SOCIAL CAPITAL AND ACCESS TO CREDIT FINANCE FOR SMALL ENTERPRISES IN EASTERN UGANDA

A CASE OF DUCKHILL MICROFINANCE

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DECLARATION

I declare that this research report is my original work and has never been presented for any academic award. Where it is indebted to the work of others, the acknowledgement has been made.

EMOJONG RONALD ONGIRO

Signature:……..……………………….

Date   :…....……………………….

APPROVAL

I certify that the research report on " Social capital and access to credit finance for small enterprises in Eastern Uganda", has been under our supervision and is now ready for submission for examination with my approval as Kyambogo University based supervisors.

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Date:………………………………………

Dr. MUKOKOMA MAURICE

Signed:……………………………………

Date:………………………………………

DEDICATION

This research report is dedicated to my beloved parents Dr. Paul Emojong (late) and Mrs. Rosemary Emojong, who have been a source of inspiration throughout my life. They have instilled in me the desire to learn and to cherish education. They have been a motivation in my life to persist through all the challenges that emerge in Education.

ACKNOWLEDGEMENTS

Much appreciation goes to my two supervisors who Dr. Regis Zombeire and Dr. Mukokoma Maurice who have provided the guidance and support in helping me compile this work. Their advice, insightful criticism and persistence to continue in the process has been tremendous. I thank my workplace colleagues for fostering a supportive environment and permitting me time to complete this monumental task.

I thank the almighty God for providing me with the energy and persistence to undertake this work.

ABSTRACT

The study topic was social capital and access to credit finance for small enterprises in Eastern Uganda, a case of Duckhill MicroFinance. Small enterprise owners that possess social capital receive preferential treatment and gain access to embedded resources(credit finance) in their social networks. In regards to Duckhill Microfinance, small enterprise owners with social capital apply for credit but are unable to access the credit finance that is adequate, frequent and when they access such credit is very expensive. The study had the following objectives: to establish the relationship between generalized norms of social capital and access to credit finance, to establish the relationship between interaction, everyday sociability of social capital and access to credit finance, to establish the relationship between neighborhood connections and access to credit finance, to establish the relationship togetherness of social capital and access to credit finance. The design of the study was a case study of Duckhill Microfinance in Eastern Uganda, in which a sample of 353 respondents were used, in which 220 respondents replied back. The sampling procedure used was Simple random sampling and Purposive Sampling. The findings of the study showed that a positive significant relationship (r=.395) ,P<0.01 between generalized norms of social capital and access to credit finance. The findings also showed that a positive significant relationship (r=.209),P<,0.01, between interaction, everyday sociability of social capital and access to credit finance. The finding showed that a positive significant relationship (r=.261) , P<0.01 between neighborhood connections of the social capital and access to credit finance. The findings of the study showed a positive significant relationship (r=.397) P<0.01 between togetherness of social capital and access to credit finance. It is recommended that small enterprise owners demonstrate high social capital through interpersonal trust and reciprocity in social groups they belong and when doing business. Small enterprise owners must conduct social interactions through regular meetings where soft information is exchanged with the loan officers. Small enterprise owners should get involved in association activities and savings groups and display solidarity, cohesion and reciprocity through extending resources, favors to other members. This can greatly improve on their social capital and enable improved access to credit finance.

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BOU	Bank of Uganda
GOU	Government of Uganda
RPED	Regional Program for Enterprise Development
SME	Small Medium sized Enterprise

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The research focuses on the relationship between social capital and access to credit finance. This chapter presents the background in regards to the history of credit access, a statement of the problem, purpose of the study and research objectives amongst others can be found.

1.1 Background of the study

The background of the study is structured along four dimensions: the historical, theoretical, conceptual and contextual perspective.

1.1.1Historical perspective

Small enterprises struggle to access to credit and when they do access credit it is limited. According to Arinaitwe and Mwesigwa (2015) the limited access to credit has been due to the fact that small enterprises are not intergrated into formal financial markets whereby they can access and get affordable credit but this does not mean they do not access credit.Small enterprises continue to access credit from informal market lenders who provide credit with high interest rates (Ayyagari, Demirguc & Maksimovic, 2012). This implies that a lesser number of small enterprises access formal financial markets in Africa compared to their European counter parts (Amador,Gonzalez & Pabon, 2013).

In Europe and Asia, rapid economic development was attained by widespread access of credit by small enterprises. In Uganda there has been and still continues to be, a large presence of small enterprises but their potential has been limited, creating distress for all stakeholders in the economy (Kamweru, 2011). The cause of this limited potential may likely be due to the fact that small enterprises don't access credit and if they do, such credit is costly (Arinaitwe & Mwesigwa , 2015).

In Africa and Uganda alike, the reason why such small enterprises access credit at a costly rate is due to the fact that most formal lenders perceive small enterprises to be high risk defaulters, small in firm size and small enterprises lack information about their ability to repay loans. All this drives up the cost of credit accessed Gichuki, Njeru, and Tirimba (2014) . The financial systems, capital Markets in Africa are in their infancy, are not well developed to provide the capital to small enterprises however microcredit institutions may contribute in helping tp lend to small

Enterprises (Gichuki et al.,2014). It is clear that several factors may exist in influencing the access to credit finance but the following study will consider how social capital contributes to accessing credit (Arinaitwe & Mwesigwa , 2015)

Theoretical perspective

Social capital refers to the collective, economic benefits that are enjoyed from preferential treatment, cooperation when individuals belong to a groups (Motsau, 2016). The theory states enterpreneurs or individuals that have social capital will access to formal and informal sources of credit.(Postelnicu,Heremes & Juarez, 2015). Small enterprise owners that possess high social capital will access credit frequently, the credit will be tailored to the needs(affordable), and they will access the amount they desire (Ogoi, 2017).

The Social Capital Theory emerged in the early 20th century by Hanifan in 1916. The theory outlined social unity as the basis of establishing progress in schools by (Motsau,2017). According to Hanifan (1916) he made the contrast clear, that social capital is different from material goods. The theory was was further modified by classicals scholars like Marx and Weber in which they gave a new direction , that there exists an exploitatitve nature of social relations between two classes (Bourdieu, 2011). The theory empahsized the social relations exploitation by capitalists(bourgeoises) of the proletariat

This is in line with Andama and Nadif (2013) who argued that small enterpises owners uses social capital to exploit embedded resources such as to access financial resource and infomration to ensure survival of the business.

Later on theoritical modifications took place which allowed the human capital theory , cultural capital and social theory to emerge more refined by Schultz (1961). These are known as the Neocapital theories, the distinctive features of the first two theories is the potential investment and capture of surplus value by laborers or masses (Bourdieu,2011). From 1988 onwards the theory took on a different direction, in which social capital was connected with sociology and economic rationalizaiton. It is important to then understand the dimensions of social capitla.

Conceptual perspective

Social capital, presented by Woolcock and Narayan (2000) and Hanifan(1916) are the norms and networks that enable people to act collectively. Social capital describes those intangible substances that are valued most daily in the lives of people include; goodwill, fellowship, sympathy, and social intercourse among the individuals and families who make up a social unit. Social capital is the expected collective or economic benefits derived from the preferential treatment and cooperation between individuals and groups.

According to Baron and Markman (2003) "'social capital refers to the actual and potential resources individuals obtain from knowing others, being part of a social network with them, or merely from being known to them and having a good reputation." This is in line with Kwon and Adler (2014) who presents social capital as the ability of people to secure benefits by virtue of their membership in social networks or other social structures.

However according to Woolcock & Narayan (2000) social capital refers to the internal and cultural coherence of society, the norms and values that govern interaction among people and institutions, in which they are embedded.

Social capital possessors can gain direct access to economic resources like subsidized credit, protected markets and can increase their cultural capital through contacts with experts, affiliate with institutions that can give institutional support (Ebrahimi, Yaghoubi, & Eskandari ,2015). SME owners enter into relationships with lending institutes which vary from short term to long term, and studies show that firms that maintain longer, stronger relationships with lenders access more credit, pledge less collateral and incur low interest rates (Ostromogolsky, 2017).

Interactions of the social capital is presented as the number of business services and personal bank services that allow information exchance by the SME (Uzzi, 1999). Business services include brokerage, cash management services, credit card processing, revolving credit arrangements,wire transfers and personal services entails personal bank account management, wills and estate planning services.

Banks conduct due diligence to evaluate the lenders creditworthiness in which the applicant is asked to produce large volumes of costly information for the bank to review. In contrast a lender with a longstanding relationship,past experience will have this cost reduced due to continous interaction of business services extended (Ostromogolsk, 2017).

The network structure puts forward the need to consider size of the network. This is regards to Peck (2013) view that a large network size enables a firm to scan the market for deals, information that can be used to broker better lending conditions.

Such a network can not enable stronger ties to be established.Small enterprises lenders are not locked-in to the relationship with the lender so it is crucial to find out how they structure their relationship with outside potential lenders (Wossen, Berger & Di Falco, 2017). It is important to consider how this social capital occures in the context of small enterprises and access to credit.

Contextual perspective

Duckhill as a micro finance institutions is located in Eastern Uganda where there is limited financial inclusion taking place. Eastern Uganda has a 24% financial service intake compared to the rest of Uganda (Bank of Uganda, 2017).

Duckhill has in the past served small enterprise owners who are part of savings groups, saccos and parent teacher associations. The rate of successful credit extended to these entrepreneurs has been declining due to limited collateral, lack of information and failure to meet the basic requirements to be granted credit (Internal Management Report, 2017). Small enterprise owners that seek loans or credit facilities do not have the appropriate recommendations or in most cases the personal references are not sufficient to provide information to enable access to the loan or any other forms of informal credit.

1.2 Statement of the problem

Individuals that posess social capital are able to access credit, enjoy preferentail treatment in terms of loan conditions and acquire technical support for their small enterprises (Postelnicu, Hermes and Juarez, 2015). Small enterprise owners in Uganda do posssess social capital , and were supposed to benefit from 2017 National Financial Inclusion Strategy that would enable them to access credit. At the end of 2017, 73.2 % of small enterprises still were not able to access credit(Bank of Uganda, 2018).

The failure to access the much needed credit has resulted into slow growth and failure (Nanyondo, 2017). These small enterprises get marginalized by the financial system, social networks and the social capital becomes meangingless (Ogoi, 2017). In that social capital is applied in informal situations, of high interest rates, irregular credit supply and limited access to credit(Internal Management Report, 2017). In Eastern Uganda, the credit access rates amidst small enterprise remains very low.

It is clear that small enterprise owners are not able to leverage on social capital to access credit that is afforable, frequent or exact to the amount they need. It is for this very reason the study is being carried out.

1.3 General Objective

To examine the relationship between social capital and access to credit finance for small enterprises in relation to generalized norms, interaction, neighborhood connections and togetherness, a case of Duckhill Mircofinance.

1.4 Specific objectives

The study was guided by the following objectives:

i. To establish the relationship between generalized norms of social capital and access to credit finance for small enterprises.
ii. To establish the relationship between interaction of social capital and access to credit finance for small enterprises.
iii. To establish the relationship between neighborhood connection of social capital and access to credit finance for small enterprises.
iv. To establish the relationship between the togetherness of social capital and access to credit finance for small enterprises.

1.5 Research Questions

The study was guided by the following questions:

i. What is the relationship between the generalized norms of the social capital and access to credit finance for small enterprises?
ii. What is the relationship between interaction of social capital and access to credit finance for small enterprises?
iii. What is the relationship between neighborhood connections of social capital and access to credit finance for small enterprises ?
iv. What is the relationship between togetherness of social capital and access to credit finance for small enterprises?

