

KATAMBA SEBAVUBYA JAMES (2014-M102-20013)

The Effect of Credit Access on the Performance of Small and Medium Enterprises: A Case Study of Rubaga Division.

The Topic for this study was the effect of credit access on the performance of Small and Medium Enterprises (SMEs), a case study of Rubaga Division. Credit access was the independent variable and the dependent variable was performance of SMEs. The study was based on three objectives; to examine the effect of collateral security on the performance of small and medium enterprises, to assess the effect of loan repayment period on the performance of small and medium enterprises, to establish the effect of interest rates set by financial institutions on the performance of small and medium enterprises and the research questions were formulated from the research objectives. The sample consisted of 132 SMEs from Rubaga Division. The study employed a case study research design and the methodology used in this study was both qualitative and quantitative. Questionnaires and documentary review were major tools of data collection. Data was analysed using the Statistical Package for the Social Sciences (SPSS) version 16. The study findings reveal that there is a positive strong relationship between collateral security and performance of SMEs, there is a positive significant relationship between loan repayment period and the performance of SMEs and that interest rates have significant positive relationship on the performance of SMEs in terms of disposable income required for the growth of SMEs. Credit terms like collateral security, loan repayment period and interest rates are critical for the performance of SMEs since they determine the riskiness of SMEs and the amount to be borrowed. The study recommends that the Government of Uganda through parliament should enact laws that deter financial institutions from fixing high interest rates paid by SMEs.

Key Words: Credit Access, Small & Medium Enterprises, Rubaga Division