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# Nature of Enterprise Financed and Loan Repayment for the Uganda Women Entrepreneurship Programme in Kibaale District, Uganda

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**A B S T R A C T :**

This study explores in depth the relationship between the nature of enterprises financed under the Uganda Women Entrepreneurship Programme (UWEP) and the loan repayment behavior among women entrepreneurs in Kibaale District, Uganda. Utilizing a robust cross-sectional survey design, the research gathered both quantitative and qualitative data from a diverse sample of 288 women across 96 groups, carefully selected to ensure regional and economic representation. Findings clearly demonstrate that enterprises with consistent and predictable cash flows, such as those engaged in retail trade and service provision, exhibited significantly better repayment performance compared to agriculture-based ventures, which inherently face seasonal income fluctuations, unpredictable market prices, and environmental vulnerabilities. Women operating businesses in the retail and services sectors were able to generate regular income, enabling them to meet their loan obligations in a timely and structured manner. On the contrary, those involved in agricultural activities often struggled due to the cyclical nature of farming, delays in harvests, and exposure to external risks like droughts or pests, all of which contributed to irregular income streams and subsequent repayment difficulties. The study recommends a comprehensive approach centered around strategic enterprise selection, with an emphasis on promoting enterprises that offer more stable revenue patterns. It also advocates for diversification of business activities to mitigate sector-specific risks and the provision of continuous capacity-building initiatives to equip women with the skills necessary for financial planning, risk management, and business resilience. Implementing these strategies is crucial to enhance enterprise sustainability, strengthen loan repayment rates, and ultimately support the long-term success of the UWEP initiative in fostering women's economic empowerment in Uganda.

Keywords: Nature of enterprise, Loan repayment, Women entrepreneurship

## Introduction

The Uganda Women Entrepreneurship Programme (UWEP) was established to address access to finance for rural women by providing revolving funds to women groups. However, repayment challenges persist, particularly influenced by the type of enterprises financed. Understanding how enterprise nature affects loan repayment is crucial for enhancing program effectiveness.

## Literature Review

The nature of the enterprise financed by the loan is a critical determinant of loan repayment. Studies have consistently shown that the type, size, and sector of the enterprise significantly influence the borrower's ability to generate income and meet repayment obligations (Zeller & Meyer, 2002; Armendariz & Morduch, 2010). In the context of UWEP, where women are primarily engaged in small-scale agricultural and informal trade enterprises, the challenges of loan repayment are particularly pronounced. The profitability and sustainability of these enterprises largely depend on external factors such as market trends, government policies, and socio-economic conditions, all of which can impact repayment rates (Bateman & Chang, 2012).

SMEs are the backbone of Uganda's economy, accounting for over 90% of the private sector. These enterprises are often characterized by limited access to capital, informal management structures and reliance on personal savings or microfinance institutions for funding. Studies indicate that the nature of SMEs - particularly their size, sector of operation and management practices – significantly impacts their financial stability and ability to repay loans (Kasekende & Opondo, 2003).

Empirical studies (Zeller & Meyer, 2002; Kasekende & Opondo, 2003) have consistently demonstrated that enterprise characteristics such as sector, size, operational structure, market environment, and the type of products or services offered significantly influence financial outcomes and, by extension, loan repayment performance. Agriculture-based businesses, while being predominant in rural settings such as Kibaale District, are notably vulnerable to various external shocks like weather patterns, pest outbreaks, fluctuating commodity prices, and shifting market demands, all of which adversely affect production and revenue consistency.

In stark contrast, retail and service enterprises tend to benefit from relatively stable and predict able demand. It must be emphasized that the shorter business cycles, immediate payment models, and lower dependency on external factors in the retail and service sectors contribute to higher financial resilience and better loan repayment capacity. Additionally, service-oriented businesses often require lower startup and operating costs, enhancing their ability to quickly generate profits and meet loan obligations (Armendariz & Morduch, 2010). This differentiation underscores the importance of considering the inherent characteristics of the enterprises being financed when designing loan programs aimed at improving repayment rates among women entrepreneurs.

