

**NANUNGI GRACE (2007-03-MBA-PT-052) The Impact of Microfinance Institutions on the Performance of Small Scale Businesses: A Case Study of Foundation for International Community Assistance**

The purpose of this study was to determine the impact of microfinance on small scale businesses taking Foundation for International Community Assistance (FINCA) as a case study. The methodology used took the form of a quantitative cross-sectional survey design with a study sample of 140 respondents and the purposive sampling technique was employed. Self-administered questionnaires and personal interviews were used for data collection.

Data analysis was done using the Statistical package for the Social Sciences (SPSS) and Ms Excel and presented in form of tables, graphs and corresponding narrations. The findings indicated that microfinance had impacted the small scale businesses positively on growth and there was an improvement in the lifestyles and standards of living of the borrowers with many being able to access better social amenities and their status in the community improving. However, it indicated that the loan provisions offered by microfinance were rather unfriendly to both business and owner expectations and thus raising challenges on loan use. A number of challenges are faced by borrowers with most of the respondents indicating that the loan terms and expectations do not match the returns from the businesses. The study recommends, therefore, that microfinance institutions should change their repayment terms, offer more loans to males and also encourage them to join groups and increase on the amounts offered if the loans are to make great positive change on businesses and borrowers.

Key Word: Impact, Microfinance Institutions, Performance, Small Scale Businesses, International