

East African Journal of Business and Economics

eajbe.eanso.org

Volume 8, Issue 1, 2025

Print ISSN: 2707-4250 | Online ISSN: 2707-4269

Title DOI: <https://doi.org/10.37284/2707-4269>

EANSO
EAST AFRICAN
NATURE &
SCIENCE
ORGANIZATION

Original Article

Contribution of Social Capital and Microcredit Accessibility on Economic Welfare of Small-Scale Farmers in Mityana District, Uganda

John Ssengonzi^{1*}, Yasin Kuso Ghabon, PhD² & Anthony Olyanga Moni, PhD³

¹ Uganda Christian University, P. O. Box 4, Mukono, Uganda.

² Maseno University, P. O. Box 40105, Maseno, Kenya.

³ Makerere University, P. O. Box 1337, Kampala, Uganda.

* Author for Correspondence ORCID ID; <https://orcid.org/0009-0002-7360-7842>; Email: johnssengonzi2024@gmail.com

Article DOI: <https://doi.org/10.37284/eajbe.8.1.2968>

Date Published: **ABSTRACT**

08 May 2025

Keywords:

*Social Capital,
Microcredit
Accessibility,
Economic Welfare,
Small Scale Farmers.*

This study investigates the contribution of social capital and microcredit accessibility to the economic welfare of small-scale farmers. Specifically, the study examines the relationship between social capital and economic welfare of small-scale farmers, the relationship between microcredit accessibility and economic welfare of small-scale farmers in Mityana District and seeks to determine the contribution of social capital and microcredit accessibility on the economic welfare of small-scale farmers in Mityana District. The study uses primary data sources collected from a total population of 384 individuals and uses SPSS to analyse the results using Pearson's correlation as well as regression analysis. The results in this study reveal a positive, weak, significant relationship between social capital and economic welfare ($r=.442$, $p=.000$), moderate significant relationship between microcredit accessibility and economic welfare of small-scale farmers ($r=0.497$, $p<0.01$). The study reveals that social capital and microcredit accessibility explain 28.8% of the changes in the economic welfare of small-scale farmers in Mityana district, with microcredit having ($\beta=0.364$, $p<0.05$). and social capital having ($\beta=0.242$, $p<0.05$). This implies that the two variables are statistically significant in explaining changes in economic welfare. The researcher concludes that there is a significant though weak positive relationship between social capital and economic welfare of small-scale farmers, a significant moderate positive relationship between microcredit accessibility and economic welfare and a significant contribution of social capital and microcredit accessibility on the economic welfare of small-scale farmers. The researcher recommends that cooperation should be encouraged among small-scale farmers based on social norms, social networking and social trust to increase their accessibility to microcredit for better standards of living. Government fiscal policies, such as transfer payments intended to improve the economic welfare of small-scale farmers, should be tailored around social norms, social networking and social trust of small-scale

farmers and ensure favourable credit terms with easy outreach to increase accessibility to microcredit.

APA CITATION

Ssengonzi, J., Ghabon, Y. K. & Moni, A. O. (2025). Contribution of Social Capital and Microcredit Accessibility on Economic Welfare of Small-Scale Farmers in Mityana District, Uganda. *East African Journal of Business and Economics*, 8(1), 393-408. <https://doi.org/10.37284/eajbe.8.1.2968>.

CHICAGO CITATION

Ssengonzi, John, Yasin Kuso Ghabon and Anthony Olyanga Moni. "Contribution of Social Capital and Microcredit Accessibility on Economic Welfare of Small-Scale Farmers in Mityana District, Uganda". *East African Journal of Business and Economics* 8 (1), 393-408. <https://doi.org/10.37284/eajbe.8.1.2968>.

HARVARD CITATION

Ssengonzi, J., Ghabon, Y. K. & Moni, A. O. (2025) "Contribution of Social Capital and Microcredit Accessibility on Economic Welfare of Small-Scale Farmers in Mityana District, Uganda", *East African Journal of Business and Economics*, 8(1), pp. 393-408. doi: 10.37284/eajbe.8.1.2968.

IEEE CITATION

J., Ssengonzi, Y. K., Ghabon & A. O., Moni "Contribution of Social Capital and Microcredit Accessibility on Economic Welfare of Small-Scale Farmers in Mityana District, Uganda", *EAJBE*, vol. 8, no. 1, pp. 393-408, May. 2025.

MLA CITATION

Ssengonzi, John, Yasin Kuso Ghabon & Anthony Olyanga Moni. "Contribution of Social Capital and Microcredit Accessibility on Economic Welfare of Small-Scale Farmers in Mityana District, Uganda". *East African Journal of Business and Economics*, Vol. 8, no. 1, May. 2025, pp. 393-408, doi:10.37284/eajbe.8.1.2968.

INTRODUCTION

This chapter presents the background to the study, statement problem, and purpose of the study, study objectives, research questions, scope, significance and conceptual framework. According to Claridge (2019), social capital is viewed as a means of achieving both economic success and social change. At the macro level, it strengthens ties between the government, industry, labour unions, and society. It also helps to maintain social stability, boost public confidence in the government, and eventually boost economic growth (Isayan & Mayilyan, 2022). According to Westlund and Larsson (2020), more wealthy societies have a diverse social network. This suggests that social networks are essential for advancing economic development opportunities and reshaping communities.

Countries with high levels of financial development experience better resource allocation, increased Gross Domestic Product (GDP) and better standards of living. Better access to loans increases the level of expenditure and therefore increases the economic welfare of small-scale farmers (Heikkilä, *et al*, 2009). This view is consistent with earlier findings

by Reimer (2002), Grootaert and Narayan (2004) and Hassan and Birungi (2011).

