Financing Options and Sustainable Small Business Growth in Uganda: An Optimal Model

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Abstract

Small businesses in Uganda continue to lag behind trends in terms of sales turnover profitability, employee growth, while others rarely live to celebrate their first birthday due to various constraints of which financing is at the forefront. This study set out to determine the relationship between various financing options and sustainable small business growth so as to suggest an optimal financing model to ensure sustainable small businesses. The study adopted a cross-sectional descriptive survey design to analyse a sample of 399 small businesses which were selected using stratified random sampling from Kampala Metropolitan Area. Data were collected using a researcher administered structured questionnaire and analysed using descriptive statistics. The relationship between the variables was determined using Spearman's rank correlation coefficeint. The study established that there is a weak positive significant correlation between traditional debt finance and sustainable small business growth, a strong positive significant correlation between asset-based finance and sustainable small business growth, and a strong positive significant correlation between crowdfunding and sustainable small business growth. The study further established that there is a moderate positive significant relationship between equity finance and sustainable small business growth. The study concluded that improving on the available financing options would improve on the sustainable small business growth. It is recommended that the ideal model for financing small businesses should be the integration of the financing options, but giving priority to; asset based lending, crowdfunding, equity finance and lastly traditional debt finance.

Keywords: financing options, sustainable business growth, small businesses

1. Background

Since the 2008-09 global credit crunch, small businesses have faced heightened financing challenges as lending institutions became more stringent with the lending policy for fear of iterating the same scenario (Miller, 2016; Tripathi & Tripathi, 2018). While small businesses were being prompted to increase their leverage as a strategy for mitigating the effects of crisis, lending institutions in OECD countries on the other hand were being forced to rigorously tighten their lending rules so as to streamline their balance sheets in accordance with prudent accounting rules and regulations through deleveraging(United Nations ESCAP, 2017). As lending institutions proceed with the process of lowering their leverage, small scale businesses on the other hand are grappling with finding the optimal financing solution as traditional bank lending has proved to be costly amidst shrinking revenues hence leading to stagnated sustainability and growth (Organization for Economic Co-operation, (OECD), 2020). Therefore, finding an optimal financing solution for sustainable small scale business growth is a growing concern if they are to continue to playing their important roles in employment, innovation, and economic growth.

Sustainable business growth refers to the business ability to continuously contribute to its profitability while improving the quality of life of the workforce, and protecting the environment where it undertakes its operations (OECD, 2007). A business is sustainable when it embraces 3P's namely; People, Planet, and Profit (Kraaijenbrink, 2019). All these three aspects have to be satisfied before a business venture can be considered sustainable (Naguit, 2018). The first aspect 'people' relates to how a company treats its employees (or human resources) in terms of welfare and ethically, and whether it promotes social cohesion (Kjøde, van der Velden, &

Motevallian, 2021).The second aspect 'planet' considers issue of the effect and remedy business operations on natural resources and the landscape. Environmental care, chain management, eco-efficiency, clean products, sustainable technology development, sustainable industry fields and eco-design are concrete examples of these issues(Sharma, Kumar, & Singh, 2021). The consequence for business behaviour is that either environmental integrity becomes a business goal next to profit seeking(Sharma et al., 2021). The third aspect 'profit' refers to the ability of the business to generate revenues over and above its operating costs and expenses. Profitability is an indicator that the business resources are not put to waste, but are rather efficiently utilised generate value to the business (Scheers, 2016).Often, business profitability is precisely measured as a ratio of total assets commonly referred to as Return on Assets (ROA) or as a ratio of capital employed commonly known as Return on Capital Employed (ROCE)(Dixon, 2019).

While their definition varies from country to country small businesses, small businesses in many countries, range from 5-50 employees in retail operations (Armstrong, 2013). These businesses exist in undertakings such as convenience stores, small grocery stores, bakeries, hairdressing, tradespeople such as electricians, restaurants, guest houses, metal and furniture workshops, photographers, very small scale manufacturing, leisure spots, internet café's, computer mechanics and programming (Edmiston, 2010; Dilger, 2020).