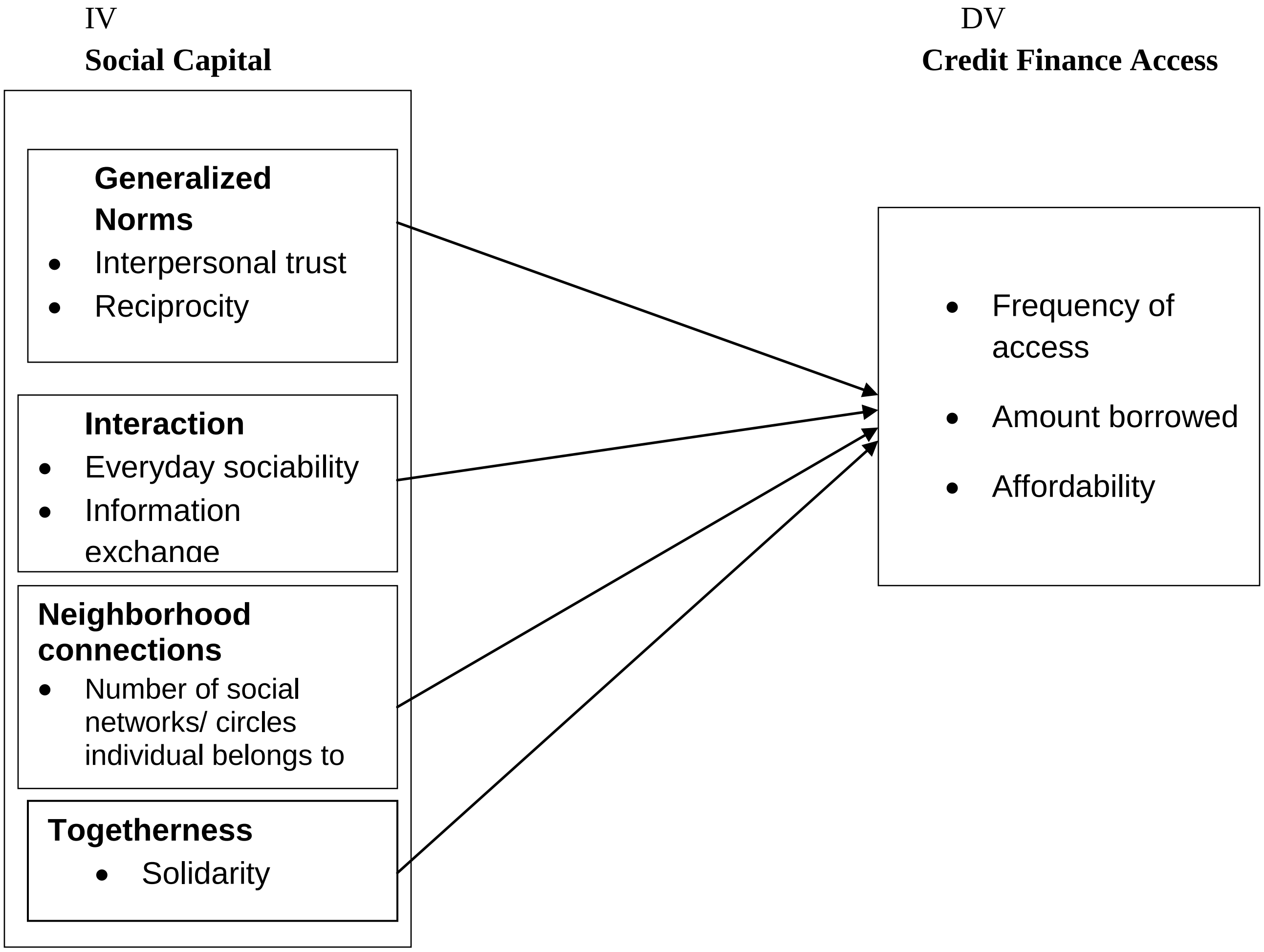
1.6 Conceptual Framework

The conceptual framework was used to help structure the study and identify the variables of measurement .The conceptual framework in figure 1.0 was constructed to reflect the relationship between Social capital (independent) and access to credit finance (dependent).

Social capital is a resource that is useful in gaining access to credit finance for the rural poor and small enterprises owners (Sarker & Islam ,2014). This is line with Ogoi (2017) who presented that small enterprises use social capital to access information , financial resources(credit) in order to exploit business opportunities.

Social capital therefore predicts access to credit finance that is affordable, frequnt and exact (Postelnicu et al., 2014).

Figure 1. The conceptual model of Social Capital and Access to Credit Finance



Uzzi (1999) Modified by the Researcher

The conceptual framework above shows that social capital is important in access to credit finance. Social capital is made up of generalized norms, interactions, neighborhood connections and togetherness (Bongomin, Munene, Ntayi & Akol, 2017).

Generalized norms is considered to be made up of interpersonal trust and reciprocity in accordance with Putnam (2001). Interaction refers to the everday sociability which brings about information exchange (Woolcock & Narayan,2001). Frequent interaction was understood to be the everyday socialibilty and information exchange.

The neighbourhood connections means the social networks or social circles that the individual belongs to. These networks are created through interactions and these networks take many forms such as neighbours, friends (Mwangi & Ouma, 2012).

By belonging to these social networks and frequntly interacting, togetherness is a construct of social capital. Togetherness in the study implies solidarity, which is the extent to which the is cohesion and mutual agreement are in action (Ogoi, 2017)

1.8 Scope of the study

1.8.1 Content scope

The focus of the study was to establish the relationship between social capital and access to credit. The rational is that small enterprise owners do possess social capital, they network but are not able to use it effectively to access credit finance that is affordable or frequent. Small enterprise owners are challenged by the fact that they do not have collateral and do not possess adequate information, this study tries to present social capital as a means in enabling the small enterprise owners to access much needed credit finance. This is the reason the study considers the generalized norms, interaction, neighborhood connections and togetherness in relation to access to credit finance. The credit finance that is accessed should be frequent, affordable and exact to the amount the small enterprise owner needs. The study took into consideration the extent to which social capital predicts the access to credit finance.

1.8.2 Time scope

The study considered the period from 2016 to 2019 to ensure consistency and relevancy of the work.

1.8.3 Geographical area

The study was carried out in the region of Eastern Uganda, covering the towns of Iganga, Mbale, Pallisa and Tororo. The reason is that Duckhill is located in this areas, where by the a good number of small enterprise owners participate in saccos, savings groups and social associations. The enterprise owners are very social, and create networks with individuals in nearby towns to do business however their small enterprises struggle to access credit.

It is clear in Uganda most rural households, and enterprises have very little or limited access to formal credit (Nampewo, Munyambonera & Lwanga, 2013). These areas of Eastern Uganda tend to have a low rate of credit access compared to the rest of Uganda.

1.9 Justification of the study

This study is a requirement for graduation and enabling knowledge to be added in regards to the university. This study enables the university, academics to contribute to the knowledge on how social capital improves the access to credit finance.

The study helps inform the current debate since past researchers had focused on the aggregate(group) level and individual level of social capital. The study considered structural, cognitive and relational social capital constructs in relations to access to credit finance.

Other studies had considered social capital in the urban areas or generalize the entire country in terms of a developing country context. The current study considered rural areas of Uganda, since individuals tend to have stronger ties due to family commitment, investment in social activities together, furthermore rural area small enterprises struggle to acquire access to credit finance.

1.10 Significance of the study

Students and future researchers are concerned with how social capital is used as mediator and enabler towards financial inclusion. This study helps contribute to the work done by other researchers and acts a reference point for other students at the graduate school in Kyambogo.

The findings from the study add to the creating of knowledge that helps improve the university outreach. Institutes that are involved credit provision are able to understand better how to use social capital as a tool to improve access to credit for small enterprises.

The organization such as Duckhill Microfinance is in position to improve the customer relation management, since they are able able to look out for certain characteristics in lenders.

In regards to the microfinance institutes, the study helps build insights into how social capital is a solution for small enterprises that are marginalized. It provides a way forward on how to encourage access of financial services to these small enterprise owners.

1.12 Operational Definitions

Accessibility	-This refers to the small enterprises that apply and receive capital. In regards to the study accessibility refers to the frequency of access, amount received and affordability.
Generalized norms	**-**This means the .rules expectations that are socially enforced ie. interpersonal trust and reciprocity.

Credit Finance	**-**In the study this is understood to be loans in which the lender has to pay back the principal amount with interest.
Interaction	**-**This refers the dynamic, changing sequence of social interactions between individuals or groups.
Neighborhood connections	**-**This is the structural dimension of social capital that looks are the network configuration and size of social circles the individual belongs to.
Togetherness	**-**In the study this means degree solidarity.
Social Capital	**-**In regards to the study this refers to the norms and networks that enable people to act collectively. This is the intangible substances that are valued by people in their daily lives .
Trust	**-**In the study this means the expectations that arise within groups that members will not act in a selfish individualistic manner.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

As mentioned in the earlier chapter, this study considers how social capital affects access to credit among small enterprises. This section provides a review of literature that relates to the study. The literature review presents a theoretical review of the social capital theory, a conceptual overview of social factors and thematic review of past literature on the relationship between social capital and access to credit finance.

2.2 Theoretical review

Social capital refers to the collective, economic benefits that are enjoyed from preferential treatment, cooperation between individuals and groups (Motsau, 2016). To quote from Baron and Markman (2003), 'Social Capital refers to the actual and potential resources individuals obtain from knowing others, being part of a social network with them, or merely from being known to them and having a good reputation.' Social capital is classified as a resource that members in a group provide (Bourdieu 1986). Social capital is considered as a resource that can be limited to managers who use it to improve their business (Adam & Nadif, 2013).

Social capital had emerged earlier in the works of Weber and Marx in theories of social exchange and pyshcological contract.This theory cuts across many disciplines in particular Economics, Pyschology and Sociology (Anderson & Obeng, 2017) The theory was greatly develeoped by three key authours, Bourdieu, Coleman and Putnam who have greatly contributed to this multidisciplinary theory. Robert Putnam defined social capital as " the features of social life-networks, norms, and trust that enable participants to act together more effectively to pursue shared objectives" (Putnam, 2001).

Putnam presented a perspective that organizations are the building blocks in which social capital occur. It implies that social capital and community associations are so interconneted(trust being the glue) that is difficult to see which occurred first (Hauser, Perkman,Puntscher,Walde & Tappeiner, 2016)

According to Bourdieu (1986) social capital is defined as the "aggregate of the actual potential resources which are linked to possesion of a durable network of more or less instutionalized relationships of mutual acquaintance or recognition.” To Bourdieu social capital is related to the size of the network, and the accumulated volume of social. It is clear in Bourdieu’s view of social capital that profit is the rationale as to why actors engage in and maintain links in a network (Tzanakis, 2013).

The other key pioneer author was Coleman who presents an interesting view on social capital. According to Qi (2013) social capital consists of some aspect of social structure and facilitates certain actions of actors whether they are in or outside the network. Coleman adopts a middle line between the two traditional theories, in which he presents a functionalist view. In regards (Tzanakis, 2013) the other view is the rational theory that suggest actor’s goals are determined by utility maximizations in pursuit of his/self interest.

Coleman brings forward the argument social capital is a collective resource utilized by a goal orientated actor. Coleman also adopts the notion from (Kwon and Adler, 2014)who stated that social capital requires an element of embeddedness in social structure networks.This implies that social capital resides in the social strucutres of the relationships in peoples minds.

According to Tregear and Cooper (2016) social capital has three dimensions that exists ; cognitive, relational and structural. The cognitive dimension refers to the shared vocabulary and narratives of the social group (Bongomin et al., 2017) . Relational dimension in regards to the construct of trust, norms and identification. The structural dimension considers the network ties, network configuration and appropriate organization.
These dimensions were broken down into much simpler dimensions of group characteristics, generalized norms ,volunterism ,trust (Woolck & Narayan, 2000).

