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The Attitude of the Business Community towards Interest Rates on Borrowing Loans in Ugandan Commercial Banks: A Comparative Study of Stanbic and Centenary Branches in Bushenyi District

The main objective of this study was to establish the attitude of the business community towards interest rates charged by Stanbic and Centenary commercial bank branches on borrowing loans in Bushenyi district. It was motivated by the generally high interest rates on borrowing loans and competition for clients. Specifically, the study sought to assess the impact of high interest rates on borrowing loans, the attitudes of the business community towards interest rate charged on borrowing loans and the performance of businesses that borrow from commercial banks. During the study, a total of 74 respondents were consulted. A cross sectional research design was used and primary data were collected through interviews. Data collected were analysed both qualitatively and quantitatively. Descriptive statistics were used in the analysis.

The findings revealed that although interest rates charged by commercial bank branches in Bushenyi were high for borrowing loans, they were competitive between banks in the area. The high interest rates did not enable entrepreneurs to earn high profits, were a disincentive to borrowing, didn't encourage quick loan repayment, had contributed to collapse of many businesses and were generally unfavourable for business expansion. Besides, borrowing loans had an insignificant impact on the performance of businesses that borrowed funds from both commercial banks. In conclusion, high interest rates charged on loans led to a negative attitude of the business community towards demand for loans in both Stanbic and Centenary commercial bank branches in Bushenyi district. Lastly, the study recommends that commercial banks should consider revising interest rates they charge on borrowing loans, hold more sensitisation seminars and workshops intended to educate the business community about bank operations and proper planning for loans by the intending borrowers as well as reducing on the value of collateral security required from loan borrowers among others.

Key Words: Business Community, Interest Rates, Loans, Commercial Banks Stanbic and Centenary Branches, Bushenyi District