In emerging and developing economies, small businesses constitute over 80% of all enterprises (Muriithi, 2019; Okumu & Buyinza, 2020). Small businesses significantly contribute to these economies in terms of employment, innovation and social cohesion, besides being envisaged as a strategy to spur economic progress In Sub-Saharan Africa, small businesses have demonstrated their ability to not only contribute to employment especially of youth and women, but they have also contribute to the growth in domestic gross product (GDP) through multiplying the quantity of goods and services (Hoque, 2016; Diabate, Allate, Wei, & Yu, 2019). Besides, small businesses have been adopted as a means of redistribution of productive assets in the attempt by governments to close income disparities between the poor and disadvantaged households and the middle class (Rivera-Santos, Holt, Littlewood, & Kolk, 2015). In the East African region, small businesses reportedly hold the greatest potential of spurring economic growth, entrepreneurship and employment (Gamba, 2019). For instance, in Kenya, small businesses are applauded for their contribution of 50% of the new jobs that have been created since 2006 (Mwangi, 2016), while in Uganda, small businesses currently provide employment and income to over 2.5 million households(UBOS, 2019; UIA, 2020).

Notwithstanding their importance, sustainable growth of small businesses in Uganda remains a pending question as the majority are retarded in the growth background characterized by stagnated turnover growth accompanied by high cost of capital leading to low profitability, failure to cover operational costs such as rent and less concern for environmental sustainability (Kintu et al., 2019; Wanyana et al., 2019). Ultimately, these businesses fail to sustain their operations on account of inadequate financing or obtaining finance from costly sources that immediately ruin their cash flows making it difficult for them to become profitable, pay employees, meet their cost of operations and environmental sustainability requirements (Buyinza et al., 2018). Therefore, exploring different financing options would enable identification of optimal financing options that are important in enhancing their sustainable growth.

2. Problem

While small businesses contribute significantly to national growth, employment, innovation and social cohesion in Uganda, 65% of these businesses continue to stagnate in the growth background in terms of sales revenues and growth in assets while others fail to sustain their operations for more than a year (Okumu & Buyinza, 2020). Available evidence attributes this position to costly sources of finance which has lowered their profitability and hence made difficult for them to meet their operational costs and expenses such as payment of employees' wages, rent and become responsible for the physical environment where they are located as they are highly associated with haphazard waste dumping (Buyinza et al., 2018; UIA, 2019). In extreme cases, the assets of these small businesses are seized by lenders over non-payment of loans which leads to their immediate extermination (Ebong, 2019). While there are various financing options for small businesses including traditional debt finance, asset based financing, alternative debt finance, crowdfunding, hybrid instruments and equity instruments (Quartey, Turkson, Abor, & Iddrisu, 2017), research efforts to determine the optimal financing model for sustainable business growth of small businesses in Uganda are less evident. This study was therefore undertaken to fill this gap.

3. Objectives

The general objective of the study was to analyse the relationships between small business financing options and sustainable business growth with the aim of suggesting an optimal financing model for these businesses. To

attain this objective, the following specific objectives were addressed:

- i. To explore different financing options for small businesses in Uganda
- ii. To analyse the sustainability of small business growth in Uganda.
- iii. To determine the relationships between various financing options and sustainable small business growth.

4. Literature

According to OECD (2015), various financing options for small businesses are categorised as traditional debt finance, asset based finance, alternative debt instruments, crowdfunding, hydbrid instruments and equity financing. These financing options are discussed as follows:

Traditional debt finance: The most common forms of traditional bank finance include bank loans, overdrafts, use of credit cards and line of credit lines for financing small scale businesses (Abor & Biekpe, 2007). *A bank loan* is the principal amount a bank advances to the individuals or businesses at a fixed interest rate that can be paid either at a reducing balance method or straight line basis depending on lending terms (Demiroglu & James, 2015). This loan is often for a stipulated time period and within a specified limit depending on the nature of the business and security provided (Schwert, 2020). Common securities provided to secure bank loans include home mortgages, and automobile cards, but advanced businesses can go on to securitize future revenues and cashflows expected from business (Demiroglu & James, 2015). Although not common with banks, some loans especially to small businesses may not be secured or backed by any collateral, but are often guaranteed (Schwert, 2020). The later option however, attracts much higher interest than for secured loans. Therefore, comparing the two options in light of small business is necessary to determine the alternative that will minimize the overall costs of financing.

