

**CREDIT ACCESS AND PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES IN UGANDA: A CASE OF KAMULI MUNICIPALITY**

BY

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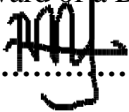
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**REPORT TO BE SUBMITTED TO THE DEPARTMENT OF ECONOMICS AND
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REQUIREMENTS OF THE AWARD OF A DEGREE OF
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DECLARATION

I **NAKIBIGI ALONE** registration number BU/UP/2018/3485 declare that this research report is my own and it has never been submitted to any other University or similar institution of higher learning for the award of a Degree or any other Academic award.

Signature:.....

Date: 11-April-2023

APPROVAL

This is to certify that report has been submitted for examination with my approval as a university supervisor.



Signature:

Date: **21st April 2023**

Mr. Watema Joash

Supervisor

DEDICATION

I dedicate this report to my parents without whom all this would have not been possible if it were not for your undying material and moral support and love that has always been forthcoming.

ACKNOWLEDGEMENT

In the name of almighty God the most gracious, the most merciful, I would like to thank God for the gift of life, knowledge and wisdom for enabling me to complete my research report Successfully. Without him I do not think that everything would have been possible.

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LIST OF ABBREVIATIONS AND ACRNYMS

1. SMEs Small and Medium Size enterprises.
2. COL Cost of loan.
3. LO..... Loan size

ABSTRACT

The purpose of the study was to examine the effect of credit access on the performance of SMEs in Kamuli Municipality. The study was guided by three objectives, namely: To find out effect of cost of loans, loan period and loan size on the performance of SMEs in Kamuli Municipality. The study undertook a descriptive cross-sectional survey research design with both quantitative and qualitative techniques employed involving sample of 80 SMEs was randomly selected using simple random sampling. The study objectives were tested using Pearson Correlation Coefficient Index. The findings of the study revealed that cost of loans, loan period and loan size have a positive significant effect on the performance of SMEs in Kamuli Municipality. The study concluded that existence and performance of SMEs is not a product of only on one ingredient, but requires interplay of different inputs ranging from availability of enough credit, favorable cost of loans, sizable loans, ample loan repayment period, and good economic policies among others. It was therefore recommended that for SMEs in Kamuli Municipality to perform and thrive, owners should be disciplined in managing business finance, they should be encouraged to form cooperatives in order to easily access credit with favorable credit terms. Government through its agencies like ministry of finance, ministry of trade, Uganda investment authority, Uganda Revenue Authority among others should put in place policies that enable SMEs to thrive and grow finally, Finance institutions like commercial banks, micro finance institutions should design and extend favorable credit packages for SMEs so to enable them to sustainably exist and continue to grow.

CHAPTER ONE

1.0 Introduction

This chapter covers the background, statement of the problem, purpose of the study, Objectives of the study, research questions, and the scope of the study, significance of the study and conceptual framework.

1.1 Background to the Study

Small and Medium Size Enterprises (SMEs) remain a key driver in the economic progress of developing countries; This is because of the economic advantages associated with them such as the encouragement of entrepreneurship; the greater likelihood that SMEs will utilize labor intensive technologies and thus have an immediate impact on employment generation, they can usually be established rapidly and put into operation to produce quick returns and that they may well become a countervailing force against the economic power of larger enterprises (Bataa, 2008).

SMEs are some of the businesses in the world that cannot function/survive without adequate finance because of the nature of their operations and management style (Kasekende & Opondo, 2003). Most SMEs in Uganda have had access to financial through borrowing from government' Emyooga scheme and from financial institutions. Lending to SMEs entails higher administration and transaction cost owing to inadequacy of records and information relating to their operations and because of this coupled with the lack of entrepreneurial skills, lack of adequate technical and management support services, such SMEs end up in poor financial state and finally collapse (GEM report, 2008).

Available records from the ministry of Finance, Planning and Economic Development (MoFPED), indicate that SMEs contribute approximately 75 percent of the gross domestic product and employ approximately 2.5 million people (MoFPED, 2000). Uganda Small Scale Industries Association reported that SMEs are spread across all sub-sectors of the economy with the majority operating in the informal sector and mainly operated by women especially in

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