Access to credit is vital in Uganda, particularly in rural areas where small-scale farmers make up the majority. Therefore, in order to finance their farming operations and boost output, they require loans (AMFIU, 2013). However, in Uganda, only 4.85% of the population over the age of 18 is served by micro-deposit institutions (MDIs). Microfinance Institutions (MFIs) serve 1.08 percent of Uganda's population, while Savings and Credit Cooperatives (SACCOs) serve 2.51 percent (Finscope, 2012). The findings also reveal that, over the previous five years, just 10% of small-scale farmers nationwide obtained official financing (UBOS, 2021). This would suggest that microcredit is not easily accessible, which could impact small-scale farmers' financial well-being (AMFIU, 2013).

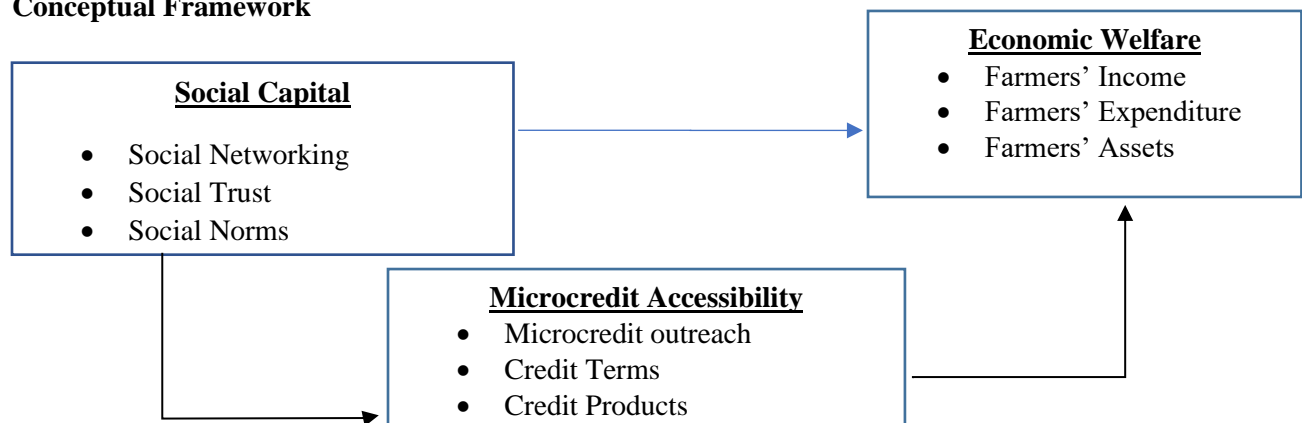
There are 328,964 people living in the Mityana district overall, and the population is growing at a pace of 1.8%. The majority of people in the district are small-scale farmers who make their living from their regular farming operations. The bulk of small-scale farmers (82 percent) in rural areas rely on

subsistence farming for their livelihood. Just 2% of people relied on commercial farming (UBOS Census, 2014). Many interventions, such as agricultural rural credit policy, Parish Development Model, Operation Wealth Creation and many others, have been put in place by the government to increase access to microcredit by small-scale farmers. These interventions are aimed at increasing accessibility to microcredit by small-scale farmers to improve their economic welfare (Musiimenta, 2012). Small family farmers account for 89 percent of all Ugandan farmers, delivering up to 80 percent of the annual total agricultural output with coffee as the major export commodity, followed by tea and tobacco (FAO, 2018). Despite these efforts, 27% of small-scale farmers earn less than UGX 509.4 per day, which puts them below the poverty line (UNHS2019/2020 & FAO, 2018). Food has been the district's biggest household expense (40.5%), followed by housing, water, electricity, gas and other fuel (18.2%), and education (8.6%) (UNPS 2019/2020). Therefore, the purpose of this study was to ascertain the impact of microcredit accessibility on the economic well-being of small-scale farmers in Mityana District, as well as the relationship between microcredit accessibility and small-scale farmers' economic well-being in Mityana District.

Purpose of the Study

The study examined the relationship between microcredit accessibility and the economic welfare of small-scale farmers.

Conceptual Framework



Study Objectives

- To examine the relationship between social capital and the economic welfare of small-scale farmers in Mityana district.
- To examine the relationship between microcredit accessibility and the economic welfare of small-scale farmers in Mityana District.
- To determine the contribution of social capital and microcredit accessibility on the economic welfare of small-scale farmers in Mityana District.

Research Hypotheses (null)

- H_0 : There is no relationship between social capital and the economic welfare of small-scale farmers in Mityana District.
- H_0 : There is no relationship between microcredit accessibility and the economic welfare of small-scale farmers in Mityana District.
- H_0 : Social capital and Microcredit accessibility do not contribute to the economic welfare of small-scale farmers in Mityana district.

Source: *Finsveen (2010); Moratti and Natali (2012) and Golin (2005)*

Explanation of the Conceptual Framework

The conceptual framework above highlights the main variables as social capital, economic welfare, with microcredit accessibility as the intervening variable. Within this perspective, the structural dimensions of social networking, social trust and social norms are considered to be cardinal in understanding the functioning of social systems. Social norms in this context refer to the cultural norms and bonds among the people, mostly due to shared history and community. All these constructs greatly improve one's accessibility to microcredit according to Dhufues, Buchenrieder and Munkung (2012).

Microcredit accessibility is addressed in terms of credit terms, outreach and credit products. Credit terms refer to the policies and preconditions under which credit is extended to the borrowers. Outreach refers to the footprint covered by the microcredit provider, mostly in terms of geographical span. Credit products are the different credit packages with varying terms, amounts and purposes as tailored by the credit service providers. Studies reveal that microcredit accessibility has a bearing on economic welfare (Honohan, 2008; Santoso, 2019 & Sommeno et al, 2025)

Economic welfare is comprised of farmers' income, farmers' expenditure and assets possessed. Income refers to all sources of livelihood. Expenditure refers to how much is spent on food and non-food items. Assets comprise the items possessed by the respective farmers. The conceptual framework shows interrelationships among the variables. Social Capital affects both economic welfare and microcredit accessibility (Dhufues, 2012), while microcredit accessibility has an intervening effect on economic welfare.