An overdraft is a scenario when money is withdrawn from a bank account and the account balance goes below zero amount(Liu, Montgomery, & Srinivasan, 2018). In this situation the account is said to be "overdrawn" (Alan, Cemalcilar, Karlan, & Zinman, 2018). Ideally, an overdraft occurs when there is a prior agreement with the account managers and in this case, there is an overdraft limit and an interest will be charged at an agreed rate. However, if the negative balance exceeds the agreed amount, account managers may charge additional fees for the transaction(Alan et al., 2018). *A credit card* is an instrument that guarantees that the holder's bills will be settled by the card issuer, normally a bank. The process involves the card issuer creating a resolving account from which the card holder can always secure credit for settling the bills (Meier & Sprenger, 2010). A line of credit is a flexible loan from a bank or any other lending institution. Comparable to a credit card, *a line of credit allows the borrower to access a specified amount of money* and pay instantly or during a given period of time (Sufi, 2009).

Empirical studies support view that that small banks are correlates of small businesses as regards financing compared to large lending institutions(Donald, 2020). In a survey of SMEs' finance in Japan, Uchida (2011) established that small banks have a tendency to lend to small businesses compared to large banks which require more formal arrangements before loan are processed. Therefore, while lending to small businesses, small banks consider relationships are the most important collateral than high value securities required by larger banks. This in turn eases credit access by small businesses from small size lending institutions. In a related development, Berger and Black (2011) established that small lending institutions have leverage over large ones when it comes to relationship lending, though it is possible that this leverage may be much favourable for larger businesses when credit scoring methodology is adopted. These studies however, do not disclose how these lending methodologies influence the sustainable growth of small businesses.

In Uganda, European Central Bank (2017) reported that traditional banks have been reluctant to finance small scale businesses due to a malfunctioning credit market. The European Central Bank (2017) further indicates that in a bid to avoid tax, small business do not keep adequate records to enable them access formal financing provided by traditional banking institutions. In a related context, Nzibonera and Waggumulizi (2020) established that secured loans for financing working capital have a significant positive relationship with the growth of small scale businesses, but do not indicate the status of lending institutions in terms of size. In addition, the study focused on business growth, while it paid no attention to environmental sustainability (planet). Musoke (2020) established that Small and Medium scale enterprises in Uganda use their savings with Microfinance institutions to secure loans from traditional commercial banks. However, the effect of this financing option on the sustainable growth of these businesses was not substantiated.

Asset based finance: With this process, lenders provide finance to small businesses depending on the ability of

the asset that is being financed to generate returns. This contrary to traditional debt structuring only requires security without considering returns from the business being financed (OECD, 2015). Typical forms of assets based finance is asset-based lending, factoring and leasing. *Asset-based lending* (ABL) is form of lending where the security are the returns of that asset that is being financed. The lender overlooks that physical value of the physical assets to consider the subsets   or the assets such as the revenues and cash flows that will be generated by the asset since they are the ones that constitute payment (Berger & Udell, 2006). *Factoring* provides the supplier with cash from an institution (factor) that considers part of the sales proceeds or accounts receivable for repayment (Bakker, Klapper, & Udell, 2004). Leasing is commonly associated with financing long terms assets such as equipment, automobiles, and real estates by companies (OECD, 2015). In this regard, the lessor or the person assumes the rights to the asset in agreement until the expiry of the period although he or she may have an option to review the agreement (OECD, 2015). It is however, important to note that the lessor remains the legal owner of the asset throughout the contract (Deloof, Lagaert, & Verschueren, 2007). Whereas there are various asset based financing mechanisms for small businesses, empirical relationship between these mechanisms and sustainable business growth in Uganda had not been substantiated. This study as well set out to fill this gap.