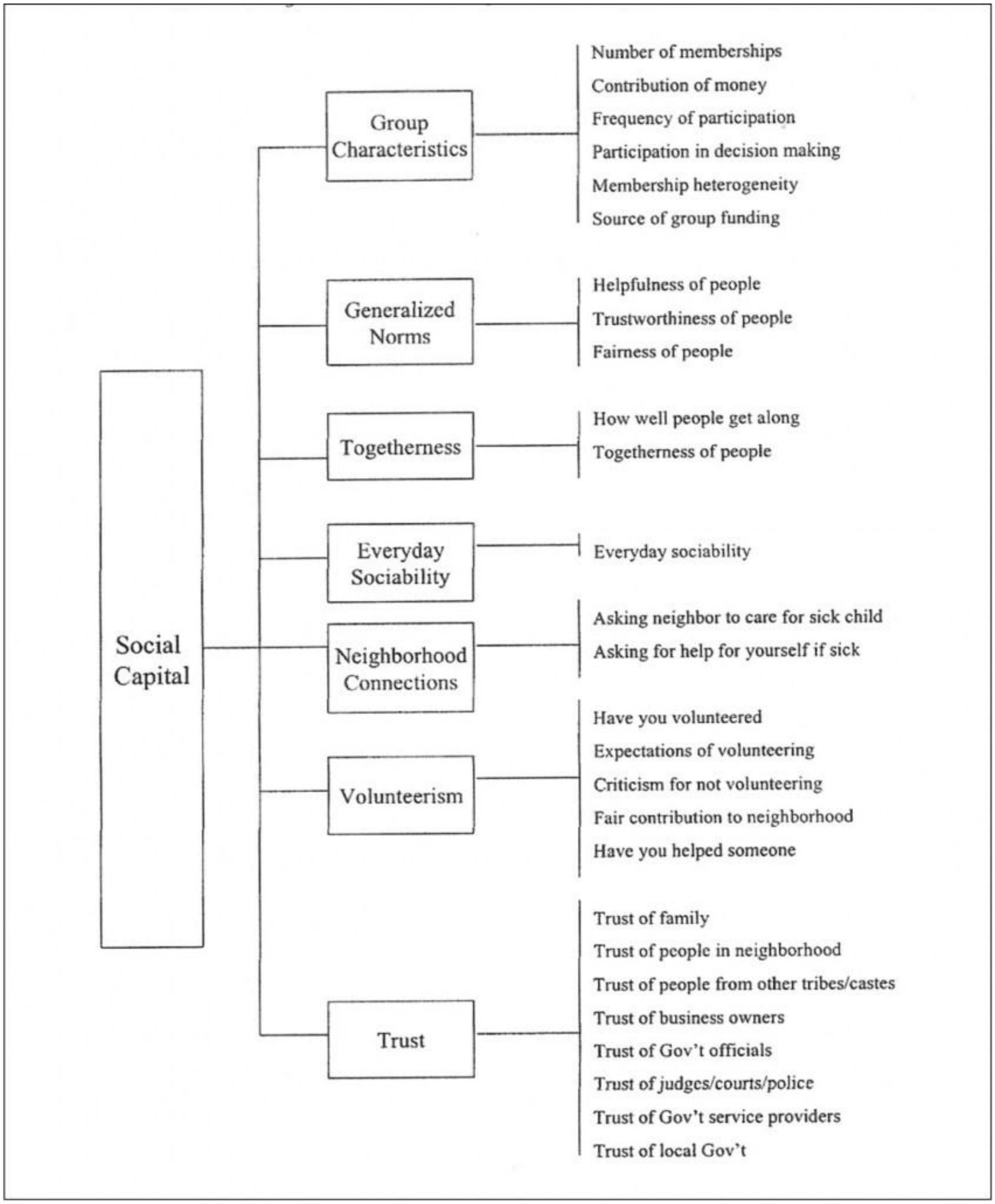


Figure 2: The dimensions of social capital adopted from "Social capital: implications for development, (Woolcock & Narayan, 2001)

The above figure illustrates the key dimensions considered when discussing social capital which are :group characteristics, generalized norms, togetherness, everyday sociability, neighborhood connections, volunteerism and trust.

Social capital is enables the access to credit , in which social capital creates credit worthy borrowers that possess social collateral, credit relevant information (Kamukama & Natamba,2013)

This view is also similar to Ebrahimi, Yaghoubi and Eskandari (2015) who found that social capital is positively associated with enterpreneurship access to information, expertice and access to credit.

This is in line with Adam and Nadif (2013) who presented small enteprises use social capital to accquire resources and information that would be to costly on their own. It is clear that small enterprise managers who are social networks do receive preferential treatment, they access credit that is affordable (Le & Nguyen, 2009). Illustrated below is the effect of the social capital theory.

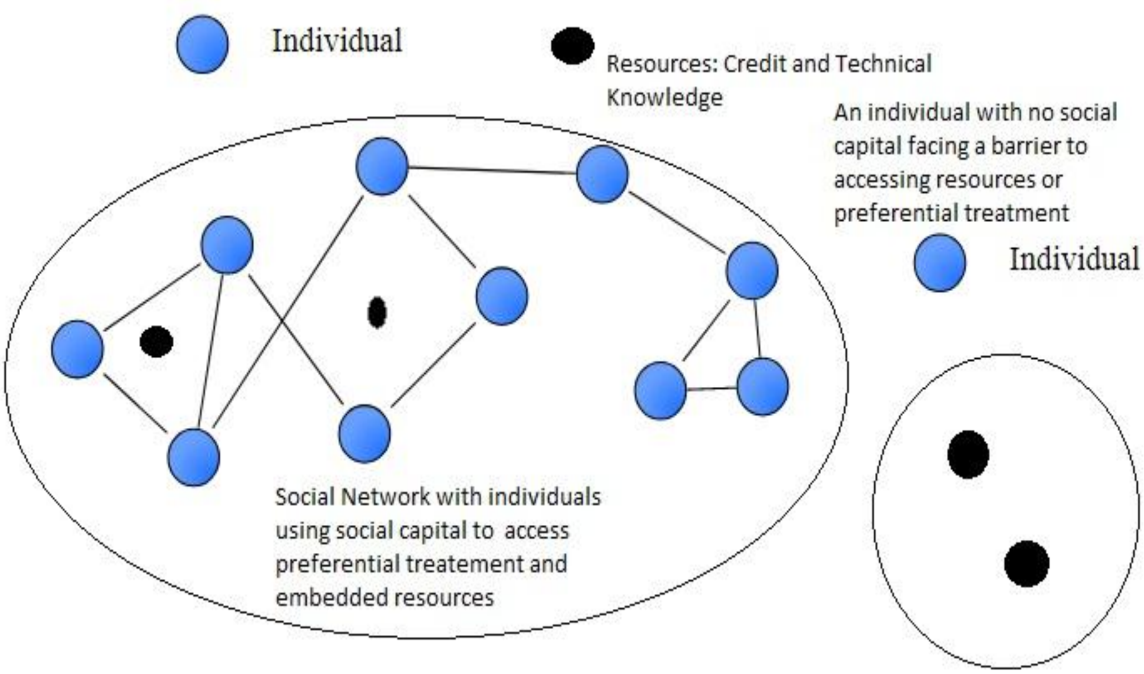


Fig3 : Social network illustration, adapted and modified from "Boundless Society" by Lumen, 2019

Social capital can also refer to the social relationships between people that enables productive outcomes to be achieved much faster (Among, 2017). Essentially it refers to those stocks of social trust, norms and networks that people can draw on to solve common problems(Kwon & Adler, 2014).

In order to access credit finance, small enterprise owners must enter into a group to brings about increased access to informal loan (Angori, Aristei & Gallo,2019). Membership in development groups such business associations, non-governmental organizations, self help groups, savings group or agricultural co-operatives) is valuable to entrepreneurs (Mwangie & Ouma, 2012)

As much as the social capital theory is mutli-discipline applied it has many dual meanings. The theory has many different levels of analysis and terminology is used interchangeably (Woosen,Berger & Di Falco,2015). Some authors refer to dimensions, types, forms or functions. These terms that are used interchangeably make the meaning unclear, they create ambiguity,variability and inconsistencies in the theory (Tregear & Cooper ,2016)

The broad nature of the concept of social capital has been widely applied in many human endeavours. This has resulted into social capital as a "catch-all, for all,cure-all term" (Micheal, 2013).This has made the concept very difficult to define and most scholars have resorted to reductionism in defining the theory and deviating from the original definitions (Motsau,2017).

The failure to have cerain aspects observed directly is a weakness in social capital theory. According to Abbasi,Wiggand, and Hossain (2014) due to the failure of some aspects not being observed directly, researchers tend to use indicators to measure, and assume causal realtionships to exist.Social capital is mentioned to be measured by proxies or "stand in" for the aspects of social capital. Trust is a good example that can not be observed directly but the results can be readily observed and measured (Poder, 2011).

Economists and some academic scholars critcise the inclusion of capital in social capitla.Notable economists like Kenneth J Arrow, Robert M Solow, and Samuel S. Bowles argue for its removal. Social capital cannot be owned by an individual, or traded hence it does not meet the traditional definitions of capital (Sarker & Islam, 2014)

Social capital theory tends to involve collecting and renaming a wide variety of sociological concept (Clardige, 2019). This results into making it difficult to distinguish its basic features. An example is trying to differentiate between “bonding”, “bridging” and “linking” social capital.

This generates a variety of contradictory aspects of networks and norms into single categories. This tends to decrease the value of the concept (Ramos, 2012). Social capital has many dimensions that are considered of interest to the study.

Social capital as a theory and concept has a challenge of being defined narrowly since it is a large multiple-disciplinary concept (Abbasi et al., 2014). In essence the common dimensions to social capital are: trust, rules ,norms that govern social action ,types of social interaction ,network resources ,other network characteristic (Kamukama and Natamba, 2013).

Others scholars such as Kamukama & Natamba (2013) argue that social capital is a mediator in access to credit finance, since other factors play a major role in the access to credit.

2.3 Conceptual review

Social capital in regards to this study shall consider generalized norms, interaction, neighborhood connections and togetherness.

Generalized norms is in regards to the relational dimension of social capital. The relational dimension refers to the kind of personal relationships people have developed with each other through a history of interactions and shared norms (Davis, 2014). In regards to this dimension trust, trustworthiness,norms and sanctions, obligations and expectations are considered very important (Darvish & Nikbakhsh,2010). Norms refers to rules, expectatiosn are that are socially enforced, norms can refer to patterns of behaviour and internalized values that contribute to social order (Molborn, 2017)

Trust being part of norms, refers to the belief of intergrity, benevolence and ability of another party to not act in an individualistic or opportunistic manner that undermines the relationship (Udangiu, 2017). This in line with Kamukama and Natamaba (2013) who stated that social capital is about building relationships of trust that allow reciprocal exchange.

Reciprocity is the giving of benefits to another in return for benefits received, it is a definign feature of social excahnge and social life (Molm, 2010). Reciprocity according to Darvish and Nikbakhsh (2010) is viewed as functionalistic argmuments as the output of social systems, social capital theory, it has shifted to the attentions of trust towards economic cohesion and economic cooperations. Reciprocity and social capital , are critical in building savings groups, accessing credit for institutions and enterpreneurs (Haldar & Stiglitz, 2016)

One should distinguish among several aspects of the concept of reciprocity. In his “preliminary statement,” Papiloud (2018) already made important distinctions. A first distinction is between conditional and unconditional generosity in regards to reciprocity, in that reciprocity is unconditional fairness extended to others and reciprocity evokes obligations to others basing on past behavior interactions (Papiloud, 2018)

Past behaviours conduct are a result of past interactions and everyday socioability. Interactions in sociology can be understood to bethe dynamic, changing sequence of social actions between individuals or groups (Lumen, 2019). These interactions from the basis of social structure, and these interactions can be accidental, repeated, regular and regulated. These interactions in groups, networks entail informaiton (Darvish & Nikbakhsh,2010). These interactions take place in networks or groups of two(dyads), three (triads) and larger social groups (Lumen, 2019)

These social groups may include neighbors. Neighbors and number of social connections refers to the structural dimension of social capital which is measured by the network configurations (Darvish & Nikbakhsh, 2010). The networks can be small or large but the strength of tie is critical. The theory of the strength of weak ties, argues that individuals obtain new and novel information from weak ties rather than from strong ties (Lumen, 2019).

