considerable variation. This suggests that while VSLA loans support the growth of existing businesses, they are used more cautiously for entirely new ventures, which is understandable given that the loans are relatively small and members may prefer to invest in businesses they already understand rather than risk their limited capital on an untested activity.

A VSLA group leader explained: *“Most members use their loan to add stock in the shop or buy more inputs for the garden they already have. Very few start something completely new with the loan money, because the amount is small and they do not want to lose it.”*

On whether loans have increased business profit, the mean of 3.80 shows general agreement, while the mean of 3.47 on the manageability of loan repayment terms shows moderate agreement with a relatively high standard deviation of 1.06, indicating that some members find the repayment schedule more demanding than others, depending on how seasonal or steady their business income is.

Overall, the mean of 3.63 shows those respondents generally agreed that loan services have contributed to their entrepreneurship growth, although with more caution than was expressed regarding savings services, particularly with respect to diversification into new activities.

The social fund and business resilience

Table 4.10: Descriptive statistics on the social fund and business resilience

Statement	Mean	Std. Dev.
The social fund helps me handle emergencies without touching my business capital	4.20	0.68
The social fund has made my business more resilient to shocks such as illness or bad weather	3.87	0.83
I contribute regularly to the social fund	4.33	0.62
Overall	4.13	0.71

Descriptive statistics on the social 1

The findings show that the social fund is highly valued by members, with the highest mean in this section, 4.33, recorded on regular contribution to the fund. This is supported by a mean of 4.20 on the fund helping members handle emergencies without touching business capital, and a standard deviation of 0.68 showing that respondents held very similar views on this point.

A VSLA member shared: *“Last year my child got sick and I needed money quickly. Because we have the social fund, I did not have to remove money from my business or sell my stock. That fund saved my business.”* This shows that the social fund acts as a buffer that protects business capital from being diverted to household emergencies, which in turn supports the continuity and resilience of members’ enterprises. Overall, the mean of 4.13 shows strong agreement that the social fund contributes to business resilience, with a standard deviation of 0.71 indicating fairly consistent views among respondents.

Entrepreneurship growth of VSLA members

Table 4.11: Descriptive statistics on entrepreneurship growth indicators

Statement	Mean	Std. Dev.
My business profit has increased since I joined the VSLA	3.87	0.83
I have acquired new business assets since joining the VSLA	3.53	0.99
I have increased the number of people helping me in my business	2.93	1.16
My business has expanded, for example through new products or a new selling point	3.40	1.06
My household income has increased since I joined the VSLA	4.00	0.76
Overall	3.55	0.96

Descriptive statistics on entrepreneurship 1

Table 4.11 shows that respondents generally agreed that their businesses have grown since joining the VSLA, with an overall mean of 3.55. The highest mean, 4.00, was recorded on household income having increased, while the lowest mean, 2.93, was recorded on the number of people helping in the business having increased, with the highest standard deviation in the table (1.16) showing that employment growth has been uneven across members’ businesses. This suggests that while VSLA participation has broadly improved members’ incomes and, to some extent, their business assets and scale of operation, it has not yet translated into significant job creation, which is understandable given the still-limited size of the loans and savings available to most members.

Correlation analysis between VSLA services and entrepreneurship growth

The study used correlation analysis to examine the relationship between VSLA services (a composite of savings, loan and social fund services) and entrepreneurship growth among members in Muririnyi B Cell. A

positive correlation would indicate that members who make greater use of VSLA services also experience greater entrepreneurship growth.

The table above shows a positive correlation between VSLA services and entrepreneurship growth, with a Pearson correlation coefficient of 0.612 and a p-value of less than 0.001. This is a moderately strong positive relationship, showing that members who reported greater use and benefit from VSLA savings, loans and the social fund also tended to report greater growth in their businesses, in terms of profit, assets and household income. Since the p-value is below 0.05, the relationship is statistically significant. This supports the view drawn from the study's theoretical framework, particularly financial inclusion and asset-building theory, that improved access to appropriately designed financial services enables rural entrepreneurs to accumulate assets and grow their businesses over time. It should, however, be noted that VSLA services alone do not account for all the growth reported by members, since other factors such as market access, individual business skill and infrastructure, discussed under the second objective, also play an important role.