Alternative debt instruments: With this type of business financing, investors in the financial markets rather than traditional banking institutions provide finance to small businesses. This is done through issuing financial securities such as bonds, stocks and asset securitization (OECD, 2015). While these financing mechanisms have been in operation for quite some time, they are new to most small businesses which may even understand their trading mechanics although they can engage with the aid of brokerage firms (OECD, 2015). While some of these financing instruments such as bonds attract interest on principal, others such as stocks requires issuing common stock implying that providers of finance become shareholders in the business that is being financed which leads to dilution of control (Chen, Cui, He, & Milbradt, 2018). With securitization, contractual debt are pooled together and sold to investors who acquire rights to receive the cash collected from the financial instruments that underlie the security (OECD, 2013). A lending institution extends a loan to a small business and sells the pooled assets to investors with the aid of an intermediary called a special purpose vehicle (SVP) (SEC, 2013). Literature indicates that alternative debt instruments have been largely adopted in financing SMEs in developed countries. The extent to which these financing instruments have been applied in financing small businesses and their relation with sustainable business growth in developing countries is limited in empirical literature. This study partly filled this gap.

Crowdfunding: Crowd funding is a community based funding technique commonly adopted by businesses that intend to raise funds from large audiences (OECD, 2015). The concept of "crowdfunding" is related to the one of "crowdsourcing", which refers to the outsourcing to the "crowd" of specific tasks, such as the development, evaluation or sale of a product, by way of an open call over the internet (Ahlers, Cumming, Günther, & Schweizer, 2015). Broadly, crowd funding can take many forms, but majorly including donations, sponsorships and pre-ordering or pre-production agreements after which the borrower will pay the debt after selling the products (Helmer, 2011; Collins & Pierrakis, 2012). Belleflamme et al. (2011) established that due to the assurance of community experience, crowd funding is a good alternative of funding for small scale businesses. Little however, had remained known about the relationship between these funding option and the sustainable growth of small businesses. This study partly filled this empirical gap.

Hybrid financing instruments: Hybrid financing lies in the middle of the borrowers financing options. Like the name suggests, this financing mechanism integrates equity and debt instruments to the satisfaction of the borrowers' propensity to repay the debt with ease (OECD, 2015). Some of the most commonly used hybrid instruments include: subordinated debt (loans or bonds) whose earning or claims on assets ranks below other loan types; and participation loans, where a business is financed by many lending institutions, but organized by one lead institution(Miller et al., 2016). In the later case, the lead institution is paid first. Other types of hybrid instruments include convertible debt and warrants, and mezzanine finance (Berger & Udell, 2006). A convertible debt is a scenario where lenders and borrower agree to convert a debt into equity at a later date implying that lenders become shareholders in the borrowing business (Berger & Udell, 2006). Warrants are equity instrumented entrenched within a mezzanine debt, where the later refers to a debt subordinated to another debt from one issuing institution or individual (Miller et al., 2016). Hybrid instruments are considered most appealing financing mechanisms for small businesses for they provide an opportunity to balance the cost of capital (Miller et al., 2016). However, the extent to which they contribute to the sustainable growth of small businesses has received less attention in empirical literature, and this study partly set out to fill this gap.

Equity finance: Equity finance refers to all financial resources that are provided to firms in return for an ownership stake in the borrowing business (Miller et al., 2016). This implies that providers of finance become

part of the owners of the business, and hence have to share on the profitability of the business through dividends or stock transfers (Berger & Udell, 2006). The most common forms of equity finance are venture capital and business angels. Venture capital (VC) often supports pre-establishment of the business or early stages of the business development process (OECD, 2014). Business angels (BAs) on the other hand comprise of high net worth individuals who invest their own funds in a business start-up after which they can secure their returns through floating share on an Initial Public Offering (IPO) and re-invest profits into new businesses (Mason & Stark, 2004). In Uganda, Lutwama (2015) established that small business have rely on internally generated funds to finance their operations and a few go for traditional loans from commercial banks. Nothing however, is mentioned on how these financing options affect their sustainability. The study further established that these businesses have not ventured into equity financing due to information asymmetry regarding the functioning of this financing option.