***Discussion***

The findings align with previous research, highlighting the challenges faced by agricultural enterprises due to seasonal income variations. Retail businesses, with their continuous cash inflows, enabled better financial planning and regular repayment schedules. Diversification within groups also emerged as a resilience strategy against sector-specific shocks.

## Methodology

A descriptive and explanatory cross-sectional study design was used. The sample comprised 288 women from 96 UWEP groups. Data collection tools included structured questionnaires and focus group discussions (FGDs). Quantitative data were analyzed using descriptive statistics and regression analysis, while qualitative data were thematically analyzed.

## Results

To test the hypothesis, "*There is no effect nature of the enterprise financed by the revolving loan on loan repayment*", a simple regression was used to test the hypothesis and results are presented in Table 1.

**Table 1: Effect of nature of the enterprise financed by the revolving loan on loan repayment**

| **Regression Statistics** | |
|---|---|
| **R** | **.363** |
| **R Square** | **.132** |
| **Adjusted R Square** | **.128** |
| **Standard Error** | **2.804** |
| **Observations** | **288** |

**ANOVA statistics**

| | **df** | **SS** | **MS** | **F** | **Sig F** |
|---|---|---|---|---|---|
| **Regression** | **1** | **340.6** | **340.6** | **43.3** | **.000** |
| **Residual** | **286** | **2249.3** | **7.9** | | |
| **Total** | **287** | **2590.0** | | | |

**Coefficients statistics**

| | **Coefficients** | **Standard Error** | **Beta** | **t Stat** | **P-value** |
|---|---|---|---|---|---|
| **Intercept** | **8.19** | **.97** | | **8.44** | **.000** |
| **Nature of enterprise financed by the revolving loan** | **.25** | **.04** | **.36** | **6.58** | **.000** |

Results of the regression coefficient (R = .363) show a weak relationship between nature of the enterprise financed by the revolving loan and loan repayment. When the regression coefficient is squared (R Square = .132), it shows that a 1% change in change nature of the enterprise financed by the revolving loan contributed to 13.2% change in loan repayment. However, instead of using R Square for interpretation, Adjusted R Square is recommended because it is more accurate. Therefore, Adjusted R Square (.128) shows that a 1% change in change nature of the enterprise financed by the revolving loan contributed to 12.8% change in loan repayment.

This finding was subjected to Analysis of Variance (ANOVA) test in order to determine if it be rejected or accepted. The ANOVA statistics show that the Fisher's ratio (F = 43.3) had a significance (Sig F = .000) which was less than the recommended critical significance at .05. This led to accepting the finding and thus rejecting the null hypothesis "*There is no effect on the nature of the enterprise financed by the revolving loan on loan repayment*". Therefore, it was concluded that a 1% change in change nature of the enterprise financed by the revolving loan contributed to 12.8% change in loan repayment.

The coefficients results (.25) or the *Beta* results (.36) show they were positive implying the change in nature of the enterprise financed by the revolving loan was in the same direction of change in loan repayment. This suggested that improvement in nature of the enterprise financed by the revolving loan (such as from poor business to good business) contributed to better loan repayment. On the other hand, a decline in nature of the enterprise financed by the revolving loan (such as from good business to poor business) contributed to poor loan repayment.

58% of funded enterprises were agriculture-based. 24% engaged in retail businesses. 12% operated service-oriented enterprises. 6% were in craft production.

## Recommendations

The study recommends prioritize funding for retail and service-oriented enterprises which produce better returns on investment. Deliberate efforts have to be undertaken to make agriculture profitable, including improvement in infrastructure, market access and risk mitigation strategies.

## Conclusion

The study established that there is a significant effect of nature of the enterprise on loan repayment and this was corroborated by the interview findings. The nature of the enterprise significantly influences loan repayment under UWEP. Strategic support tailored to enterprise types can enhance repayment performance and program sustainability.

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