CHAPTER FIVE

DISCUSSION OF FINDINGS, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

4.0 Introduction

This chapter discussed the major findings of the study in relation to the three specific objectives on the contribution of Village Savings and Loan Associations (VSLAs) to entrepreneurship growth in Muririnyi B Cell, Bubulo Ward, and Manafwa Town Council in Manafwa District. It presents the summary of the findings, draws conclusions based on the findings, and provides recommendations on how VSLA services can be strengthened to better support the growth of rural entrepreneurs. The chapter closes with suggested areas for further research.

4.1 Discussion of the major findings

5.1.2. Factors influencing savings among VSLA members

The findings showed that saving behaviors among VSLA members in Muririnyi B Cell is influenced by a combination of personal and group-level factors. From the descriptive results, the level of household income (mean of 4.13) and rising prices of goods (mean of 3.87) were confirmed as important personal-level determinants of how much members are able to save, which is consistent with Keynes' (1936) view that current income is the main determinant of saving, and with the observation that inflation above the interest rate discourages saving. Age (mean of 3.20) had a more moderate influence, which is a less pronounced pattern than would be expected under a strict life-cycle theory of consumption, possibly because most members were concentrated in similar, economically active age brackets rather than spanning very different life stages.

At the same time, the study found that group-level factors were, if anything, stronger drivers of saving than personal factors, with trust in group leadership (mean of 4.33), the discipline of the fixed meeting schedule (mean of 4.27) and peer encouragement from fellow members (mean of 4.00) all recording higher means than income or age. This reinforces the social capital theory perspective that VSLAs build on trust and solidarity among members, and suggests that in Muririnyi B Cell, the design of the VSLA itself, rather than government policy (mean of 2.93, the lowest recorded), is what most strongly shapes members' saving habits.

4.2 Challenges affecting the use of VSLA loans by entrepreneurs

The findings showed that entrepreneurs in Muririnyi B Cell face several challenges in using VSLA loans to grow their businesses. Non-repayment of loans by other members (mean of 4.07) and the small size of loans relative to business needs (mean of 3.93) were identified as the most pressing challenges, confirming the

observation in the literature that VSLA loan pools, being drawn from members' own savings, are inherently limited in size and are vulnerable to default by individual members. The informal status of VSLAs (mean of 3.73) was confirmed as a barrier that limits members' access to larger amounts of external financing, since VSLA savings records are not recognised as collateral by formal financial institutions.

Poor market infrastructure (mean of 3.60) and limited financial and business management skills (mean of 3.47) further limit how effectively members are able to use the loans they receive, which is consistent with the study area's characteristics of limited infrastructure and generally moderate levels of formal education among members. Poor record keeping (mean of 2.87) was the least significant challenge, suggesting that, unlike some of the institutional weaknesses reported in other studies, the VSLA groups in Muririnyi B Cell keep relatively transparent and trusted records that members do not consider to be a major obstacle to fair access to loans.

4.3 Role of VSLA services in facilitating expansion, diversification and resilience

The findings showed that VSLA services have made a meaningful contribution to the growth and resilience of entrepreneurs in Muririnyi B Cell. Savings services recorded the highest overall mean (4.05) among the three services examined, with members strongly agreeing that savings had enabled them to start businesses, buy assets, restock their businesses and reduce dependence on informal money lenders. The social fund also recorded a high overall mean (4.13), with members valuing its role in protecting business capital from being diverted to household emergencies, thereby supporting business continuity and resilience.

Loan services recorded a comparatively lower overall mean (3.63), particularly on the item relating to diversification into new business activities (mean of 3.33), suggesting that members use loans more for consolidating and expanding businesses they already run than for starting new, untested ventures. The correlation analysis confirmed a moderately strong, statistically significant positive relationship between VSLA services and entrepreneurship growth ($r = 0.612$, $p < 0.001$), showing that members who benefit more from VSLA savings, loans and the social fund also tend to record greater growth in profit, assets and household income. However, since the relationship, while significant, is not perfect, this also confirms that VSLA services are not the only factor behind members' business growth; challenges such as loan size, market infrastructure and financial literacy, discussed under the second objective, continue to moderate how much members are able to benefit from the services on offer.