LITERATURE REVIEW

This chapter looks at the views of various scholars on microcredit accessibility and economic welfare, as well as the interactions among the variables.

Social Capital and Economic Welfare

This section presents previous study findings on relationships between constructs of social capital and economic welfare. Social capital is defined by Bhandari & Yasunobu (2009) as social relationships and their primary components, including civic involvement, social networks, reciprocity norms, and generalised trust. A shared resource known as shar. It is defined as the networks, social relationships, institutions, conventions, values, beliefs, and trust that promote collaboration and group efforts for the good of all.

Social capital is defined by Villalonga-Olives & Kawachi (2015) as the resources that people and organisations have access to as a result of being a part of social networks. According to Hayrapetyan and Isayan (2022), social capital is the strength of institutional and interpersonal ties. The informal institutions and organisations founded on social networks, affiliations, and relationships that foster mutual trust, shared knowledge, social norms, and unwritten regulations are also referred to as social capital (Durlauf & Fafchamps, 2004). It is acknowledged that social capital is a multifaceted phenomenon that encompasses different facets of social norms, social trust, and social networks. Social networks include informal relationships between friends and family, participation in institutional and community life, and public engagement. Additionally, social norms include cooperative rituals, shared values, beliefs, and behaviours. According to him, people's generalised faith in social organisations is known as social trust (Burchardt, 2012).

Social capital is a catalyst for economic growth and gives people the ability to participate in productive

activities. Isayan and Mayilyan (2022) claim that there is a significant positive correlation between the nation's GDP per capita and social capital components like trust and institutional networks, which raise household chances of obtaining microcredit. Social capital is defined by Westlund and Larsson (2020) as social networks, norms, attitudes, and ideas that permeate all networks. Both the individual members of the networks and society at large gain from it.

According to Ibrahim and Law (2014), nations with high social capital reservoirs have lower environmental costs of development than those with poor social capital reservoirs. Depending on each person's income level, social capital lowers environmental costs in economic development. Additionally, social capital may have a direct impact on people's health and happiness, education, and the welfare of their children. Income and welfare are strongly correlated with social capital (Hassan & Birungi, 2011). Building confidence in social institutions is one way that social capital influences economic well-being. Strong cultural beliefs and high income levels make it easy for communities to escape the poverty cycle. Similarly, as their various forms of capital erode over time, communities with low income levels and social links are discovered to be in a vicious cycle (Afandi & Habibov, 2016).

In economic growth and development, social capital is a supplement to human and physical capital. For example, a country's foreign direct investment rises when foreign investors are seen as trustworthy. Strong social networks typically lead to high economic growth and development, better health care systems, and higher educational attainment in nations with a strong social capital basis (Li et al., 2015). According to Norbutas and Corten (2018), cultures with a diverse social network are more advanced. This suggests that social networks are essential for changing societies and giving them opportunities for economic growth.

According to Finsveen (2010), nations with numerous welfare invention packages have modest social capital disparities. According to Narayan and Pritchett (1999), communities with strong social capital are more likely to have better public services because they are more organised, can use better farming practices, and actively participate in group activities that raise revenues. A strong foundation of social capital also removes the enforcement issue when it comes to risk sharing. It encourages people to act honourably and bounce back from disasters fast (Karlan, 2007; Guinness & Wiseman, 2011). Social capital is seen as a crucial element in fostering economic prosperity due to its global recognition (Burt, 2012).

Over time, more entrepreneurs have been generated in communities with strong entrepreneurial activity. Numerous writers (Andersson & Koster 2011; Fritsch & Wyrwich 2014; Giannetti & Simonov 2009) ascribe this to regional entrepreneurial cultures. According to Arenius and Minniti (2005), social networks, beliefs, norms, social trust, and externalities all have a role in the growth of entrepreneurship. Numerous new businesses have emerged over time, which is consistent with the existence of local entrepreneurship cultures (Andersson & Larsson, 2016). According to Westlund and Bjur (2014), successful towns have a strong entrepreneurial culture.

Even though social capital is a major factor in the growth and development of entrepreneurship in many communities, local entrepreneurship culture is based on social networks and trust, which leads to the creation of new products, businesses, and business ideas that have an impact on the entire neighborhood, increasing output and economic development (Andersson & Koster 2011; Fritsch & Wyrwich 2014; Andersson & Larson 2016). According to Westlund and Larsson (2020), local social capital offers frameworks for local market exchanges, which hinders growth on a regional and national scale. This study aims to determine the impact of social capital on the financial well-being

of small-scale farmers in Mityana District, even though the majority of examined studies show that social capital influences people's economic well-being.

Relationship between Microcredit Accessibility and Economic Welfare

The full use of Uganda's agricultural potential has been shown to be hampered by a number of reasons, including restricted access to finance services (Mpuga, 2008). Economic well-being outcomes are impacted by loan availability in at least two ways. In the first place, it releases small-scale farmers from capital constraints and lowers the opportunity costs of capital-intensive assets in comparison to family labour, which promotes labour-saving technology and increases labour productivity. Second, by enhancing its capacity to bear risk and changing its approach to risk management, loan availability enhances economic welfare. Additionally, granting low-income farmers adequate finance enables them to make wise investment choices, boosting agricultural productivity and profitability (Chloupkova and Bjørnskov, 2001).

