

**EFFECT OF CREDIT FINANCING ON FINACIAL PERFORMANCE OF SELECTED
SMALL AND MEDIUM SCALE ENTERPRISES IN
PALLISA TOWN COUNCIL, UGANDA**

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DECLARATION

I declare that this report is my original work and has not been submitted for examination in this or any other university.

Name of Student:

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APPROVAL

This report has been submitted for examination with my approval as a university supervisor.

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ABBREVIATIONS AND ACRONYMS

SME	Small and Medium Enterprises
GDP	Gross Domestic Product
FY	Financial Year
PTC	Pallisa Town Council
UIA	Uganda Investment Authority
ROA	Return on Asset
ROE	Return on Equity
EPS	Earnings per Share
ICT	Information Communication Technology
SPSS	Statistical Packages for Social Sciences
ANOVA	Analysis of Variances

ABSTRACT

The study examined the effect of credit financing on the financial performance of small and medium scale enterprises in Pallisa Town Council. The objectives of the study were to determine the effect of long term loans on the financial performance of SMEs; to determine the effect of short term loans on the financial performance of SMEs and to determine the effect of trade credits on the financial performances of SMEs. The study used a descriptive research design with a population of 75 SMEs and a sample of 63 were drawn from financial services, wholesalers, contractors and ICT and a questionnaire was employed in the collection of data. The findings showed that there was a positive effect of long term loans on financial performance at ($r=.420$; $F=12.409$; $p< 0.05$), short term loans on financial performance at ($r=.293$; $F=5.465$; $P<0.05$) and for trade credit at ($r=.463$; $F=15.835$; $p< 0.05$). This implies that there was a positive effect of credit financing on the financial performance of SMEs in Pallisa Town Council. Therefore, the study recommended that improvement on the financial performance of SMEs relies on access to long term loans, short term loans and trade credit.