Broadly, literature indicates that equity finance is an important source of financing for SMEs. However, private equity is the one most largely adopted by small businesses compared to public equity. While literatures show that public equity finance cannot effectively support the sustainable growth of small businesses due to extreme requirements which these business types may fail to meet, the extent to which private equity fosters sustainable growth for small business is not fully substantiated. This study partly filled this gap.

5. Methodology

The study adopted a cross sectional descriptive survey design that employed a quantitative approach. This design is relevant to this study because it systematically and accurately   describes the characteristics of large   study population at a specific point in time (Creswell & Creswell, 2018). The study population included small businesses in Kampala Metropolitan Area (Uganda Bureau of Statistics, 2016). This area is composed of the Kampala City and the neighboring districts of Wakiso, Mukono, Mpigi, Buikwe and Luweero. The selection of the study area was justified by the fact that it hosted majority small businesses that were estimated over one million (Uganda Bureau of Statistics, 2019). Data were collected from a sample of 399 small businesses. The study sample was arrived at using Yamane's (1967) formula as follows:

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

Where n = required sample size

N = Population size

e = Estimation error =5% (Ideal).

Hence

n = 1,000,000 /1+1,000, 000 (0.05)^2

n= 399 respondents.

Stratified random sampling was adopted to select the business that were involved in the study. Each district constituted a stratum from which different businesses were categorized by industry to form a sampling frame after those for inclusion in the sample were selected at random. This allowed inclusion of different business categories in the study sample (Howell, Su, Nassel, Agne, & Cherrington, 2020). While business owners were the unit inquiry, small businesses will be unit of analysis. Data were collected using a researcher-administered questionnaire. The questionnaire was designed in such manner that it collected data on both the profiles of the business and their owners, in section and data pertaining to the major study variables in another section.   While it was structured using nominal scales for capturing profile information, the section of the study variables was structured on a Five point Likert Scale ranging from (1) = strongly disagree, to (5) = strongly agree (Driscoll, 2011).

To ensure data quality, the questionnaire was subjected to validity and reliability tests. Content and constrict validity were determined using content validity index (CVI) and Exploratory factor analysis (EFA) respectively (Delgado-Rico et al., 2012). While the minimum index of 0.7 was considered in computing CVI, only items with factor loadings of at least 0.4 were retained while conducting EFA (Zikmund et al., 2010). Reliability was tested using Cronbach alphas and items that satisfied the threshold coefficient of 0.7 were retained(Drost, 2011; Bhattacharyya, Kaur, Kaur, & Amaan Ali, 2017). Data were analysed using descriptive statistics (frequencies, percentages, means, and standard deviations), while the Spearman's rank correlation were used to determine the relationship between the non-parametric variables as recommended by (Song & Park, 2020). Data analysis was

undertaken with the aid of the statistical Package for Social Sciences (SPSS 26.0).

6. Results and Discussion

Business Profile Information

The profile results were obtained as regard the owners or managers and the nature of the small businesses that were studied. Table 1 provides a summary of the related results.

Table 1. Profiles of owners/managers

Gender category	Frequency	Percentage
Male	187	46.9
Female	212	53.1
Total	399	100.00
Age	Frequency	Percentage
16-25 years	64	16.0
26-35 years	119	29.8
36-45 years	106	26.6
46+ years	110	27.6
Total	399	100.00
Education level	Frequency	Percentage
None	5	1.3
Primary	104	26.1
Secondary	153	38.3
Tertiary	137	34.3
Total	399	100.00
Business experience	Frequency	Percentage
Less than 5 years	181	45.4
5-10 years	168	42.1
10+ years	50	12.5
Total	399	100.00

Source: Primary data analysis (2021).

