

**FACTORS AFFECTING THE PERFORMANCE OF SMALL & MEDIUM  
ENTERPRISES IN KAMPALA DISTRICT  
A CASE STUDY OF NAKAWA DIVISION**

**BY**

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## ABSTRACT

The study was carried out to determine the factors affecting the performance of Small & Medium Enterprises in Kampala district. In particular, the study sought to explore the performance of small and medium enterprises and their source of finance.

The researcher used both descriptive and analytical research designs. The research designs were appropriate because data was easily analyzed using frequency counts and percentages derived from the responses obtained in the questionnaires. The researcher used a sample of 100 respondents.

From the study, it is clear that most of the SMEs are operated by the males (58%), (41%) are between 18 to 30 years and are operating on the roadside (48%) under sole proprietorship (70%). On the other hand, it is also evident that most SMEs get funds from SACCOs (37%) and prior to loan application most of them use personal savings (65%), (91%) use loans for business start up. Most of these businesses are viewed as risky ventures by the banks because of uncertain repayment (46%). SMEs continue to face a myriad of challenges in trying to access financial assistance from these financial institutions. Collateral requirements has been cited as a major cause of these financing problems coupled with the misuse of funds meant to assist SMEs grow into sustainable ventures. Lack of managerial training and experience where many of the small scales enterprises lack managerial training and experience is another challenge that was cited. The researcher concluded that, most of the SMEs get funds from SACCOs and also established that there is a strong relationship between access to finance and the performance of small and medium enterprises. The researcher recommended Demand for collateral should be minimized so as to enable small scale enterprises without collateral borrow credit especially those with good financial history: There is therefore a need for banks to promote transparency by regularly publishing bank charges and interest rates in the print media, as is done in Uganda. This is likely to increase competition and thus ultimate reduction in interest rates.