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Does Credit Financing Influence Growth Of Small And Medium Enterprises (Smes) In Municipal Urban Councils Of Africa? : Across- Sectional Survey on Kamuli Municipality Local Government

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Abstract*: This study majorly focused on the effect of Credit Financing and Performance of SME's in Uganda with Kamuli Municipality as the case study in Kamuli district. The study adopted three specific objectives, to determine the effect of Commercial loans on the performance of SME's, to find out the effect of Trade Credit on Performance of SME's and to ascertain the effect of asset-based financing on Performance of SME's in Uganda . A case study research design was adopted with both qualitative and quantitative approaches. Primary and secondary data was obtained for the study and the quantitative data was coded and analyzed using SPSS. Simple random sampling criterion was used in obtaining using automatically generated numbers from the study population. Study findings revealed that; commercial loans have a relatively strong positive relationship with performance of SME's, Trade credit has a strong positive significant relation with performance of SME's, Asset based financing has a strong positive significant relationship with performance of SME's. Also from the model summaries, study findings revealed that; Commercial loans caused the least (0.364 x 100 = 36.4%) of the changes in Performance of SME's, followed by Trade credit which caused (0.534 x 100 = 53.4%) of the changes in Performance of SME's and thirdly, the strongest being that Asset based financing caused (0.589 x 100 = 58.9%) of the changes in Performance of SME's. Hence basing on the findings, it was concluded that Credit financing has a strong effect on the Performance of SME's with a combined Adjusted R square of (63.7% = 0.637 x 100) which reflected that Credit financing caused more than half of the changes in the performance of SME's. Basing on the findings, the study recommends that with respect to Commercial loans, owners and managers of SME's should do proper prior planning for the money and do periodical reviews to know what to prioritize, in line with trade credit the study recommends that SME's should acquire fast moving goods to boost business expansion so as to be able to acquire even more stock on credit and thirdly on Asset based financing, the study recommended that business owners should bargain for favorable repayment terms like lower and more favorable interest charges on loans using their assets.*

Keywords: Credit Financing; Growth; Small and Medium Enterprises (SMEs); Municipal urban councils ; Africa; Kamuli Municipality Local Government

1.1 Introduction

Credit financing started as early as 2300 BC in Babylon where most everyday transactions were made on credit and every loan in Babylon had to be overseen by a public official and in fact creditors were obliged to accept any goods you offer and on some occasions you could even pay off debts with money or crops either way. To make matters even more interesting, when harvest was bad, debtors would offer family members to work off their debt. It was until 27BC to 5th Century AD that the first western pawnbrokers appeared and the word "pawn" originated from the Latin word "platinum" which means "cloth or clothing" at this time banking and money lending was a private business and actually most moneylenders were from the urban middle class often working as shopkeepers. These often offered lower than normal rate "harvest day loans" to regular borrowers and usually farmers. Cascading this to today, according to the Bank of England, total lending to individuals and small business owners stood at £1.5 trillion in April 2016, up from in the previous year. Chong (2008) asserts that, the owners/managers of SMEs combine both the financial and non-financial measures to evaluate their performance against the predetermined goals and time today. In fact, many studies regarded firm performance as firm growth as well (Davidsson et al. 2002; Kolvereid1992; Rodriquez et al. 2003) and also asserted that it consists of sales growth, the growth of the company's assets and profit growth (Leeand Tsang, 2001). Nevertheless, non-financial indicators can be measured by the number of the employees (Wren and Storey, 2002).

The performance of small businesses is defined as their capability to lead to the creation of employment and wealth by business start-up, survival and sustainability (Sandberg, Vinberg, &Pan, 2002). In line with the SME annual report 2010/2011, SMEs represented approximately 99.2% of the entire business formations in Malaysia in 2010.

Despite their important contribution to exports, employment and economic growth, the total number of SMEs decreased from 17,157 firms in 2010 to 16,893 firms in 2011 according to the SME information provided by the Department of Statistics of Malaysia.

Small and Medium Enterprises (SME's) remains one of the most reviewed topics in literature, especially as its impact on all kinds of economies worldwide cannot be over looked. Harash et al, (2013); Harash et al, (2014) assert that Worldwide the Small and Medium Enterprises (SME's) have been accepted as an engine of economic growth and for promoting equitable development. In addition, (Kraja &Osmani, 2013) in fact argue that it's one of the only ways of reducing poverty in a sustainable way.

Fraser's (2004) survey of SME growth and credit finance in the UK questions the existence of funding gaps, finding that the majority of small businesses get the funds they need though they may experience problems in obtaining these funds. Wilson (2004) also reported that 71 percent of SMEs studied did not consider credit financing as a strategic problem in their operations. In another study in the UK, (Hussain and Martin, 2005) found that less than one percent of Small Enterprises in UK consider access to credit finance as a strategic issue, which is consistent with a narrowing of the funding gap for the majority of the SMEs. In the USA, Levenson and Willard (2000) carried out a survey on access of credit finance by SMEs and found that only 2.14 percent of the enterprises studied did not obtain the funding for which they applied.

Data from Zambia shows that while 95% of SMEs have bank accounts, only 16% had loans or lines of credit (6% of small and 25% of medium enterprises). In addition, virtually all loans (93%) required collateral, which on average amounted to 146% of the loan amount (Economic Development Report, 2013).

For the case of Uganda, according to (Turyaheba, Sunday & Ssekajugo, 2013) SMEs are officially defined based on both the number of people employed and annual turnover of the enterprise. Furthermore, they are small enterprises employing a minimum of 5 people and a maximum of 50 people, with an annual sales/revenue turnover of more than UGX 360 million and total assets of more than UGX 360 million. The contribution of SMEs to Uganda's economy is well over ninety percent (90%) of the total non-farm private sector employment, approximately 2% of the national Gross Domestic Product (GDP), and over 20% of incomes of the labor force (Nyanzi, 2015). However, ninety percent of small and micro enterprise collapse in their first year of startup, due to lack of access to credit (Arinaitwe & Mwesigwa, 2015).