Poor people are barred from the formal financial system, despite the fact that credit is crucial for improving their well-being. This exclusion can range from partial exclusion in rich nations to full or almost full exclusion in less developed countries (LDCs) (Brau and Woller, 2004). The main reason traditional financial institutions (FIs) are hesitant to help the poor is that they don't match their selection criteria, like the need for physical collateral. FIs are also reluctant to finance the poor because of the perceived high risks and expenses associated with processing and servicing unsecured small loans, mostly because of concerns about financial viability. The majority of low-income and impoverished people still rely on meagre self-finance or informal credit because they lack access to formal credit, which restricts their capacity to actively engage in and profit from the development process (Mugabi, 2010).

According to Durrani *et al.* (2011), microfinance not only helps people make money but also raises the purchasing power of the impoverished, thereby improving their social standing. According to Dzansi and Atiase (2014), microfinance helps the impoverished cope with financial and family shocks as they occur. According to numerous impact studies, the majority of microfinance initiatives have at least given the impoverished this chance. As a result, microfinance initiatives have made the impoverished less vulnerable. According to Abekah-Nkurumah, Aseweh, Abor, Abor, and Adjasi (2011), women who obtain microfinance are also likely to increase the uptake of maternal health services.

Economic Welfare

Welfare is defined as having the greatest possible access to financial resources, a high degree of citizens' happiness and well-being, a minimum income that is guaranteed to keep people out of poverty, and, lastly, the capacity to guarantee each person a good life (Greve, 2008). However, according to the definition and discussion above, when attempting to evaluate welfare, the following components must be present at the very least: Gross national product at the macro level and the total amount spent by society on welfare programs (resource indicators) Subjective happiness at the micro level and the amount of people living in poverty (measures of well-being and avoiding poverty).

Occupational welfare has been defined in various ways. One definition emphasizes that occupational welfare “include[s] pensions for employees, wives and dependents; child allowances; death benefits; health and welfare services; personal expenses for travel, entertainment, residential accommodation; children’s school fees; cheap meals, unemployment benefit, medical bills and an incalculable variety of benefits in kind” (Titmuss, 1987). Another definition of occupational welfare stresses that it consists of “market-driven social benefits provided by private employers and the state in its role as

employer” (Goodin and Rein, 2001). Another way of expressing this is that it is the welfare provided through employment (Sinfield, 1999) or, to elaborate, that “occupational welfare covers benefits received by an employee through or as a result of his employment over and beyond the public benefits such as national insurance” (D’Acci, 2010).

In some parts of the literature, even when the question of welfare is raised, the answer refers to “perspectives on welfare: happiness, security, preferences, needs, desert, relative comparisons (Greve, 2008). Economic welfare is a measure of the quality of life of the farmers. Economic welfare is studied with respect to the source of livelihood, ownership of selected household assets and utilities available to the farmers (Uganda Bureau of Statistics, 2015). The World Bank (2012) adds that economic welfare is a measure of the quality of life.

Economic surveys are an essential source of information on the economic and social conditions of individuals. Survey data can be used to measure the welfare of small-scale farmers, poverty, and how equally distributed living standards are. Moreover, welfare measures allow for investigating patterns in standards of living across populations and over time. Welfare is usually proxied by measures of consumption or income. However, in recent years, the use of asset-based wealth indices as an alternative metric measure of welfare has become increasingly prominent (Moratti and Natali, 2012) though for a series of theoretical as well as practical reasons, the wealth index cannot be used as a perfect substitute for income or consumption which, among other considerations, remain the most common and accepted measures of welfare according to Howe (2010).

D’Acci (2010) concedes that, in contrast to this, an increase in income does not necessarily imply an increase in the total level of happiness, although higher incomes are seemingly connected to higher levels of happiness across European welfare states. Therefore, if happiness, as suggested in this article,

is part of our understanding of welfare, economic measures cannot stand alone, but instead, we will have to combine economic indicators (especially GDP per capita) with measures relating to happiness, poverty, etc.

An increasing body of literature has been oriented to reconceptualise welfare as a combination of socio, cultural, psychological and environmental variables and aspirations and today it is widely accepted that welfare is a multidimensional concept that encompasses all the aspects of human life (McGillivray, 2007).

METHODOLOGY

This section presents the methodology which guided the study.

Research Design

This study used both quantitative and qualitative approaches. The study used the cross-sectional survey design, which involves collecting data and analysing it from the population under study at one specific point in time (Jensen and Rodgers, 2001). The design was useful in collecting data on multiple constructs in the social capital and economic welfare simultaneously and at a given point in time (Jensen and Rodgers, 2001).

Population and Sampling

According to the Uganda Bureau of Statistics Provisional Census Report (2014), there are 228,574 small-scale farmers in Mityana District who constituted the population in this study. The study used a sample of 384 small-scale farmers in the district. This number was determined from the study population using the Krejcie and Morgan (1970) table of sample size determination. In order to avoid underrepresentation in geographical areas, the study randomly collected data from 96 respondents from each of the four sub-counties of Mityana District since the variation in numbers is minimal and totals to a 384-sample size as shown in the table below.

Table 1: Showing the Study Population and Sample in Each Sub-County

Sub County	Population	Sample Size	Sampling Technique
Sekanyonyi Sub County	57283	96	Simple random
Malangala Sub County	57090	96	Simple random
Bulera Sub County	57200	96	Simple random
Busimbi Sub County	57001	96	Simple random
TOTAL	228574	384	

Source: (UBOS, 2014)

The small-scale farmers were selected using simple random sampling procedures. This method was useful because it eased respondent selection and eliminated bias in the sample selection process since each respondent had an equal chance of being selected for the study.

