



**ACCESS TO FINANCE AND PERFORMANCE OF SELECTED SMALL AND MEDIUM  
ENTERPRISES IN BUTEBO DISTRICT**

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## DECLARATION

I **MWAULE HENRY** of registration number **BU/UP/2018/2904**, do hereby declare that the piece of work is my original work and has never been presented to any university or institution of higher learning for the award of a Bachelor or other requirements.

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## APPROVAL

I certify that this Report titled “The effect of Access to Finance on Organization Performance of selected small and medium enterprises in Butebo district is prepared by **MWAULE HENRY** of registration number **BU/UP/2018/2904** and is now ready for submission.

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## **DEDICATION**

I dedicate this work to my beloved parents Mr. Talima Henry and Mrs. Gida Evelyn for their tremendous support and interventions made towards the successful completion of this course.

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## ABSTRACT

The study investigated “The effect of Access to Finance on Organization Performance of selected small and medium enterprises in Butebo district, Research objectives were to examine the effect of savings on the performance of selected small and medium enterprises, to examine the effect of bank loans of performance of selected small and medium enterprises and to examine the effect of equity finance on the performance of selected small and medium enterprises in Butebo district. The study employed a research design where quantitative analysis was used. The study considered a population of 100 respondents out of which a sample of 80 respondents was selected in an area of study, key respondents included; SMEs Managers. It was found out that the savings has enabled SMEs managers to increase profits, increase the level of stock, increase and raise financial reserves which has ploughed back turnover in business. On examining the effect of bank loans, it noted that Bank loans have helped SMEs managers to grow their financial level, increase the stock in their shop, enabled them to become financially disciplined and has helped them improve their business performance. As for equity finance, it has helped SMEs managers to increase returns, it is a source of funding for SMEs business, encounters less risks and retains earnings. It was observed that equity finance plays an instrumental role in ensuring that businesses are active and performing to raise returns and sales. It is therefore concluded that savings, bank loans and equity finance significant play a tremendous role in ensuring increase in sales, increase in returns, increase in profit if well handled. It is however recommended that there is need for SMEs managers in Butebo district to improve on their culture of savings to grow their businesses and raise greater profits and sales in their business, there is further need for business managers to consider training of their staff to ensure there is performance of quality based services to increase on the number of customers to raise sales, further Banks operators need to always consider lower and smaller interest rates for small businesses to help in enabling a better environment for better performance.

## CHAPTER ONE

### 1.0 Background of study

Small and medium enterprises (SMEs) are a global phenomenon and major drivers of global economic growth and development Ajayi, (2016). They are an important contributors to job creation, reduction of poverty rate through creation of employment opportunities, promote creativity and innovation among entrepreneurs, enhance the standard of living of the people, promote research and development (R&D), contribute to the Gross Domestic Product (GDP) of a country and contribute to global economic integration among nations, (Chaturika, 2021; Farran & Fawaz, 2018). SMEs make up 95% of china's economy, 94% of UK and about 89% of Uganda's economy. They also contribute 60% of employment, and up to 45% of National GDP in most developed economies. However, despite the undeniable contribution of SMEs to economic development, available literature suggests that they are facing challenges of poor performance (Du et al. 2015; Tadjibaeva 2019).

Globally, a study conducted in the UK revealed that out of 500 SMEs surveyed, only 52% reported being able to turn profit Clark(2022). Additionally, The National Bureau of Statistics of China states that though 95% of firms in China are SMEs, the Small and Medium-sized Enterprises Development Index (SMEDI) in 2020 was 76.4, however, a sharp drop of 16.2 points was released in 2021. This caused a ripple effect on the national tax, caused a 3% reduction in GDP and worsened the unemployment (Su, Guo, Ling, & Fan, 2022). The story is similar in the United States where SMEs were subjected to low sales turnover rates, and a dip in profits largely blamed on the COVID-19 pandemic (Hermes, 2021).

In sub saharan africa, SMEs are facing a similar dilemma with over 70% of SMEs not being able to celebrate their second unversary (Gulesci, Loiacono, Madestam, & Stryjan, 2020; Prabawani, 2013; RDB, 2020). A study conducted in rwanada by RDB, (2020) revealed that SMEs in Rwanda face many macro-level challenges including financial challenges, which have hampered the growth rate of these SMEs. The study further revealed that the profitability levels of SME dropped in the period between 2019 and 2021 by 12%.. Jeronimo and De Medeiros (2012) emphasize

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