The strength of a link(an interperosnal tie) between actors in a network could be indicaed by the amout of time the link has been established, the degree of emotional intensity, and reciprocal services (Abbasi et al., 2014).

Solidarity is was original measured by Papiloud (2018) who stated that this is an awareness of shared interest, objectives, standards, sympathies creatign a psychological sens of unity in groups or classes. It is the ties that bind people together as one. In regards Papiloud (2018) soldiarity is sub divided into mechanical and organic solidarity. Mechanical solidarity is cohesion and intergration from homogeneity of individuals whilst organic solidarity comes from the interdependence that arises from specialization of work and complementarities between people.

2.4 The relationship between generalized norms of social capital and access to credit finance for small enterprise

Trust is a social phenomenon and essential belief that others will take others perspective into account when making decisions (Bongomin, Munene, Ntayi & Akol, 2017) It means they will not act in ways that violate the moral standard, of a relationship that is built on strong ties(Darvish & Nikbakhsh, 2010). It implies individuals in a group will seek ways to enhance, maintain a relationship and promote cooperative behavior.

In that the lack of trust amidst members increases vulnerability, trust and cooperation are needed to facilitate access to information and financial resources (Ogoi, 2017). A the center of social networks is the exchange/transactions based on mutual norms that create cooperative behaviour/ Entpreneurs will enter into relationships of trust so as to gain access to credit and financial resources (Motsau, 2017).

The absence of trust makes such transactions very difficult and credit access is limited (Adam and Nadif, 2013) . This means that these transactions can occure with balanced exchange, under formal monitoring with ensuring arrangements in which contracts get enforced by some third party (Abbasi et al., 2014). This implies the absence of trust makes the access of credit finance less affordable,not frequently accessed and in some cases denial to credit occurs.

The presence of trusts in all cases allows cooperation to emerge amongst individuals and differences are submerged. Microcredit programs usually grant credit through group meetings, group lending to promote social capital,cohesion amongst the individuals (Davis, 2014).

In most cases informal credit is extended among people that have built up trust and possess a good amount of social capital (Anderson & Obeng, 2017).

Trust provides a strategy to deal with interpersonal risk that emerges from the freedom of others, trust removes the problem of “strangeness” and limited information on their loyality, enimity and moral conduct (Davis, 2014.)
This view is in line with Torche and Valenzuela (2011) who presented that trusting others entails predicatability of behavior,moral character and the expectation that the trustee will keep the promise, pay debts, and repay the same favour at a future date(reciprocity of the same good behaviour.

Reciprocity in regards to Papiloud (2018) is a social dynamic whereby a person gives, recieves and returns. This refers to the efficacy of the gift, implying having received from others implies a rigorous commitment to give back or return what has been received since things do not circulate independently from people (Torche & Valenzuela, 2011).

Reciprocity is enforced by the members that exist in the group or by those that the individual interacts with. However these relations with individuals ie, familty can enhance or reduce reciprocity (Postelnicu, 2011). It may foster loan repayment, access to credit or it may lead to mutually agreed default behavior since the individual cant be punished by a family memebr.

This in turn will reduce accessibility, affordabilty in future for the credit and less frequent access in future for other members (Sarker & Islam, 2014). This means in order for there to be effective reciprocity, situations for everyday socialibitly and information exchange must exist (Ogoi, 2017).

2.5 The relationship between interaction of social capital and access to credit finance

Everyday sociability and information exchange refers to the network ties of social capital. These network ties influence both the access and exchange of knowledge and the anticipation of value through such exchange (Darvish & Nikbakhsh, 2010). The process of this interaction can take place usually when actors share “multiple bases for interaction in a dyad” such as when actors play different roles in a relationship, maintain different affiliations or engage in different types of exchanges (Ferraini,Fonti & Corrado, 2019).

According to Sarker and Islam (2014) the use of other banking products enables interaction to take place and banking official to acquire soft information. The frequent interaction and information exchange through other banking products leads to enhanced knowledge on the borrowers information (Ogoi, 2017).

Frequent interaction reduces transactions costs, this makes the access to credit more affordable, frequent and this ensures increased amounts to be learnt in future (Tchamyou & Asongu, 2017). Regular interaction through other banking products allows banks to ascertain the firm's quality, observe the repayment behavior and management competencies (Sarker & Islam, 2014).

The frequent interaction of other banking products upgrades a credit relationship to that which can yield benefits of flexibility in writing loan contracts,interest rates (Ostromogolsk, 2017).

The use of additional information based products creates more interactions opportunities with the lending institute. Increased frequency of interaction means more significant informal information is passed onto the lending institute (Vaateri, 2017). Such information which is used in decision making can increase the SMEs access to capital and reduce costs or can limit the small enterprises access and increase cost of capital (Moro,Fink & Kautonen, 2014).

Soft information exposes the true competences of the SMEs ability to consume capital and what rates are sutiable to pay for such capital (Eton, Mwosi,Mutesigensi & Ebong, 2017).

True competencies of small enteprises are not published in hard information documents but discovered through soft information which is accquired through social interactions (Angori, Aristei, & Gallo, 2019) .The visit of loan manager to suppliers of the small enterprise may reveal the hidden competencies of the SME managers in running their business and future prospective performance.
In regards to Moro,Fink and Kautonen (2014) this additional information is useful in assessing the creditworthiness of the SME, and may lead to a decrease in costs of capital.

Additional informal provided and discovered affects the nature of the relationship between the small enterprise and lending institute. A relationship that shifts from arms length to one of cooperation results into the bank tailoring its products and capabilities to meet the snall enterprises needs (Uzzi, 1999). In order for such tailoring to take place, the small enterprise owner must have good social networks and circles to build trustworthness to receive such preferential treatment.

2.6 The relationship between neighbourhood connections of social capital and access to credit finance

Social networks in regards to social capital are the stable links that establish cost effective economic transactions amidst members founded on mutual goals (Heshmati, 2013). Financial institutions may perceive potential clients that have wide networks to be more trustworthy, especially as those networks may overlap with the existing clientele of the institution.

An example of this would be an existing member of a credit co-operative to recommend another member (Heikkilä, Kalmi, & Ruuskanen, 2016). Networking and being in many social circles improves the small enterprises legitimacy in order to have access to external finance (Le & Nguyen, 2009).

Networking helps spread knowledge about the small enterprise, it helps the small enterprise learn appropriate norms and obtain the needed legitimate support, in essence networking is an effectual way for small enterprise to access credit finance (Heshmati, 2013). This in line with Sserwambala, Mwirumubi, and Olwor (2012) who aded that in regards to financial services the higher the social networking among consumers of financial services,the more there is increased likelihood for that individual to frequntly access and get affordable credit.

Small enterprise are very dependent on upon the managers or owners personal networks to afford the required resources (Heshmati, 2013). This view is best illustrated by Le & Nguyen (2009) who argued that the person to whom a manager of company is connectd to, indicates compentency and is a meausre of the individuals efficiency to run the small enterprise.

The social network in regards to the developing countery is even more critical. This implies that in developing counteries ties with government are critical for small enterprise survival (Le & Nguyen, 2009). Social networks are indicators of repuatation but also enable easier access to other sources of funding besides credit finance. Networking provides the small enteprise access to bank loans by providing infomration, knowledge and legitmacy advantage to enable the affordable, consistent access to credit.

2.7 The relationship between togetherness of social capital and access to credit finance

The participation in social groups, networking, and repeated interaction leads to the embedding of solidarty in the relations. Solidarity focuses on the degree of trust, familiartiy and bonding relations between individuals (Hao, 2011). Solidarity demonstratee the cohesiveness of collective identity and the efficacy of collective action. This is in line with Tesloni,Zissi, and Skapinakis (2012) who presented solidarity as " the extent to which members comply with their corporate obligations to contribute the groups joints goods" and it is conducive in the mobilization of collective actions for addressing common issues.

In regards to access for credit there is a common practice of bundling loans together through " solidarity lending". This is a system in which would be borrowers form groups in which each member agrees to guarantee the loans of others in the group (Haldar & Stiglitz, 2016). The driving force behind these groups is a mutual understandind and peer pressure, and solidarity that holds the group together (Banergee & Jackson, 2017).

Solidarity lending is also known as group lending. This can be applied by the small enterprise owner to gain access to the much desired credit. Group lending can be effective when members exhibit utmost trust for each other, and share the same norms as each participant (Tseloni, Zissi, & Skapinakis ,2010)

It is argued that solidarity is an accumulation of individual factors of social capital, translated into the potential for collective action (Le & Nguyen, 2009). This implemented results into improved access of credit for the small enterprises.

2.8 Emperical studies

The first study in regards to social capital was conducted by Kamukama and Natamba (2013) in which the study considered mediating effect of social capital in the relationship between social intermediation and financial inclusion. The study used a cross sectional design and quantitative approach to derive findings. The study concluded that drivers of financial inclusion are financial intermediation and social capital.

The other similar study was by Heikkilä, Kalmi, and Ruuskanen (2016) the focus was on aggregate level and individual level of social capital in the access to credit. The study utilzed second hand data and employed a qunatitative and qualitative approach to social capital on the average households in uganda.

The most recent study was conducted by Bongomin, Munene, Ntayi & Akol (2017) in which study considered how financial inclusion in rural areas takes place, using the role of social capital and generational values as the focal point.The focus on how social capital is used to pass generational values that can enable access to credit for the next generation of lenders.

2.9 Literature Gaps

Social capital was conceptualized and pioneered by Putnam (2001) and Bourdieu (2011) who presented social capital a social structure in which individuals have shared norns, trust that facilitates cooperation. In regards to social capital and access to credit, studies have in the past been conducted by (Heikkilä, Kalmi, and Ruuskanen , 2016) who considered the social capital at the aggregate and individual level in regards to accessing credit in a developing country context(Uganda). The study considered organization choice in regards to social capital and focused on individual and aggregate level of social capital. The study however did not cover the context of small enterprises and was not specific in terms individual entrepreneurship social capital impact on access to credit finance for small enterprises.

The other similar study in Uganda focused on social capital as a mediator in social mediation and access to microfinance Kamukama and Natamba (2013) this study emphasised that managers must emphasis agents of social capital(trust and networks) since collateral is social in nature in the marginalized communities. The study however does not consider the aspect interaction and togetherness in the business community of small enterprises enterpreneurs.The current study tries explain social capital directly as an influence on the access through regular interactions, togetherness, generalized norms and nieghbourhoodness towards access of credit finance.

Similar studies of like those of Bongomin et al. (2017) in which the focus has been the society and cultural generational use of social capital. The current study focus on the critical output of a relationship between social capital and access to credit finance amidst small entrerprenuers in rural environments.

2.10 Conclusions

Social capital has become a cross-cutting concept that touches many areas of sociology, Economics and Finance. In regards to the literature social capital as a theory is diverse, in that theory has so many definitions ,interpretations and this made it very difficult to limit what the theory is all about. The theory is still evolving and most authors focus on the dimensions in terms of the bridging, linking and bonding social capital dimensions. The concept has been linked to agricultural finance and rural groups for savings, and furthermore social capital is used as concept to overcome poverty, this makes it more complex to understand.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methodology to be adopted in the study. The specific issues addressed in this chapter include the :research design, study population, sample design and size, methods of data collection; reliability, validity, data analysis, measurement of study variables, limitations of the study and ethical considerations as well.

3.1 Research Design

The research was conducted in form of a case study which enabled the researcher to focus on a given unit of analysis in detail. A case study enables the researcher to develop an in-depth understanding of a particular situation according to Etyang (2019). A case study also enabled both quantitative and qualitative data to be collected in regards to social capital and access to credit finance at Duckhill MicroFinance institute.