Sources of Data

The study used a survey questionnaire to collect data from the field. Some of the questions were based on the five-point Likert scale (strongly disagree, disagree, not sure, agree and strongly agree), where respondents were asked to indicate their response by ticking the appropriate response.

Some questions were open-ended to enable the researcher to collect qualitative data. The questionnaire was designed and sectioned according to research objectives. Since some of the respondents were not able to fill out the questionnaire on their own due to literacy limitations, the study used research assistants to assist them in doing the exercise.

Validity and Reliability

In order to establish the validity of the questionnaire, the instrument was subjected to experts for review. Reliability of the instrument was established through the test-retest technique.

Table 2: Showing Reliability Results

Theme	No of Items	Cronbach's Alpha
Social Capital	13	0.867
Economic Welfare	6	0.985
Microcredit Accessibility	12	0.725

The study conducted a prior test of the instrument on a group of subjects. Data was entered into the SPSS program for analysis to establish the reliability in terms of Cronbach's Alpha. The Cronbach's Alpha in each of the constructs was 0.7 and above, as seen in Table 2. As per the observation of Nunnally (1978), a Cronbach's Alpha of 0.7 and above is satisfactory to show acceptable reliability.

Statistical Treatment of Data

Data was edited, coded, cleaned and entered into SPSS, a computer software for analysis. The researcher used descriptive and inferential statistics generated by the Statistical Package for Social Scientists (SPSS) to analyse quantitative data of the

study. Descriptive statistics required determination of frequencies, percentages, means and standard deviation. From the descriptive statistics (overall means), the inferential statistics that comprised linear regressions were generated to establish the effect of microcredit accessibility on the economic welfare of small-scale farmers.

Ethical Considerations

The study ensured that the research participants were fully informed that the study was strictly for academic purposes and that participants were not put into risky situations as a result of participation. The study also ensured the confidentiality of information provided by safeguarding all data collected during the study. This included securely

storing physical and digital data to prevent unauthorised access. The respondents were also informed that participation is voluntary and they would withdraw from the study at any time if they so wished. The researchers further sought permission from relevant authorities before data collection. The necessary permissions and approvals were obtained from relevant authorities. This included approval from the School of Business at Uganda Christian University and authorisation from the district agriculture officer. Additionally, letters were sent to sub-county chiefs requesting permission to collect data from small-scale farmers.

RESULTS AND DISCUSSION

This section presents the results of the study. The analysis begins with the presentation of the demographics of respondents and then the analysis of guiding research questions.

Demographics of Respondents

The findings in Table 3 show that the majority (61.7%) of the respondents were males compared to their female counterparts, who constituted 38.3%. This finding implies that social capital can be aligned according to gender, with men having stronger social ties.

Table 3: Sex of Respondents

Gender	Frequency	Valid percent
Male	190	61.7
Female	118	38.3
Total	308	100.0

Table 4: Age of Respondents

Age Bracket	Frequency	Valid percent
18-29 years	33	10.7
30-39 years	114	37.0
40-49 years	82	26.6
50 and above	79	25.6
Total	308	100.0

In Table 4, a bigger portion (37%) of respondents were aged between 30 and 39 years, followed by the category of 40 to 49 with 26.6%. This implies that agriculture is carried out by energetic farmers at their optimal age. In addition, the findings show that the biggest portion (59.4%) of the respondents had been educated to the primary level of education and

below, followed by 24.7% with secondary level of education. The tertiary level carried 15.9% of the respondents. This finding shows that most of the small-scale farmers have basic literacy skills and can provide reliable information for this study, and also accrue benefits from social capital.

Table 5: Level of Education

Level of Education	Frequency	Valid percent
Tertiary	49	15.9
Secondary level	76	24.7
Primary level and below	183	59.4
Total	308	100.0

Source: *Primary Data*

Table 6: Descriptive Statistics on Economic Welfare of Small-Scale Farmers in Mityana District

Items	N	Minimum	Maximum	Mean	S.D
My family has sufficient sources of income	308	1.00	4.00	2.0844	1.12682
The income I receive is stable throughout the year	308	1.00	5.00	1.9416	1.15979
The income I receive is directly a result of my hard work	308	1.00	5.00	3.9708	1.34423
I receive support in the form of remittances from abroad	308	1.00	5.00	1.7597	1.21369
I always spend on a variety of food purchases	308	1.00	5.00	3.5519	1.36757
I always spend on other non-food items like health, education	308	3.00	5.00	4.4058	.57150
I spend on lumpy expenditures such as weddings, funerals, and dowries	308	1.00	5.00	3.2013	1.29836
I often compare my family income to that of others	308	1.00	5.00	3.1071	1.21803
I spend a proportion of my income on recreational activities	308	1.00	5.00	2.4545	1.34620
I have spent money on consumer durables such as home, vehicles, washing machines and computers.	308	1.00	5.00	2.6364	1.30306
Average Mean				2.91	

Legend for Interpretation of Overall Mean Values

Rating	Mean Values	Interpretation
5. Strongly Agree	4.01-5.0	Very high economic welfare
4. Agree	3.01-4.0	High economic welfare
3. Not Sure	2.01-3.0	Moderate economic welfare
2. Disagree	1.01-2.0	Low economic welfare
1. Strongly Disagree	0.00-1.0	Very Low economic welfare

From Table 6, findings reveal that there is a moderate level of economic welfare among small-scale farmers in Mityana district, with an average mean of 2.91. This calls for an urgent intervention to improve the welfare of small-scale farmers in Mityana district.

Pearson's Correlation

Table 7 shows the Pearson correlation results that sought to establish the relationship between the independent and dependent variables.