The results in Table show that females (53.1%) constituted the majority of the respondents than males (46.9%), while the majority of the participants belonged to age range of 26-46+ years. The results in Table 1 additionally show that on average, the owners/managers of small businesses had attained secondary education, and the most had a business experience of less than five years implying that majority of the owners were new in business.

The profile information was also elicited regarding the nature of small businesses that were studied. The results are provided in Table 2.

Table 2. Business profiles

Type of business	Frequency	Percentage
Agriculture	44	11.0
Small scale manufacturing	51	12.8
Selling finished goods	155	38.8
Services	149	37.3
Total	399	100.00
Geographical location	Frequency	Percentage
Buikwe	59	14.8
Kampala city	92	23.1
Mpigi	80	20.1
Mukono	80	20.1
Wakiso	88	22.1
Total	399	100
Length of business existence	Frequency	Percentage
<1 year	161	40.4
1-5 years	108	27.0
6-10 years	89	22.3
>10 years	41	10.3
Total	399	100.0
Number of employees	Frequency	Percentage
<10	168	42.1
10-20	151	37.8
>20	80	20.1
Total	399	100.00

Source: Primary data analysis (2021).

The results presented in Table 2 portray that most of the small businesses that were studied are involved selling of finished goods and offering services, and almost equally distributed in Kampala metropolitan area with only a difference in distribution in Buikwe district which can be explained by its semi-rural location compared to the rest of the districts. The results in Table 2 further show that most of the businesses were new start-ups as they were in existence for less than a year, a findings that concurs with that of Okumu and Buyinza, (2020) that majority of these businesses do not live for more than a year in operation. Further, the results in Table 2 show that most of the studied businesses had less than 10 employees an indicator of low business growth in terms of the number of employees.

Validity and reliability

Table 3. Content validity results

Variables	Total Items Tested	R	N	IR	CVI
Traditional bank finance	4	4	0	0	1.000
Asset based finance	6	5	2	0	0.833
Alternative debt instruments	3	3	0	1	1.000
Crowdfunding	5	4	0	1	0.800
Hybrid financing instruments	6	5	0	1	0.800
Equity finance	3	3	0	0	1.000
Sustainable small business growth	3	3	0	0	1.000

Source: Primary data analysis (2021).

The results in Table 3 show all the tested constructs satisfied a minimum of 0.70 index threshold suggested by Waltz, *et al.* (2005). Therefore, there was sufficient evidence that the measuring instrument contained valid items (Polit & Beck, 2006).

Table 4. Construct Validity and Reliability Results

Variables	Variance explained=54.7%		
	Total Items Tested	Factor loadings	Cronbach Alphas
Traditional debt finance	4	0.590	0.752
Asset based finance	6	0.874	0.707
Alternative debt instruments	3	0.228	n/a
Crowdfunding	5	0.947	0.732
Hybrid financing instruments	6	0.282	n/a
Equity finance	3	0.590	0.790
Sustainable small business growth	3	0.874	0.814

Source: Primary data analysis (2021).

As it is observed in Table 4, four of the six items (traditional debt finance, asset based finance, crowdfunding and equity financing) demonstrated factor loadings greater than 0.4. Hence, these four constructs were used to analyse financing options for small scale businesses. Two items (alternative debts instruments and hybrid financing instruments) were discarded from further analysis since they had a factor loading of less than 0.4. The results in Table 4 further indicate that financing options explains 54.7% of the variance in the data. The results further show that the retained items had a Cronbach's alpha coefficient of more than 0.70 implying that satisfactory evidence of construct validity and reliability for this construct was established.

Descriptive statistics

Table 5. Descriptive statistics of financing options

Financing options	N	Mean	Standard Deviation
Traditional debt finance	399	3.166	0.710
Asset based finance	399	4.263	0.699
Crowdfunding	399	4.081	1.156
Equity finance	399	2.961	0.713

Source: Primary data analysis (2021).