The reason for a case study of Duckhill Microfinance is the fact that it is in area that has low credit uptake with many entrepreneurs who possess social capital. Both quantitative and qualitative approaches were used.

Quantitative data was utilized to establish the nature of the relationship between social capital network size and access to credit finance. Qualitative data in the study enabled a more enhanced understanding how social capital constructs of trust, togetherness affects access to credit finance.

3.2 Study Population

The population for the study comprised of two distinct groups of stakeholders. The first group was the employees of Duckhill MicroFinance in the respective branches (Iganga ,Pallisa,Mbale and Tororo branch). The second group comprised of clients were mostly small enterprise or need to start small enterprises.

The employees included Loan Officers, Loan and Credit Managers, and Marketing Officers. This brought the total individuals in a branch to four(4) individuals, and in total in the staff in all the respective areas to 16. The total clients in the Mbale area were 860, Iganga, 600, Pallisa 300 and Tororo 400 totaling a client base of 2160 individuals.

3.3 Sample Size

Since the number of clients is 2,160, this was too much, the task of sampling all of them would be time consuming, financial costly and difficult to acquire the desired cooperation. Sampling was a process of selecting a representative out of the entire population of interest .

To determine the minimum sample size the Slovenes formular was been used at a 0.05 level of significance which relates to a confidence level of 95%.

Slovin's formula: $n = \frac{N}{1 + Ne^2}$

Where: n= Sample size

N= population size

E= desired margin of error

For clients of Duckhill MicroFinance,

$n= 2{,}160/ 1 + 2{,}160(0.05)^2$

Therefore n= 337.5

Which means 338 respondents was used.

For Duckhill MicroFinance staff,

$n= 16/ 1+16(0.05)^2$

Therefore n=15

This is implied that 15 staff members

Table 1.1: Accessible population and sample size

Study population	**Target population**	**Sample Size**	**Sampling technique**
Clients of Duckhill MicroFinance- Mbale,Iganga, Pallisa, Tororo	2,160	338	Simple Random sampling
Staff and management of Duckhill MicroFinance- Mbale, Iganga,Pallisa, Tororo	16	15	Purposive sampling
Total Size	**2,176**	**353**	

Source : (Andama, 2016)

The sample size for the study was a total of 353 respondents.

3.4 Sample technique

The study used probability sampling techniques to avoid bias. According to Showkat and Parveen (2017) researchers must use probability sampling over non probability sampling so that they can generalize their results and reduce risk of bias. In addition probability sampling employed strict rules in the selection process, every unit of the population had an equal, calculable and none zero probability of being selected for the sample size.

This technique was relevant to the study, since it yielded a high degree of reliability and consistency for the results. Stratified sampling was used for the entire population, since the population is made of two major groups of employees and clients of Duckhill Micro Finance.
Stratified sampling was used on the general population of the study comprises of employees and clients of Duckhill Micro Finance. The employees shared similar characteristics of being employed, and they interact with the customers/clients on a regular basis.

Simple random sampling was used to sample the clients. In that all the clients had an equal chance of being chosen to participate in this survey.

Purposive sampling was used on the employees since not all the employees were involved directly in the interaction with the clients. Individuals in the marketing and loan approvals was sampled.

3.5 Sources of Data

The primary data for the study were obtained from the employees of Duckhill MicroFinance and clients in the respective branches through the use of questionnaires, interview guides in regards to respective themes.

Secondary data was derived from research publications, periodicals and reports from respective data collection agencies like Uganda Bureau of Statistics. This information was used in the analysis and review of literature.

3.6 Methods of data collection and instruments

In regards to data collection, survey guides, interviews and documentary review was used to acquire primary and secondary data.

3.6.1 Questionnaire

This method allows fast collection of data and enabled quantitative data to be gathered. The study used a self-administered questionnaire in which the respondents filed in the answers. This was done in the presence of the interviewer who provided support in terms of question interpretation. The questions asked were close ended.

A questionnaire survey which was self-administered of which close ended questions were used. Questionnaires are effective in getting information pertaining to perceptions of the respondents in regards to social capital duration of the relationships.

The respondents read and answered the questions without being influenced by the interviewer. In additions questionnaires enabled the respondent to answer when its most convenient without any pressure or exposure of identity(Etikan & Bala, 2017).

3.6.2 Interview

The type of interviews conducted were structured whereby the researcher set questions in advance and then ensures that the respondents give precise and quantifiable answers. The interview questions had a pre-set answer. The interviewer was administered directly or face-to-face in which the researcher interacted directly with one informant at a time.

The application of the interview guide instrument used to collect data from key loan officers and managers were able to establish strong social relations with certain clients. The selection of this respondents for interview gathered insights into how social relations are established, and how social capital is actually utilized in the process of securing access to credit.

This helped explain why certain constructs of social capital had a higher correlation rate compared to others.

3.8 Procedure for data collection

The researcher presented a letter of introduction to the Management of Duckhill MicroFinance from the Graduate School, when the management allowed or provided consent, the researcher proceeded to administer the research instruments. This was done when the study explained and all relevant queries on confidentiality and other related matters had were answered.

3.9 Reliability

To attain reliability of the findings, the researcher subjected the tools to test-retest reliability. The tools were administered to ten respondents, then findings analyzed. The tool was then re-submitted back to the respondents the second time after two weeks, to see if the findings were similar.

As recommended by Hoekstra,Vugteveen,Warrens and Kruyen (2019) if the coefficient of reliability is 0.7 and more the instrument is regarded reliable. The questions used were from other credible research surveys such as the World Values Survey, and World Bank Survey questions to ensure the consistency of results were realized.

In regards reliability, the table 2, indicates Cronbachs Alpha coefficients.

Table 2: Reliability results

Reliability Statistics		
	Cronbachs Alpha	**N item**
Generalized norms	.898	3
Interaction	.788	6
Neighborhood connections	.806	9
Togetherness	.777	2
Accessibility to credit finance	.798	4

Source: Primary Data

The reliability results in the table 2 indicate a high Cronbachs Alpha coefficient between .798 and .898 of the items used in the variables. This implies that the items adopted were deemed reliable.

3.10 Validity

For face validity of the instruments, the instruments were compared to other similar instruments. In particular the questionnaires were benchmarked to see if they were similar presentation and format to those of graduate level students and whether were in the appropriate presentation mode.

In regards to construct validity, the variables were run through SPSS and reliability analysis was done, on the pre-test questions, in which a score above 0.5 was considered acceptable.
In terms of content validity, the content validity index shall be used in which a score of above 50% will be considered acceptable.

$$\text{CVI} = \frac{\text{Number of items declared valid by judges}}{\text{Total number of items}}$$

The respective supervisors were to rank the clarity and relevance of the question items.
When it came to criterion validity the instruments were tested and tests scored in SPSS run twice to see if the results generated were the same.

To measure the criterion validity of a test, researchers calibrated it against a known standard or against itself. Comparing the test with an established measure was known as concurrent validity; testing it over a period of time is known as predictive validity (Sideridis, Saddaawi and Al-Harbi,2018).

Results of the $\text{CVI} = \frac{21}{29} = 0.7241$

The above validity results indicate a total of 21 items out of 29 items on the instrument were declared to be valid and considered for the study. CVI od 0.72% was reported after the computation.

3.11 Data analysis

The data from the study was collected, edited (cleaned to remove outliers) and analyzed to ensure accuracy and consistency of the information. The questionnaires were be assigned a serial number for identification purposes and the data was entered into SPSS tool.

The study made use of both inferential and descriptive statistics. The inferential statistics were used for inferences and predictions about social capital relationship in regards to credit access in other rural areas.

The descriptive statistics were be used on the background of the respondents, the mean, and standard deviation. Linear regression was be used to determine the overall ability of social capital to predict access to credit finance.

Simple Linear regression was used for the generalized norms, Interaction, neighborhood connections and togetherness of the social capital to predict the access to credit finance.

Pearsons Correlation Coefficient was used to determine how strongly the scores of four variables are associated with each other in the following objectives: to test objective 1 the relationship between generalized norms of the social capital and access to credit finance, to test objective 2 the relationship between interaction of social capital and access to credit finance and objective 3 the relationship between neighborhood connections of social capital and access to credit finance, and objective 4, the relationship between togetherness of social capital and access to credit finance

3.12 Measurement of variables

Social capital was measured by considering the:

i) generalized norms, ii) interaction of the social capital iii) neighborhood connections and iv) togetherness of social capital. The generalized norms of social capital was be measured in considering the degree of trust, and reciprocity in the relationship between group members and the loan officer.

Interaction considered the at the number of products or services that are consumed by the small enterprise owner enabling interaction with the microfinance. A list of services was to be outlined, the respondents were asked to tick of the number of services and the context in which they interact with the loan officers.

Neighborhood connections was measured by looking at the size of the network and the number social groups the individuals belong. The respondents shall be requested to mention on average the number of individuals they network and also provide reasons as to why they network.

Togetherness was measured by considering how much cohesion exists with the individual and his social group. Accessibility was measured by considering the frequency of loan access, amount approved and affordability. To measure application rate, respondents were requested to identify how many times they apply for loans, whether loans are affordable, and if they have been granted the loan.

The independent variable of the social capital, in particular trust and solidarity was measured using the five point Likert Scale(1-Strongly Agree, 2-Agree, 3-Not sure, 4- Disagree and 5-Strongly disagree) similar to what has been used previous researchers in this respective field.

The questions shall be developed using the World Values Survey and surveys developed by (Bongomin, Munene, Ntayi and Akol,2017). This choice of measurement relates the each point on the scale to a numerical score which was used to measure the respondents attitude and it is the most frequently used scale.

3.13 Ethical considerations

The study was conducted with the Research Ethics Committee regulations considered and no individuals' welfare was not hampered in the course of the study. The study was be in accordance with regulations of the university policies and also upheld the respective regulatory authority requirements.

In addition the anonymity of the respondents and participants was protected in regards to their wishes, whereby participants who wish to stop participation, their opinions and requests were be respected.

3.14 Limitations of the study

Instrumentation. In that most of the instruments that were used to measure social capital are not clear, and some variables are difficult to measure such as trust. This means the instruments had to be checked to ensure they measure the desired variable properly.

Testing. The instruments were tested, and generated a error, or did not measure the variable as clearly as expected. This meant re-testing was carried out, furthermore the testing group tends to was large and limited to the eastern region, hence limiting the ability to test for predictive validity.

Attrition. In that certain respondents in form of clients did not return filled in questionnaire, and therefore refused to be cooperative. A sample of above 80% return was considered acceptable. The more respondents who return the questionnaires were considered.

Interpretation of social capital factor trust and network size. Certain social factors had double meanings such network size, this may imply a small open network or small closed network. This was made clear when the variables were being measured , the instruments were tested to ensure they are able to make key distinctions

CHAPTER FOUR

PRESENTATION OF DATA, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter provides the presentation, analysis and interpretation of study findings based on the study objectives: the effect of duration of the relationship on access to credit finance, to determine the effect of multiplexity on the access to credit finance and quality of the relationship on access to credit finance. The chapter presents firstly the descriptive statistics to explain the background of the respondents. A correlation matrix is then used to determine the relationship between the constructs (duration of the relationship, multiplexity, quality of the relationship and accessibility).Simple regression models were extracted in the last sections.

4.2 Response rate

The total amount of questionnaire distributed were 250, the questionnaires collected back were a total of 220.

Table 4.2.1 Response rate of respondents

Category of respondents	Sample Size	Actual Response	Response rate
Clients of Duckhill	240	212	88.3%
Staff of Duckhill	15	8	53%
Total	**250**	**220**	**88%**

Source: Primary Data (2019)

The above shows a response rate of 88%. This was due to the fact that some questionnaires were not returned by respondents due to the fact that some were misplaced. In addition the high success rate was due to effective mobilization in terms of prior phone calls.