Table 7: Pearson Correlation Results

		Social Capital	Accessibility	Welfare
Social Capital	Pearson Correlation	1	.549**	.442**
	Sig. (2-tailed)		.000	.000
	N	308	308	308
Accessibility	Pearson Correlation	.549**	1	.497**
	Sig. (2-tailed)	.000		.000
	N	308	308	308
Welfare	Pearson Correlation	.442**	.497**	1
	Sig. (2-tailed)	.000	.000	
	N	308	308	308

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

In order to establish the relationship between the independent and dependent variables, it was necessary to test the following two null hypotheses:

First Hypothesis: There is no significant relationship between social capital and economic welfare.

The study tested the first null hypothesis using the Pearson Product-Moment Correlational Coefficient through the Statistical Package for the Social Sciences. As observed in Table 6, there is a significant yet weak and positive correlation ($r=.442$, $p=.000$) between social capital and economic welfare of the Small-Scale Farmers. The findings in Table 7 are supported by Westlund and Larsson (2020), who posit that communities with high social network diversity are more prosperous. This implies that social norms and networks play a vital role in transforming communities and enabling them to achieve economic development prospects. This is in agreement with Burt (2012), Hassan and Birungi (2011) as well as Afandi and Habibov (2015) who note that social capital may directly affect individual well-being and that people low on economic and social capital may be trapped in a vicious circle where their various forms of capital tend to diminish over time.

Second Hypothesis: There is no significant relationship between microcredit accessibility and economic welfare.

The study tested the second null hypothesis using the Pearson Product-Moment Correlational Coefficient through the Statistical Package for the Social Sciences. As observed in Table 7, there is a significant, moderate and positive correlation between microcredit accessibility and economic welfare ($r=.497$, $p=.000$). Therefore, the study rejected the null hypothesis. The study then came up with an inference that microcredit accessibility influences economic welfare.

The findings agree with a growing body of literature (Dhufures, Monking, S. and Buchenrieder, 2002); Heikkila, Kalmi and Ruuskanen, 2009; Van Oorschot, 2005; Sharma and Zeller, 1998; van Bastelaer and Leathers, 2006; Karlan, 2007; Newton, 2013) which is adding weight to the concept that microcredit accessibility improves standards of living of people. In addition, authors such as Afandi and Habibov (2016) as well as Guiso, Paolo and Luigi (2004) reported that people are more likely to have access to formal credit where standards of living are high, which further better levels of economic welfare.

Microfinance is not only helpful to generate income but also facilitates to improvement of the social standard of poor people as it increases their purchasing power (Duranni, Usman, Malik and Ahmad, 2011). Dzansi and Atiase (2014) add that microfinance enables the poor to deal with both family and financial shocks whenever they happen. Many impact studies have suggested that most microfinance programmes have at least provided this opportunity to the poor. Thus, microfinance programmes have reduced the vulnerability of the poor. Abekah-Nkurumah, Aseweh, Abor, Abor and Adjasi (2011) further note that women accessing micro-finance are also likely to improve maternal health service uptake.

In order to establish the contribution of social capital and microcredit accessibility on the economic welfare of small-scale farmers, a third null hypothesis was tested. Third hypothesis: There is no significant contribution of social capital and microcredit accessibility on economic welfare.

The findings in Table 8 below show the regression analysis that was used to test the extent to which social capital and microcredit accessibility predict the economic welfare of small-scale farmers in Mityana District.

Table 8: Regression Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.545	0.137		11.26	0
Social Capital	0.185	0.044	0.242	4.183	0
Microcredit Accessibility	0.211	0.033	0.364	6.303	0
R 0.537; R ² 0.288; AdjR ² 0.283; F 61.641; df1 2; df2 305; Sig 0					

a. Dependent Variable: *Economic Welfare of Small-scale Farmers*

Findings in Table 8 reveal that social capital and microcredit accessibility predict up to 28.3% of the total variance in the Economic Welfare of small-scale farmers (Adjusted R-Square=0.283). Hence, we reject the null hypothesis and conclude that Social capital and microcredit accessibility contribute to the economic welfare of small-scale farmers. This implies that the independent variables can only explain 28.3% of the changes in the dependent variable (Economic Welfare of small-scale farmers), while the remaining percentage can be attributed to factors other than social capital and microcredit accessibility, which are not part of the current study.

More to that, among the independent variables, microcredit accessibility ($\beta=0.364$, $p<0.05$) was the better significant predictor of the economic welfare of small scale farmers then closely followed by social capital ($\beta=0.242$, $p<.05$). The two variables are statistically significant in contributing to the economic welfare of small scale farmers since they are bigger than their standard errors. This implies

that in order for the economic welfare of small-scale farmers in Mityana district to improve, there is a need to give microcredit accessibility more priority compared to social capital.

Mpuga (2008) agrees with the findings, he notes that access to credit affects economic welfare. Chloupkova and Bjørnskov (2001) note that by providing low-income farmers with sufficient credit, efficient investment decisions can be made, thus increasing agricultural capacity and profitability. Mugabi (2010) adds that despite the importance of credit in helping the poor to improve their welfare, poor people are excluded from the formal financial system, and they continue to rely on meagre self-finance or informal credit, which limits their ability to actively participate in and benefit from the development process.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

- Social capital through social networks, norms and trust influences the economic welfare of

small-scale farmers in Mityana district. Social networks enable them to access microcredit, which they invest in their farms, thus increasing income levels and assets.

- Accessibility to microcredit positively influences the economic welfare of small-scale farmers. Favourable credit products enable farmers to smooth their expenditures, increase income levels and assets.
- Social capital and Microcredit accessibility have a great impact on the economic welfare of small-scale farmers in Mityana district.