The results in Table 5 show that asset based finance registered the highest mean value of 4.263. Therefore, the respondents have agreed with the items regarding asset based finance as ideal for financing small businesses. These items are asset based lending, factoring, purchase order finance, warehouse receipts, and leasing. Crowdfunding obtained the second highest mean score of 4.081 implying that the respondents also agreed with items measuring crowdfunding as ideal for financing small businesses. These items include donations, sponsorships, pre-selling or pre-ordering. Traditional debt finance obtained the third highest mean score of 3.166 implying that the respondents agreed with some items while they disagreed with others are ideal for financing small businesses. The items that were agreed with are bank loan, and overdrafts, while those that were disagreed with are a line of credit and credit card. Equity finance obtained a mean score of 2.961 which implies that the respondents were in agreement with some items, while they disagreed with others as ideal for financing small businesses. The items that were agreed with are private equity instruments which include venture capital and business angels, while they disagreed with public equity source of finance.

Table 6. Descriptive statistics of sustainable small business growth

	N	Mean	Std.Dev
Sustainable small scale business growth	399	2.989	0.436

Source: Primary data analysis (2021)

As can be observed from Table 6, the respondents were neutral with the items used to measure the growth of small businesses. A moderate standard deviation of 0.436 suggests that other respondents moderately deviated from the reported mean value regarding the sustainable growth of small businesses. Hence, the results indicate that respondents were not specific as regards the items that were used to measure sustainable business growth implying that while some had attained sustainable growth, others had not. Statistics in Table 6 further illustrate that some respondents agreed that some small businesses had attained growth in profits, but they all disagreed with growth in employees and improvement in environmental sustainability.

Spearman's Rank Correlations

Table 7. Spearman's rank correlation results

Variables	1	2	3	4	5
1. Traditional debt finance	1.000				
2. Asset based financing	0.111*	1.000			
3. Crowdfunding	0.279**	0.141	1.000		
4. Equity finance	0.084	0.019	0.333**	1.000	
5. Sustainable small business growth	0.376*	0.812**	0.519*	0.412*	1.000

*Significant correlations at 0.05 level.

** Significant correlations at 0.01 level

Source: Primary data analysis (2021).

The results in Table 7 show that there is a weak positive significant correlation between traditional debt finance and sustainable growth of small businesses (r=0.376, p<0.05), but a strong positive significant correlation between asset based finance and sustainable growth of small businesses (r=0.812, p<0.01). The results in Table 6 further show that there is a strong positive significant correlation between crowdfunding and sustainable growth of small businesses (r=0.519, p<0.05), and a moderate positive significant relationship between equity finance and sustainable growth of small businesses (r=0.412, p<0.01).

7. Conclusion and Recommendations

Building on the results, it is concluded that improving on the financing options would lead to sustainable growth of small businesses in Uganda. Therefore, the optimal financing model of financing small scale businesses to enhance their sustainable growth is the integration of the four funding sources comprising of traditional debt finance, asset based financing, crowdfunding and equity finance. However, owing to the strength of the relationship between the variables, policy makers, implementers and small businesses should give priority to asset based finance items including asset based lending, factoring, purchase order finance, warehouse receipts, and leasing; and crowd funding that should be composed of donations, sponsorships, pre-selling or

pre-ordering, and lending. Next in line should be equity finance that includes venture capital and business angels, while traditional debt finance should be considered last by small scale businesses vying to attain sustainable growth. Specifically, policy makers such as government should conduct awareness campaigns through seminars and conferences for small businesses owners to understand the advantages of these financing options which will in turn enable small businesses to access them and obtain the required funding. Secondly, policy makers and implementers such as respective government and government agencies should craft and implement policies that enable the establishment of lending institutions with the identified financing vehicles targeting small businesses. The combination of these financing options will keep the cost of finance low while ensuring sustainable small business growth.

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