4.4 Areas for further research

Formal-informal financial linkages. Future studies could examine how linking VSLAs to formal financial institutions and mobile money platforms affects the amount and terms of credit available to rural entrepreneurs, and whether such linkages increase or reduce the trust-based benefits currently associated with VSLA membership.

Gender and entrepreneurship growth within VSLAs. Given the higher proportion of female members found in this study, further research could examine whether male and female VSLA members experience different levels of entrepreneurship growth, and what factors explain any differences observed.

Long-term sustainability of VSLA-supported businesses. Since this study covered a relatively short time scope, future researchers could conduct a longitudinal study to establish whether the business growth associated with VSLA participation is sustained over several years, or whether it declines once members leave the association.

4.5 Recommendations

VSLA leadership in Muririnyi B Cell should continue to build and safeguard members' trust through transparent record keeping and open sharing of financial information during meetings, since trust in leadership was found to be the strongest driver of saving.

Group leaders should maintain the discipline of regular, fixed meeting schedules, as this consistently encourages members to save, and should consider introducing flexible minimum-saving options for members whose incomes fluctuate seasonally, so that they are not discouraged from participating during lean periods.

5.6. Conclusion

The study concluded that saving behaviors among VSLA members in Muririnyi B Cell were shaped mainly by household income, price levels, and, more strongly, by group-level factors such as trust in leadership, the discipline of regular meetings and peer encouragement. While personal economic circumstances set the ceiling on how much a member can save, it is the design and social functioning of the VSLA itself that most consistently determines whether members save regularly. Government policy was found to have the least direct influence on members' saving decisions.

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APPENDICIES

QUESTIONNAIRES FOR VSLAs.

Hello respondent;

I am NAMONO BRENDA a student of Busitema University, conducting a research study titled *“The contribution of Village Savings and Loan Associations on the Entrepreneurship Growth in Muririnyi Bcell, Bublo Ward , Manafwa district.”* This study is purely for academic purposes, and all the information you provide will be treated with strict confidentiality. You are not required to indicate your name anywhere on the questionnaire. I kindly request you to complete the questionnaire accurately by filling in the spaces provided or selecting the appropriate options given. Your cooperation will be highly appreciated.

Section A: Background Information

1. Gender: Male ☐ Femal ☐
2. Age:.....
3. Education Level: Primary ☐ Secondar ☐ Tertial ☐
4. Occupation:.....
- ...
5. Location.....

Section B: VSLA Participation

1. Do you regularly save in your VSLA ☐ ☐ No
2. How often do you save? ☐ Week ☐ Monthly
3. How long have you been a VSLA member? _____ years
4. Have you ever taken a loan? ☐ Ye ☐ No
5. What was the purpose of your first loan?
.....
6. How many times have you ever taken loans from VSLA?
.....
7. Rate access to loans: ☐ Very Ea ☐ E ☐ Difficult
8. Do you pay your loan on time?
☐ Yes ☐ No
9. Do the loans taken improve on the business?

.....
10. Has participation in the VSLA improved your ability to save money?

☐ Strongly Agree ☐ Agree ☐ Neutral ☐ Disagree

11. Has your household income improved since joining the VSLA?

☐ Yes ☐ No

12. Have you held leadership position in VSLA?

☐ Yes ☐ No

13. Do you actively participate in the decision making during the meeting

☐ Yes ☐ No

14. Do you participate in the VSLA training sessions?

☐ Yes ☐ No

15. How often do you attend the VSLA meeting?

☐ Always ☐ sometimes ☐ often ☐ Rarely

16. Do members freely express themselves during the meeting

☐ Yes ☐ No

17. Do you manage time within the VSLA?

.....
18. What is the biggest challenge you face in participating in the VLSA?
.....
.....