Recommendations

From the study findings and conclusions, the researcher recommends the following:

- The government should promote the formation of cooperative societies, partnerships and community-based organisations tailored around social norms, trust and networking to enable farmers to access microcredit to book production levels in their farms, increase incomes and improve their standards of living.
- Microcredit institutions should establish credit terms favourable to small-scale farmers, a wide range of credit products and within the reach of small-scale farmers, to increase accessibility to microcredit, since it is found to be significant in influencing the economic welfare of small-scale farmers.
- Government line ministries such as the Ministry of Trade, Commerce and Cooperatives, the Ministry of Agriculture and the Ministry of Finance, through the central bank and its monetary policy should encourage microcredit institutions to provide credit products with credit terms that suits social norms, trust and networks to promote microcredit accessibility among small scale farmers.
- Further studies should be carried out on other factors influencing the economic welfare of small-scale farmers, since social capital and Microcredit accessibility explain only 28.8% of changes in the economic welfare of small-scale farmers.

REFERENCES

- Abekah-Nkrumah, G., Aseweh, P., Abor, J., Abor, C., and Adjasi, K. D. (2011). "Improving maternal healthcare utilization in sub-Saharan Africa through micro-finance", *International Journal of Health Care Quality Assurance*, Vol. 24 Iss 8 pp. 601 – 610.
- Afandi, E. and Habibov, N. (2016), Social Trust and Use of Banking Services Across Households in 28 Transitional Countries. *International Journal of Social Economics*, Vol. 43Iss 4pp. 431-443
- AMFIU (2013). *The Uganda Microfinance Directory 2012/13*. AMFIU: Kampala.
- Andersson, M., and Koster S. (2011). Sources of persistence in regional start-up rates-evidence from Sweden: *Journal of Economic Geography* DOI: 10.1093/jeg/lbp06.
- Andersson, M., Larsson, J. P. and Wernberg, J. (2016) Social Capital and the Economics of Cities. In: Westlund, H. and Larsson, J., Eds., *Handbook of Social Capital and Regional Development*, Edward Elgar Publishing, Cheltenham, 166-192. <https://doi.org/10.4337/9781783476831.00012>
- Bhandari, H., & Yasunobu, K. (2009). What is Social Capital? A Comprehensive Review of the Concept. *Asian Journal of Social Science*, 37(3), 480- 510. <https://doi.org/10.1163/156853109X436847>
- Brau, J. C. and Woller, G. M. (2004). "Microfinance: a comprehensive review of the existing literature", *Journal of Entrepreneurial Finance*, Vol. 9 No. 1, pp. 1-27.

- Burchardt, T. (2012). Happiness and Social Policy: Barking up the right tree in the wrong neck of the woods. *Social Policy Review* 18:145-164.
- Burt, R. (2012). Structural Holes versus Network Closure as Social Capital. *Social Capital: Theory and Research*. NY: Aldine, DE Gruyter.
- Chloupkova, J., and Bjouskov, G. L. H. (2001). "Building and destroying social capital: the case of cooperative movements in Denmark and Poland", *Agriculture and Human Values*, Vol. 20, pp. 241-52.
- Claridge, T. (2019). Understanding the impact of your social capital and leadership. Institute for Social Research & Training, Dunedin, New Zealand. <https://www.socialcapitalresearch.com/understanding-the-impact-of-your-social-capital/>
- D'Acci L. (2010). Measuring Well-Being and Progress, *Social Indicators Research*, Vol 104, n.1, pp. 47-65. DOI:10.1007/s11205-010-9717-1
- Dhufures, M., Monking, S. and Buchenrieder, G. (2002). Impact of Microfinance on Food Security and Poverty Alleviation: A Review and Synthesis of Empirical Evidence. In M. Zeller, and L. Meyer (Eds.). *The Triangle of Microfinance: Financial Sustainability, Outreach and Impact* (pp. 222-223). Baltimore: Johns Hopkins University Press.
- Durlauf, S. & Fafchamps, M. (2004). Social Capital; NBER Working Paper Series No. 10485, Cambridge, MA, available at: www.nber.org/papers/w10485.
- Durrani, M. K. K, Usman, A., Malik, M. I and Ahmad, S. (2011). Role of Micro Finance in Reducing Poverty: A Look at Social and Economic Factors. *International Journal of Business and Social Science* Vol. 2 No. 21 [Special Issue – November 2011] 138
- Dzansi, D. Y. and Atiase, V. Y. (2014). Reflecting on Micro Finance in Poverty Reduction. *Mediterranean Journal of Social Sciences, MCSER Publishing, Rome-Italy, Vol 5 No 21*
- FAO (2018). Small holders' data portrait (available at www.fao.org/family-farming/data-sources/dataportrait/farm-size/en).
- Finscope, (2012). 'FinScope Uganda - Demand, Use and Access to Financial Services in Uganda, for Financial Sector Deepening Project Uganda.
- Finsveen, O. E. (2010), "Does the welfare state reduce inequalities in people's social capital?", *International Journal of Sociology and Social Policy*, Vol. 30 Iss 3/4 pp. 182 - 193
- Fritsch M., and Wyrwich M. (2014). "The Effect of Regional Entrepreneurship Culture on Economic Development - Evidence for Germany," **Jena Economics Research Papers 2014-014**, Friedrich-Schiller-University Jena.
- Giannetti, M. and A. Simonov (2009), 'DP7441 On the Real Effects of Bank Bailouts: Micro-Evidence from Japan', CEPR Discussion Paper No. 7441. CEPR Press, Paris & London. <https://cepr.org/publications/dp7441>
- Greve, B. (2008). *Welfare: A Critical View*. Central European Journal of Public Policy (Vol. 2, № 1, July)
- Grootaert, C., and Van Bastelaer, T. (2002), *The Role of Social Capital in Development: An Empirical Assessment*, Cambridge University Press.
- Guinness, L., and Wiseman, V. (2011). Introduction to Health Economics (Understanding Public Health). Open University Press. ISBN 0335243568 <https://researchonline.lshtm.ac.uk/id/eprint/18657>