The questionnaires were also administered by data assistants led by the researcher in the different respective locations. This in line Radics, Sudipta, and Kelley (2014) who presented that although response rates of at least 80 percent are very good, rates below 80 percent (and above 40 percent) are not necessarily unacceptable. The study had a response rate of 80.5%, implying that sufficient responses enabled conclusions to be made.

4.3 Demographics of the respondents

This section contains information that describes the characteristics of the respondents. This includes the gender, education level, age, occupational position, and work experience.

Table 4.1 Respondents characteristics

Demographics	**Frequency**	**Percent(%)**
Gender		
Male	80	36.4
Female	140	63.6
Sub-total	**220**	**100**
Age bracket		
18-27	63	28.6
28-38	53	24.1
39-49	63	28.6
50-60	41	18.6
Su-total	**220**	**100**
Education level		
A-level	80	36.4
Diploma	45	20.5
Bachelor	39	17,7
Masters	8	3.6
Professional Certification	15	6.8
None	33	15.0
Sub-total	**220**	**100**
Current Occupation		
Owner of Small enterprise	122	55.5
Employee of small enterprise	41	18.6
Manager	18	8.2
Cashier	16	7.3
Informal Sector employee	23	10.5
Sub-total	**220**	**100**
Work Experience		
Less than 11 months	6	2.7
For 1 year to 3 years	87	39.5
For 3 years to 5 years	73	33.2
For 6 years to 9years	35	15.9
Over 10 year	19	8.6
Sub-total	**220**	**100**

Source: Primary Data (2019)

Results indicated in the table 4.1 show that majority of study respondents were female (36.4%) as compared to the males who constituted 36.4%. Results further indicated that most respondents were aged between 39-40 years of age(63.3%) and also between 18-27 years of age(63.3%). The implication of the results is that small enterprise owners who tend to apply for credit finance tend to be diverse , in that they include young and mature in age individuals. Table 4.1 Further indicates that about 36.4% of respondents had acquired secondary education . The implication is that majority of the respondents are not well learned enough to understand/appreciate the various ways of accessing formal credit finance so they rely on semi-formal credit finance. In addition it shows most small enterprise owners have limited education hence maybe why they prefer informal trade. In addition most of the respondents possessed work experience between 1-3 years (39.5%) this meant that they had limited work experience and information to provide to credit entities. This meant the respondents were small enterprise owners who struggle to get credit for their small enterprises.

4.5 Descriptive statistics of the study variables

The study variables that were adopted in the study include duration of the social capital, multiplexity and quality of the social capital. Respondents were requested to therefore indicate the degree to which they possess and use social capital to access credit finance.

4.5.1 Descriptive findings on the relationship between interaction, everyday sociability of the social capital on access to credit finance.

The researcher sought to understand the level to which small enterprise owners try to interact with the various products of the microfinance service provider. Respondents provided their views in relation to the extent to which they strongly disagree(SD),disagree(D), and not sure(NS), agree (A), strongly agree(SA).Various indicators of multiplexity were taken into consideration such as mean and standard deviation. Mean scores are interpreted as follows: (4.20-5.00 very high), 3.4-4.19(high), 2.60-3.39 (average),: 1.80-2.59(low) and 1.00-1.79 (very low). The results are presented in table 4.2 on the next page.

Table 4.2 Descriptive findings on interaction, and everyday sociability on the access to credit finance

	Mean	**Std Deviation**
The type of information you get from the loan officer is in regards to finance, interest information, business advice and social information.	4.5591	.67652
The ability talk with loan officer in finance related matters	4.7227	2.78129
I talk with loan officer in social events, weddings and meetings	3.4682	1.59448
I often do use other products of finance institution	3.7545	1.47853
In regards to your family, you talk to many members in day.	4.4318	1.01580
In regards to your social circle of friends, you talk many members in a day	4.4091	1.12095
In regards to associations, you belong to many different associations	4.2545	1.30986
In the last six months you attended association meetings regularly	4.2250	1.36693
Grand Mean	**4.2250**	**1.4180**

N=220

Source Primary Data(2019)

Results in table 4.2 from the previous page indicate interaction and every day sociability has a high grand mean (M=4.2250, SD-1.4180). The above indicates that on average small enterprises owners agreed that they do interact with the microfinance providers in others aspects to build up social capital. However , a mean of 3.46 indicates that most respondents are cordial with loan officers in social events.

This meant that the ability of small enterprise owners to get information from loan officers is based on their interaction and ability to connect with the loan officer.

This is similar to Ogoi (2017) who presented the view that frequent interaction leads to enhanced knowledge about the borrower.

A confirmation of this was from one of the respondents in an interview : Some key informant revealed that *...."Loan officers can be easy to talk to, depending on how you know them, but most people do not want to let people know that you have a loan with a particular individual. The respondents also made it clear it is good to attend all association meetings, group meetings in outreach of the microfinance so that they can borrow more funds in future."* This meant that the being to have a relationship with the loan officer in other social situations helped pass on soft information.

In regards to the network size and social network attendance/meetings the study findings reveal there was a very high mean(M=4.25, SD =1.30) implying that on average most of the members undertake a lot of social networking. In that the respondents are involved in other social gatherings, they share information with people outside their networks in order to improve their access to other resources.

This was in line with the one of the comments from the interview *: "It is always good to network and be part of other groups, you never know who can help you or you may need to help . The more people they know, the more better for them in terms of acquiring favors."* This meant that being able to network, be active in association meetings, savings groups created a reputation that would help in accessing credit if used well.

4.5.2 The relationship between togetherness of the social capital and access to credit finance

The intention of the variable was to measure solidarity are effective in strengthening a relationship to create access to credit finance. The respondents provided their degree of agreement in regards to the statements of trust and solidarity with a Likert scale of 1-5.

Table 4.3 shows the means and standard deviations to measure the effect of solidarity on the access to credit finance. Mean scores as interpreted as follows: 4.20-5.00(very high): 3.4-4.19(high) , 2.60-3.39(average) : 1.80-2.59(low) and 1.00-1.79(very low).

Table 4.3 Descriptive findings on the togetherness of social capital and access to credit finance

	Mean	Std Deviation
Loan officers from this Microfinance service provider can be trusted.	4.9000	1.53213
Relatives and family members always work together to repay loans when a member fails to repay.	4.7682	1.57673
Friends in the business community or association always work together to repay loans when a member fails to pay back.	4.0091	1.47853
We can expect our friends and family to pay back when it comes lending money and borrowing.	3.9364	1.30985
Grand Mean	**3.9121**	**1.53231**

N= 220
Source Primary data (2019)

The results from the table 4.3 above indicate that togetherness of the relationship and access to credit finance indicate a average grand mean (3.9121) and standard deviation of (1.53231). This means that solidarity is considered a important element in the relationship when trying to access credit finance.

In terms of the trust extended to the immediate friends and family the results show an average mean of 3.2045 implying that to lend funds or to access credit finance group solidarity must be present in the immediate social circles of the individual.

This is in line with the view of Ogoi (2017) that managers can use their goodwill, trust, and cooperation among members to establish networks with similar firms and thereby gaining access to financial resources for their business.

This in line with one of the interview correspondents who presented that *: "Before they can lend or borrow money, there needs to be general trust, people now days fear being cheated, so trust is the important thing first before money can be lent or shared and that the members will help in paying the loan incase the friend fails"* This meant managers who have taken time to cultivate a good reputation, trust and consistency in behavior will be able to access credit from both formal and informal sources very easily.

The results further show that trust in the loan officers from the particular microfinance provider can be trusted, since it holds the highest mean(4.9000). This solidarity is also seen in the business community in which item 3 has the mean of 4.0091 in which members in the business circle of friends display unity or cohesiveness in trying to help the friend clear loans. This in line with the respondents who presented : " *When people trust each other, they behave well and don't do things to undermine the relationship. They also act in accordance to keep the relationship on good terms"* This shows that when trust is created, solidarity emerges which acts as a gurantee that no bad behavior will occur.

4.6 The findings on the relationship between the study variables

This section presents the relationships between generalized norms of social capital, interaction and everyday sociability, neighborhood connections and togetherness of social capital in regards to access to credit finance. Pearson's Movement Correlations was executed and a simple linear regression was used. Pearson's correlation was utilized to establish the link between accessibility of credit finance and the various independent variables.

4.6.1 The relationship between generalized norms of the social capital and access to credit finance

In order to determine the relationship duration of the social capital and access to credit finance, a correlation was employed to the test the relationship, this was revealed in the next page table given

Table 4.3 Pearson Correlation Analysis

Variable		**1**	**2**	**3**	**4**	**5**
Generalized Norms(1)	Pearson	**1**				
Interaction and Everyday Sociability(2)	Pearson	**.193****	**1**			
Neighborhood connections (3)	Pearson	**.338****	**.421****	**1**		
Togetherness (4)	Pearson	**.882****	**.089****	**.332****	**1**	
Access (5)		**.395****	**.209****	**.261****	**.397****	**1**
	Notes: n=220: *p<0.01 (2 tailed),					

Source: Primary Data(2019)
*****.Correlation is significant at the 0.01 level (2 tailed).***
N=220

The findings from the table above 4.3 depict that is a significant positive relationship between generalized norms and access(r=395, P<0.01). This implies that small enterprise owners that apply for credit must build up trust and display back willingness to pay. This is in line with Anderson and Obeng (2017) who made it clear that informal credit is extended among people that have built up trust.

The study shows that certain norms of trust, reciprocity are associated with enabling the access to credit finance that is affordable and creating frequenting access. This meant that trust and togetherness play a critical or major association with access to credit.

In a order to understand the direction of the relationship between generalized norms of the social capital and access to credit finance a simple regression analysis has been performed.

Table 4.4 Regression results on the relationship between generalized norms of the social capital and access to credit finance

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.146	.230		9.341	.000
	GNS	.344	.054	.395	6.350	.000
		R .395[a]	**R Square** .156	**Adjusted R** .152	**F** 40.317	**Sig** .001[b]

a) Dependent variable: Access to credit finance

b) Predictors(Constant) ,Generalized Norms of the social capital

Source : Primary data(2019)

Results in table 4.4 indicate that the model does fit well and that generalized norms can predict the access to credit finance (F-statistic =40.317, p-value<0.01). The model indicated that generalized norms explains the access to credit finance by 15.2%(Adjusted R^2=.152). It also indicates that there was a positive significant effect of generalized norms and access to credit finance (β=0.395). This means that any change in generalized norms on average brings a 39.5% change in access to credit finance. This is in line with Torche and Valenzuela (2011) who presented that trusting others entails predicatability of behavior,moral character and the expectation that the trustee will keep the promise, pay debts, and repay the same favour at a future date(reciprocity of the same good behaviour).

The study shows that by possessing certains norms of trust, reciprocity it will bring an increased effect in the access to credit finance by small enterprise owners. This means that enterpreneurs and the local community values trust in terms of providing informal and formal sources of credit.

4.6.2 The relationship between interaction and everyday sociability of social capital and access to credit finance

The process of being able to create generalized norms can not take place in isolation ,this occurs through interaction and everyday sociability. A correlation analysis is as presented :

Table 4.5 Correlation between interaction and everyday sociability of the social capital and access to credit finance

		Interaction and everyday sociability of the social capital	**Access to credit finance**
Interaction and everyday sociability of the social capital	Pearson	1	.209**
	Sig(2tailed)	0	0.000
	N	220	220

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

Source Primary Data(2019)

The results in the above table, indicate that is a positive significant relationship between interaction, everyday sociability and access to credit finance (r=209, P<0.01). This means that frequent interactions allows information exchange which enables frequent access to credit finance in future. This is similar to Vaateri (2017) who mentioned the use of additional information based products creates interaction, allowing significant informal information to be passed onto the lending institute.

The study shows that by being able to interact with the lending institute or loan officers in many different social events, through different company products soft information about the business state is passed onto the credit officer enabling the loan officer to evaluate the character , of the lender and then allow them access to credit finance in future. The entrepreneur is seen a social networking individual who has to been known and respected in the community.