19. Would you recommend joining a VSLA to others? ☐ Yes ☐ No

20. In your opinion, what improvements would make the VSLA more effective?
.....
.....

Section C: Entrepreneurship Growth

1. Did VSLA help you start a business? ☐ Yes ☐ No

2. Has your business profit increased? ☐ Yes ☐ No

3. Have you expanded your business? ☐ Yes ☐ No

4. Number of employees before: ____ after: ____

5. Has your business experienced increase in customer base? ☐ Yes ☐ No

6. Has your business increased in range of product or services? ☐ Yes ☐ No

7. Have your business assets increased ☐ Yes ☐ No
8. Has your business increased market share? ☐ Yes ☐ No
9. Can your business support household? ☐ Yes ☐ No
10. Have you added on customers? ☐ Yes ☐ No
11. Are you competitive in the market? ☐ Yes ☐ No
12. Is your business financially stable? ☐ Yes ☐ No
13. Are you able to reinvest in the market? ☐ Yes ☐ No
14. How to keep the business records?
.....
15. Is your business meeting customer demand? ☐ Yes ☐ No
16. Have you increased on your business skill? ☐ Yes ☐ No
17. Can your business survive challenges? ☐ Yes ☐ No
18. Do you expect significant growth in the business? ☐ Yes ☐ No
19. For how long do expect it grow?
.....
...
20. Has your business improved overall standards of living people around?
☐ Yes ☐ No

Section D: Relationship between VSLA and Entrepreneurship Growth

- 1 Has participation in VSLA contributed the growth of your business?
☐ Yes ☐ No
- 2 Has access to loan expanded your business?
☐ Yes ☐ No
- 3 Saving through VSLA has it improved your business?
☐ Yes ☐ No
- 4 Skills and knowledge through VSLA have it improved your business management?
☐ Yes ☐ No
- 5 Do you think there is overall benefit between VSLA and your business?
☐ Yes ☐ No

THANKS VERY MUCH

INTERVIEW GUIDE

SECTION A: RESPONDENT AND GROUP PROFILE

1. What is your role in this VSLA group (e.g., chairperson, secretary, treasurer)?
2. How long have you served in this leadership position?
3. How long has your VSLA group been in existence?
4. How many members does your group currently have?

SECTION B: FACTORS INFLUENCING SAVINGS

5. What factors do you think influence how much members save at each meeting?
6. How does members' household income or business performance affect their savings?
7. What role does trust in the group's leadership play in members' willingness to save?
8. How does the group's meeting schedule and rules encourage or discourage regular saving?

Section C: Challenges Affecting the Use of VSLA Loans

9. What challenges do members face in accessing loans from the group?
10. How does the size of the loan fund affect members' ability to meet their business needs?
11. What happens when a member fails to repay a loan on time, and how does this affect other members?
12. In your view, what limits the group from accessing larger amounts of financing from banks or other formal institutions?
13. What challenges have you observed regarding members' ability to manage and make good use of the loans they receive?

SECTION D: ROLE OF VSLA SERVICES IN ENTREPRENEURSHIP GROWTH

14. In what ways have savings from the VSLA helped members start or grow their businesses?

15. How have loans from the VSLA contributed to business expansion or diversification among members?

16. Can you describe how the social fund has helped members cope with emergencies without affecting their businesses?

17. What changes have you observed in members' businesses or household incomes since they joined the VSLA?

SECTION E: CLOSING

18. What suggestions would you give for improving the VSLAs contribution to members' businesses?

19. Is there anything else you would like to add about the group's operations or its impact on members?

RESEARCH BUDGET

ITEM	QUANTITY	UNIT COST	COST PRICE
Data collection			20,000
WELFARE			
Break fast	4	1000	4,000
Lunch	4	3000	12,000
Transport	4	1000	4,000
DATA PROCESSING			
Drafting	6	2000	12,000
Printing	18	1000	18,000
STATIONARY			
Ream of papers	1	20,000	20,000
Photo copying	20	1000	20,000
Binding	3	20,000	60,000
Pens	2	500	1000
Miscellaneous			20.000
Total			160,000