- Guiso, L., Paola, S. and Luigi, Z. (2004): ‘The Role of Social Capital in Financial Development’, *American Economic Review*, 94(3): 526-56.
- Hassan, D. C. and Birungi, K. (2011). ‘Trust, Inequality and the Size of Co-operative Sector: Cross-Country Evidence’ *Annals of Public and Co-operative Economics*, forthcoming.
- Hayrapetyan A., and Isayan L., (2022). Social Capital and its changes in Armenia: Challenges and Expectations: Institute for Research and European Studies - Bitola
- Heikkilä, A, Kalmi, P. and Ruuskanen, O. (2009). *Social Capital and Access to Credit: Evidence from Uganda*. Academy of Finland (Project No. 122398).
- Honohan, P. (2008). ‘Cross-Country Variation in Household Access to Financial Services’, *Journal of Banking and Finance* 32: 2493 – 500.
- Ibrahim, M., H. and Law, S., H. (2014). Social Capital and CO2 Emission-Output Relations: A Panel Analysis. *Renewable and Sustainable Energy Reviews*, 29, 528-534. <https://doi.org/10.1016/j.rser.2013.08.076>
- Isayan, L., & Mayilyan, F., (2022). Causations or Payoffs) The Interaction Between Countries” Economic Results and Competing Proxies of Social Capital. *Economics and Sociology*, 15(2), 60-70. <https://doi.org/10.14254/2071-789X.2022/15-2/4>
- Jensen, J. L., & Rodgers, R. (2001). Cumulating the intellectual gold of case study research. *Public Administration Review*, 61, 235-246.
- Karlan, D. (2007). Using Experiment Economics to Measure Social Capital and Predict Financial Decisions; *American Economic Review*, 95(5): 1688-99.
- Kasirye, I. (2007). *Rural Credit Markets in Uganda: Evidence from the 2005/6 National Household Survey*. Retrieved from <http://www.afdb.org/fileadmin/uploads/afdb-/Documents/Knowledge/25120349-en-afeconf-paperecv-cls1-2-12-ibrahim-kasirye-15p-.pdf> on April 05, 2016.
- Krejcie, R. V., and Morgan, D. W. (1970). Determining Sample Size for Research Activities, *Educational and Psychological Measurement*, 30, 607-610
- Li, Y., Wang, X., Westlund, H., & Liu, Y. (2015). Physical Capital, Human Capital and Social Capital: The Changing Roles in China’s Economic Growth. *Growth and Change*, 46(1), 133-146. <https://doi.org/10.1111/grow.12084>
- Moratti, M. and Natali, L. (2012), ‘Measuring Household Welfare: Short versus long consumption modules’, *Working Paper 2012-04*, UNICEF Office of Research, Florence.
- Mpuga, P. (2008). *Constraints in access to and demand for rural credit: evidence from Uganda*. Retrieved from <http://www.afdb.org/fileadmin/uploads/afdb-/Documents/Knowledge-/30753249-FR-122-Mpuga-Access-And-Demand-For-Rural-Credit-Adb-Conf.Pdf> on May 10, 2016.
- Musiimenta, S. (2012). *Stakeholder involvement in project implementation of NAADS Projects*. Kampala: Makerere University Masters Dissertation.
- National Panel Survey. (2019/2020). Uganda Bureau of Statistics: Study Documentation. Version 03; <https://doi.org/10.48529/nqzx-f196>.
- Newton, K. (2013). Social capital and democracy. *American Behavioral Scientist*, 40(5), 575.
- Norbutas L., and Corten R (2018). Network Structure and Economic Prosperity in Municipalities: a large scale test of social capital theory using social media data. *Social*

Networks 52: 120-134.
<https://doi.org/10.1016/j.solnet.2017.06.002>

11293-IND, Indonesia Resident Mission,
Jakarta.

Nunnally, J. C. (1978). Psychometric theory. 2nd Edition, McGraw-Hill, New York.

Santoso, D., B. (2019). "Microcredit Accessibility in Rural Households: Evidence from Indonesia," Economics and Finance in Indonesia: Vol. 65: No. 1, Article 5. DOI: 10.47291/efi.v65i1.635 Available at: <https://scholarhub.ui.ac.id/efi/vol65/iss1/5>

Sommeno, T. W., Mersland, R., & Randøy, T. (2025). The Impact of Debt: International Versus Local Debt in Microfinance Organizations. *Research in International Business and Finance*, 76, Article 102848. <https://doi.org/10.1016/j.ribaf.2025.102848>

Uganda Bureau of Statistics (2014). *Uganda National Household Survey 2012/2013*. Kampala: UBOS

Uganda Bureau of Statistics (2016). *National Population and Housing Census 2014 - Main Report*. Kampala: UBOS

Uganda Bureau of Statistics: *Statistical Abstract 2012*; <http://www.ubos.org/onlinefiles/uploads/ubos/pdf%20documents/abstracts/2012%20Statistical%20Abstract.pdf>.

Uganda Bureau of Statistics: *Statistical Abstract 2021*; <http://www.ubos.org/onlinefiles/uploads/ubos/pdf%20documents/abstracts/2012%20Statistical%20Abstract.pdf>.

Villalonga O., E, and Kawachi I. (2015). The measurement of social capital, *Gaceta Sanitaria*, Volume 29, Issue 1, Pages 62-64, ISSN 0213-9111, <https://doi.org/10.1016/j.gaceta.2014.09.006>

World Bank (2012). 'Indonesia: Public expenditures, prices and the poor', *Report*