To understand this relationship, a linear regression has been carried out. The results are therefore presented as follows:

Table 4.6 Regression results on the relationship between interaction and everyday sociability of the social capital and access to credit finance

Coefficients

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	2.306	.388		5.944	.000
	ISY	.288	.091	.209	3.153	.002
		R .209[a]	**R Square** .044	**Adjusted R** .039	**F** 9.943	**Sig** .001[b]

a. Dependent variable : Access to credit finance
b. Independent variable(Constant), Interaction and everyday sociability

Source : Primary Data(2019)

In regards to the above table, the model fits well and that interaction and everyday sociability predicts access to credit finance (F-statistic =9.943, $P<0.01$). The models shows that interaction and everyday sociability explains the access to credit finance by 3.9% (Adjusted $R2=0.039$). This also means that there is a positive significant relationship between interaction, everyday sociability and access to credit finance ($\beta= .209$) This means a change in interaction, everyday sociability brings a corresponding change in access to credit finance. This implies that frequent interactions, and every day sociability allows loan managers to learn about the competencies of the small enterprises which is useful for assessing the creditworthiness of the small enterprise (Moro,Fink and Kautonen, 2012).

The study shows that everyday interaction and information access allows the unpublished or unprinted information capabilities to be known which lead to frequent access of credit finance that is affordable or can be tailored to the needs of the small enterprise. The ability to create chances for interacting, talking and being very social in the community enables access to credit.

4.6.3 The relationship between neighborhood connections of the social capital and access to credit finance

The everyday socializing and interactions allows information to be passed but also connections to be made. It is important therefore to understand how these social neighbor connections enable access to credit finance. A correlation table has been presented to outline the relationship between neighborhood connections of the social capital and access to credit finance.

Table 4.7 Correlation between neighborhood connections of the social capital and access to credit finance

		Neighborhood connections of the social capital	**Access to credit finance**
Neighborhood connections of the relationship	Pearson	1	.261
	Sig(2tailed)	0	0.000
	N	220	220

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

Source: Primary Data(2019)

Results in the above table, show that a positive significant relationship exists between neighbourhood connections and access to credit finance (r=.261, P<0.01). This shows that social circles one belongs is associated with their ability to access credit finance. This is in line with Heshmati(2013) who presented that social networks in regards to social capital are the links that enable cost effective economic transactions amidst members.

The study presents that have a social circle, association or being part of group enables access to credit finance since this social circle has some benefits that are accorded to the small enterprise owner. The participation in this circles or groups by the entrepreneur is very important since it allows favors and other items to be easily exchanged when need arises.

Results in the previous table indicate existence of a positive significant relationship. A regression analysis has been presented to understand the nature of this relationship between neighborhood connections and the access to credit finance, as follows

Table 4.6 Regression results on the relationship between neighborhood connections of the social capital and access to credit finance

Coefficients

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	1.895	.410		4.618	.000
	NHS	.370	.092	.261	3.999	.000
		R	**R Square**	**Adjusted R**	**F**	**Sig**
		.261[a]	.068	.064	15.992	.000[b]

a. Dependent Variable: Access to credit finance
b. Predicators(Constant) Neighborhood connections

Source: Primary Data(2019)

The results from the above table 4.6 show that model fits well, in that the neighborhood connections significantly predicts access to credit finance (F-statistic=15.992, $P<0.01$). The model indicates that neighborhood connections predicts the access to credit finance($\beta= .261$). This implies that a change in neighborhood connections brings about a change in access to credit finance by 26.1%. This means the more social circles, groups or networks an individuals belongs to the more their chances are to access credit finance, this is in line with Sserwambala,Mwirumubi and Olwor, (2012) who presented that in regards to financial services the higher the social networking among consumers of financial services,the more there is increased likelihood for that individual to frequntly access and get affordable credit.

This study shows that by belonging to circles,associations of individuals that display reciprocity,trust the reputation of the small enterprise owner improves and this enables the increased access to credit finance.The quality and size of these networks communicates a lot about the small enterprise owner when it comes to accessing credit.

4.6.5 The relationship between the togetherness of social capital and access to credit finance

As individuals network, key outputs from these socializing are solidarity and togetherness displayed in the members. The following table considers the correlation between togetherness of social capital and access to credit finance as presented:

Table 4.7 Correlation between the togetherness of social capital and access to credit finance

		Togetherness of social capital	**Access to credit finance**
Togetherness of social capital	Pearson	1	.397
	Sig(2tailed)	0	0.000
	N	220	220

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

Source: Primary Data(2019)

From the above table, there is a positive significant relationship between togetherness of social capital and access to credit finance(r= .397**,P-value<0.01). This implies that togetherness in the form of solidarity and that individuals who display cohesion act as surety towards the enterprise owner to access credit. This is similar to Tesloni,Zissi, and Skapinakis,(2012) who presented that borrowers from groups to act as surety or guarantee the payment of loans.

The study contributes by showing that togetherness or solidarity creates confidence in the entrepreneur that they shall pay, hence they have increased access to credit finance opportunities. The ability to display cohesion and be part of the group shows consistent behavior and helps the entrepreneur to gain the same favor back when accessing credit.

Table 4.8 Regression results on the togetherness of the social capital and access to credit finance

A regression analysis has been presented to show the nature of the relationship between social capital and access to credit finance.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.661	.158		16.881	.000
	TGS	.203	.032	.397	6.377	.000
		R .397[a]	**R Square** .157	**Adjusted R** .153	**F** 40.669	**Sig** .001[b]

a. Dependent Variable: Access to credit finance
b. Predicators(Constant) Togetherness

Source: Primary Data(2019)

From the above table 4.8 it shows that that the model fits and that togetherness significantly predicts the access to credit finance (F-statistic = 40.699, P-value<0.01). The model indicates that togetherness predicts access to credit finance (β= .397) . This means a change in togetherness brings about a 39.7% change in the access to credit finance. This shows that when members comply and work together, they are able to overcome common challenges such as limited access to credit finance, this in line Tesloni,Zissi, and Skapinakis,(2012) with who argued that solidarity as “ the extent to which members comply with their corporate obligations to contribute the groups joints goods” and it is conducive in the mobilization of collective actions for addressing common issues.

The study contributes by showing that when memebers display a high degree of solidariy, cohesion they are able to work collectively to enable a fellow member(small enterprise owner) to access credit, that is affordable, in the required amount and frequntly over time.

CHAPTER FIVE
DISCUSSION OF FINDINGS, SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the discussion of the findings, summary and conclusion. Recommendations can also be found in this very chapter regarding improving access to credit finance for small enterprises. This very chapter has explanations on how, generalized norms, interaction and everyday sociability, neighborhood connections and togetherness of social affect the access to credit finance. An overall view is provided to what extent social capital can be used to improve the access to credit finance. The study findings also depict how the findings relate to theory of the study.

5.1 Discussion of the findings

The following section considers how generalized norms, interaction, neighborhood connections and togetherness constructs actually effect the access to credit finance. The findings are presented and contrasted in regards to the relevant academic authors.

5.1.1 The relationship between the generalized norms of social capital on access to credit finance

The findings in the study showed that there is positive significant relationship between generalized norms of social capital and access to credit finance. This meant that norms of trust and reciprocity are important hence small enterprise owners must build up trust, display the willingness to pay back loans from informal lenders.

This is finding is line with Anderson and Obeng (2017) who made it clear that informal credit is extended among people that have built up trust. Furthermore the findings in the study illustrated that norms of trust, reciprocity brought about a change in access to credit finance.

This meant that trusting others, showing predictability in behavior is critical in access to credit.

This was in line with Torche and Valenzuela (2011) who presented that trusting others entails predicatability of behavior,moral character and the expectation that the trustee will keep the promise, pay debts, and repay the same favour at a future date(reciprocity of the same good behaviour.)

The current study therefore contributes to literature by presenting trust and reciprocity as critical in the access to credit finance when in a social group. The display of trust and reciprocity enables preferential treatment to be accorded to members allowing the small enterprise owner to access the credit finance despite many barriers existing(Motsau, 2016) This supports the social capital theory that when individuals belong to a group, they get preferential treatment and are further allowed to access certain resources which are limited from outsiders(individuals who are not part of the network).

The study findings also showed that generalized norms predict access to credit finance but can also hinder the access to credit finance. Since the relationship is positive in nature, it also means when a certain amoutn of reciprocity is not used well may not foster loan repayment. This is simialr to Postelnicu, Hermes and Juarez (2015) who stated that however these relations with individuals ie, familty can enhance or reduce reciprocity.

It may foster loan repayment, access to credit or it may lead to mutually agreed default behavior since the individual cant be punished by a family member.

This study contributes to the literature by showing that when reciprocity is present amidst the members, payment of loans is guaranteed and this ensure frequent access to loans, but also when there is reciprocity of bad behaviour access to credit finance gets reduced for other members in future. The display of trust and reciprocity can be seen mostly through the interactions and everday social exchanges that take place.

5.1.2 The relationship between interaction and everyday sociability of social capital and access to credit finance

The findings revealed that interaction, everyday sociability of social capital has a positive significant relationship with the access to credit finance. The use of additional products creates opportunities for interaction and information exchange between loan officers and owners of small enterprises.

This is similar to Vaateri (2017) who mentioned the use of additional information based products creates interaction, allowing significant informal information to be passed onto the lending institute. The study contributes to the literature in that by being able to interact with the lending institute or loan officers in many different social events, through different company products soft information about the business state is passed onto the credit officer enabling frequent access to credit finance in future.

The findings also showed that interaction and everyday sociability brings about a change in the access to credit finance, this implies that through this social interactions, connections are made in which confidence and trust is built up to allow the loan officer(credit provider) to access some information at a reduced cost. This is in line with Moro, Fink, and Kautonen (2012) who presented that frequent interactions allows loan managers to learn about the competencies of the small enterprise that are useful in assessing the credit worthiness.

This study contributes to the literature by showing that accessing information to credit worthiness is not the only information needed, but also information about the lenders character(degree of trust, reciprocity and social network solidarity) are critical. In that individual with a social capital is most likely to gain access to credit finance but also get the credit finance provider to tailor the products to meet the small enterprises needs.

This shows that individuals with high social capital will get the preferential treatment when accessing the much needed credit finance over individuals with low social capital.

5.1.3 The relationship of neighborhood connections of social capital and access to credit finance

The findings from the study showed that a positive significant relationship exists between neighborhood connections and access to credit finance. In that the social circles one belongs to are important when it comes to accessing credit finance. This is in line with Ogoi (2017)who stated that managers can use their goodwill, trust and cooperation among members to establish networks with similar firms gaining access to financial resources.

These social circles allow effective and economic transactions to occur much faster. This is in line with Heshmati (2013) who presented that social networks in regards to social capital are the links that enable cost effective economic transactions amidst members.

The study contributes to the literature that to have a social circle, association or being part of group enables the member to gain a good reputation, participate in resource mobilization and most importantly display acts of solidarity, trust and group norms.

This enables the group to support the enterprise owner in the access of credit but also in ensuring that the credit is paid back. Belonging to a social association is very important when it comes to accessing credit.

The findings of the study showed that neighborhood connections predicts a change in access to credit finance. This means that being part of a social association can act as an enabler in accessing credit finance since these association members can act as recommendations to the lender. This is line with Sserwambala,Mwirumubi and Olwor (2012) who presented that in regards to financial services the higher the social networking among consumers of financial services,the more there is increased likelihood for that individual to frequntly access and get affordable credit.

The study contributes to the literature review that individuals/small enterprise owners in associations, and saccos must display reciprocity, trust and establish a good reputation so as to increase on their access to credit finance frequently in future. Banerjee and Jackson (2017)

5.1.4 The relationship between togetherness of social capital and access to credit finance

The findings from the study show that there is a positive significant relationship between togetherness of the social capital and access to credit finance. The solidarity of social capital acts as a big guarantee when lending, in that it is the collateral to the small enterprise owner. This is in line with Banerjee and Jackson (2017) who presented that borrowers from groups to act as surety or guarantee the payment of loans. The study contributes to the literature in that solidarity is very important, the entrepreneur must show that he will pay, and that he can pay also for other members when they are faced in moments of financial trouble.

This will build trust, cohesion in the group to support the enterprise owner in his time of need to access credit finance also.

The study findings also revealed that togetherness contributes to a change in the access of credit finance. The implication is that the member must comply and work together to overcome common challenges this in line with Tesloni ,Zissi and Skapinakis(2010) who argued that solidarity as “ the extent to which members comply with their corporate obligations to contribute the groups joints goods” and it is conducive in the mobilization of collective actions for addressing common issues. The study contributes to the literature by showing that when memebers display a high degree of solidariy, cohesion they are able to work collectively to enable a fellow member(small enterprise owner) to access credit, that is affordable, in the required amount and frequntly over time. This is inline with the social capital theory that states when solidarity exists, reciprocity becomes easy and therefer preferential treatement allows access to some of the embedded resources.

5.2 Summary of the findings

Generalized norms of trust, reciprocity are very important in enhancing the access to credit finance. The access to affordable, frequent and desired amount of credit finance is based on some social capital basics of trust, reciprocity and this evidenced by the groups the small enterprise owner belongs to.

The interaction and everyday sociability enables the access to credit. These interactions enable information exchange and remove the information opaqueness of the small enterprise.

Neighborhood connections and the size of the social network or circles the entrepreneur belongs greatly improve the access to credit finance. These social connections convey reputation, competence and ability to pay back the accessed credit.

Togetherness in the form of solidarity is important in accessing credit finance. The display of cohesion and solidarity enables the group to act as collateral but also to ensure that norms and sanctions are upheld.

5.3 Conclusion

The main objective of the study was to examine the relationship between social capital and access to credit finance in Eastern Uganda. The study findings indicated that generalized norms and togetherness of the social capital have a greater effect on the access to credit finance. In that social capital enables the access to credit finance when trust, reciprocity and solidarity exist in the social group the loan applicant belongs to. This will greatly enable the access to credit finance.

Other constructs such the everyday sociability, neighborhood connections are important since the social network size is based on how the individual interacts with the different groups and the loan officer. These networks pass on critical information to the loan officer greatly enabling the access to credit finance also.

5.4 Recommendations

The researcher recommends that building generalized norms are important since there is relationship between generalized norms and access to credit finance. Small enterprise owners must demonstrate high social capital through showing interpersonal trust and reciprocity in the social groups they belong when doing business. They must demonstrate consistent behavior through fair dealing with their suppliers, friends, business community and must act equally back when kindness/favor has been extended to them. This will create a higher social capital for them in their social groups.

There is need to conduct social interactions and every day sociability. This must be done through regular meetings or discussions with loan officers outside the work setting to enable information exchange about the capabilities of the business and the entrepreneur. This will enable the loan officer to access soft information about the credit worthiness and create credit finance that is tailored to the small enterprises needs.

Small enterprise owners need to build or get involved in associations or savings group so as acquire the technical assistance and reciprocity in accessing credit finance. This can be rhough frequent participation in associations which will convey information about the reputation of the entrepreneur, the business and this can act as collateral when it comes to accessing credit finance.

The small enterprise owners must display togetherness and solidarity in the group through savings, offering information when requested since togetherness enables the access to credit finance in future. The small enterprise owner must be able to utilize this solidarity when it comes to accessing his credit finance by requesting on the members to help act as collateral in his time of need(reciprocate back).

5.4 Suggestions for further research

The study has been able to make many recommendations but there have been significant limitations, in terms of the interpretation. In that most individuals were not aware on how to improve in their relationships to bear fruits of access to credit. Further studies need to be undertaken to find out how long term or short term relationships affect the access to credit and when such relationship must be brought to an end.

The study focused on rural small enterprise, there is also need to focus on technology startups since they tend to rely more social capital to access credit finance but also to access intellectual capital in their operations. This would shed more on light on how significant social capital is in helping a small enterprise overcome its growth challenges besides the accessibility to finance.

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Appendix 1 Questionnaire

KYAMBOMGO UNIVERSITY, SCHOOL OF MANAGEMENT AND ENTREPRENEURSHIP,

Dear respondent

I am a Master of Business student conducting study on the effect of Social Capital on the access to credit finance. You have been selected for this study , to provide the required information to achieve the study objective. If any of the questions make you feel uncomfortable, or you don't want to answer, you at liberty to decline. Much appreciation will be extended to questions that answered with honestly and openness. If you agree to participate in the study, you answers will be confidential. The response you give will be combined with those of other respondents then compiled into a report. The results will be shared with the requested parties. Thank you so much.

SECTION A BACKGROUND INFORMATION REGARDING THE RESPONDENTS

1. Gender

   Male ☐

   Female ☐

2. What is the highest level of education that you have attained?

   Diploma ☐ Masters and Post Graduate ☐

   Degree ☐ Professional Certification ☐

   None ☐ A-level or O-Level ☐

3. State which period you were born in.

   1959-1969 ☐

   1970-1980 ☐

   1981-1991 ☐

   1992-2001 ☐

4.What is your current position in the organization or your business?

   Owner ☐ Manager ☐

   Employee ☐ Cashier ☐

Other specify:………………………………………..

5. How long have you worked in this particular organization or business

Less than 11 months

For 1 year to 3 years

3 years to 5 years

6 years to 10 years

Over 10 year

Generalized Norms

Interpersonal Trust

On a scale of 1-5, tick how strongly you agree or disagree with the statements given.

5 = Strongly Disagree, 4 = Disagree , 3 =Not sure , 2 = Strongly Agree , 1 =Agree

4. Most individuals can be trusted in the immediate community.	5	4	3	2	1
5. People generally trust each other in matters of lending and borrowing money.	5	4	3	2	1
6. Relatives and family friends can be trusted when it comes to lending and borrowing money.	5	4	3	2	1
7. Friends in the business community can be trusted when it comes to lending and borrowing money.	5	4	3	2	1
8. Loan officers from other Micro Finance service providers can be trusted.	5	4	3	2	1
9. Loan officers from this finance institute can be trusted.	5	4	3	2	1
10. Relatives and family members always work together to repay loans when a member fails to repay.	5	4	3	2	1
11. Friends in the business community or association always work together to repay loans when a member fails to repay.	5	4	3	2	1

12. We can expect our friends and family to pay back when it comes to lending and borrowing money.	5	4	3	2	1

Interaction and everyday sociability

Everyday sociability & Information Exchange

13. The type of information you get from you loan officer is in regards to finance, interest information, business advice, social information.	5	4	3	2	1
14. I talk often with the loan officer in finance related matters.	5	4	3	2	1
15. I talk often with the loan officer in social events, weddings, and meetings.	5	4	3	2	1
16. I often do use other products of the finance institution.	5	4	3	2	1

Neighborhood Connections

Number of social circles belongs i

17. In regards to your family, you talk to many members usually in day.	5	4	3	2	1
18. In regards to your social circle of friends you talk to many members usually in a day.	5	4	3	2	1
19. In regards to association, you belong to many different associations.	5	4	3	2	1
20. In the last six months you attended association meetings regularly.	5	4	3	2	1

Togetherness

Solidarity

21. Loan officers from this finance institute can be trusted.	5	4	3	2	1
22. Relatives and family members always work together to repay loans when a member fails to repay.	5	4	3	2	1
23. Friends in the business community or association always work together to repay loans when a member fails to repay.	5	4	3	2	1
24. We can expect our friends and family to pay back when it comes to lending and borrowing money.	5	4	3	2	1

SECTION E ACCESS TO CREDIT FINANCE

On a scale of 1-5, tick how strongly you agree or disagree with the statements given.

1 =Strongly Agree 2 = Agree 3 = Not Sure 4 = Disagree 5 = Strongly disagree

25. You have applied for a loan at bank and been rejected before.	5	4	3	2	1
26. You spend over 2 hours trying to reach a bank or lending institute.	5	4	3	2	1
27. Interest rates in most banks are very expensive.	5	4	3	2	1
28. Interest rates in semi-formal institutions are very expensive and high	5	4	3	2	1

----------------------------------THANK YOU---

Appendix 2 Interview Guide
KYAMBOMGO UNIVERSITY, SCHOOL OF MANAGEMENT AND ENTREPRENEURSHIP, Dear respondent

I am a Master of Business student conducting a study on THE EFFECT OF SOCIAL CAPITAL ON THE ACCESS TO CREDIT FINANCE. You have been selected, to provide the required information to achieve the study objective. If any of the questions make you feel uncomfortable do not answer, you are at liberty to decline. Much appreciation will be extended to questions that are answered with honesty. And openness. If you agree to participate in this study, your answer will be confidential. Thank you so much.

Opening Questions

1 What do you consider important ,when it comes to keeping a long term relationship?

- Trust and solidarity
- Multiple use of the individuals involved
- Resources involved
- Financial benefits from the relationship

2 What do you consider important ,when it comes to keeping a short term relationship?

- Resource benefits
- Age of the individuals
- Trust and solidarity

3 Which type of relationship do you prefer to keep ,in regards to dealing with the loan officer or the money lender and why?

- Short term – for short financial gains, and goals
- Long term- for long term benefits ie trust, solidarity and financial help.

Generalized Norms

4.What are the cultural or social norms of interaction when dealing with:

- members of the family
- friends and business associates
- financial institutions.

5.What does the group consider as not acceptable or very bad?

6What does the group do to enforce such “unacceptable behavior” is not tolerated?

Interaction and everyday sociability

7 What type of information do you usually get from your loan officer?

- Finance related information
- Business advice information
- Social information about other individuals

8 What enables you to get such information or why does he/she provide such information to you?

- Close long term relationship
- Trust and Solidarity
- Quality of the relationship with the individual and his/her personality

9 What limits or enables you to interact with the loan officer outside finance matters?

- Individual character and ability to network
- Social capacity of the individuals
- Trust and solidarity

Neighborhood connections

10 In your community what are the important social groups? (eg. are they identified by caste, religion, ethnicity, race, region or association affiliations)

11 How long have you been part of the lending group or been a lender? How well do you know your group members or the lending officer?

12 Has a new member been admitted into the group or into the interaction with you and the loan officer? Why or why not?

Togetherness

13Who do you rely on assistance when it comes to financial advice matters and why?

- Family and relatives
- Business associates
- Friends in groups and social settings

14 Who do you rely on assistance when it comes to getting loans for:

- Small amounts(below Ushs1,000,000) of money
- Large amounts(above Ushs1,000,000) of money. (and why?)

15 How much trust do you accord to the loan officer, or the person borrowing the money and Why?

A lot-due to past actions of trust, commitment, solidarity and integrity
Average-due to the fact the loan officer has not been so social with me.
A little- due to the fact that we discuss on finance related matters.

16 Do patterns of mistrust or suspicion exist between some group members?

No-since all group members must behave in specific way and no one acts in a selfish manner
Yes- since they are some individuals who acted in self-profiting manner over others

17 Do patterns of mistrust or suspicion exist between you and the lending institute?

No-since the institute has acted in a professional manner

Section E Access To Credit Finance

18 In regards to accessing credit finance, which source of finance do you prefer to use and why?

Formal- since the credit is affordable but slow/takes long to access.
Informal – since the credit is fast but also very costly.

19 What is the main reason that you are denied being granted a loan and why?

Formal institutes- In that you lack collateral to grantee the repayment of the loan.
Not enough security- In that you don’t have assets to secure a loan.
Considered risky- In that your not the type of client they want.

20 Do you think your social connections are valuable enough to enable you to access credit and why?

Yes, I network frequently hence I can be in position to get what I want.
No, the people I network with are not able to help in such matters.

Appendix 7 Map of Eastern Uganda, Area of research ,Pallisa, Iganga, Tororo and Mbale