The availability of financing is regarded as one of the most important obstacles to start businesses (Organization for Economic Co-operation and Development, 2000). The drivers considered important by the SMEs to improve the access to loans and funding are the governmental measures such as tax exemptions, while the less important drivers were export guaranties and equity investments. Regardless the existing different types of credit offers in the market there are a considerable number of SMEs that are not having enough information or knowledge to fully take advantage of the available credit instruments (EC, 2014). Kamuli Municipality is an administrative Centre of Kamuli district in the Eastern Region of Uganda. It is 72 kilometers by road north of Jinja. According to the 2002 national census, the population of Kamuli municipality was about 11,350. In 2010, the Uganda Bureau of Statistics (UBOS) estimated the population of the municipality at 14,700. In 2011, UBOS estimated the mid-year population of Kamuli municipality at 15,200. The 2014 national population census put the population at 58,984. This showed an increase in population and thus an increase in the number of SME's at about 230 in 2016 by UIAand hence the need for more credit financing for these businesses as earlier highlighted by (OECD, 2000)

2.0 Literature Review

2.1 Theoretical review

The theoretical framework is the structure that can hold or support a theory of a research study. The theoretical framework introduces and describes the theory that explains why the research problem under study exists. (Abend, Gabriel, 2008). The study was guided by the theory of Pecking Order and the Agency theory

The Agency Theory by Jensen and Meckling (1976)

Jensen and Meckling (1976) identified two types of agency conflicts. The first focuses on the conflict between shareholders and managers and the second on the conflict between equity-holders and debt-holders. Conflicts between shareholders and managers arise because managers do not hold total residual claim thus they cannot capture the entire gain from their value-maximizing activities. The second type of conflict arises between debt holders and equity holders because debt contracts give equity holders an incentive to invest sub optimally.

The debt contracts result in asymmetric distribution of the gains, that is, if an investment is profitable above the face value of debt, most of the gain is captured by equity holders, while if investment fails, debt holders bear all the consequences because of the limited liability of the equity holders. Thus, equity holders may benefit from investing in very risky projects, even if they are value-decreasing. Such investments result in a decrease of the value of debt, while the loss in the value of equity due to poor investment is more than offset by the gain in equity value transferred from debt holders. Agency problems such as asymmetric information and moral hazards can impact negatively on the availability of credit and thus capital structure of SMEs (Stiglitz and Weiss, 1981).

Stiglitz and Weiss (1981) named this phenomenon as credit rationing. In the Stiglitz and Weiss (1981) formulation a competitive market or a loan market may be characterized by credit rationing through interest rate manipulation by credit institutions. This is because when faced with two borrower types, a bank does not know whether a safe or risky borrower is applying for credit. Because of imperfect information, Stiglitz and Weiss (1981) suggest that adverse selection will occur where some potential borrowers receive credit while others are denied. Adverse selection also occurs because banks prefer borrowers that are most likely to repay their loans since the banks expected returns depend on the probability of repayment. In addition, there are also problems of moral hazard. This is the risk that the enterprise will not perform in a manner sufficient to meet the repayments or the borrower engages in risky projects after receiving the loan. Therefore, in attempting to identify borrowers with a high probability of repayment, the banks are likely to use the interest rates that borrowers are willing to pay as a screening device. Interest rates are viewed as having an effect on credit rationing in an imperfect market characterized by information asymmetries. Interest rates are thus assumed to sort potential borrowers which lead to adverse selection. Risky borrowers are usually willing to pay a higher interest rate than safe borrowers. On the other hand, risky projects are more likely to fail than safe projects reducing the bank's profitability.

Therefore, it would be advantageous to the bank to charge lower interest rates on the safe borrowers and higher interest rates on the riskier investors. However, because of information asymmetry, banks lack knowledge of the type of borrower or the riskiness of the project. Banks thus set a common interest rate for both borrower classes, Therefore, Stiglitz and Weiss (1981) theory suggests that because the bank is not able to control all actions of borrowers due to imperfect and costly information, it will formulate the terms of the loan contract. This is done to induce borrowers to take actions in the interest of the bank and to attract low risk borrowers. Thus, in markets with incomplete information, banks set an equilibrium rate of interest at which the demand for credit will exceed the supply. There will, therefore, be credit rationing in credit markets where among loan applicants, some will receive and others are denied. Furthermore, there are identifiable groups of individuals who at a given supply of credit are unable to obtain credit at any interest rate (Stiglitz and Weiss, 1981). The theory of credit rationing advanced by Stiglitz and Weiss (1981) is relevant to why small businesses have limited access to finance.

According to the theory, information asymmetry that characterizes most developing countries results in adverse selection as banks do not possess intricate knowledge about the enterprises. Thus banks, in an attempt to decrease the negative effects of defaulting customers, usually charge a uniform interest rate to all its customers. However, these interest rates are usually high and discriminate against small enterprises as they lack collateral and prove to be highly risky projects to finance.

2.2 Concept review

2.2.1 Credit Financing

Credit financing involves the procurement of interest-bearing instruments, secured by asset-based collateral and have term structures (Nderitu & Githinji, 2015). Access to finance affects the growth and success of SMEs and the adequate access to financing is critical to enable SMEs to contribute to the economic development of the nation (Eton 2017).

The finance structure could be long-term, short-term or trade credit. To finance working capital, most SMEs rely on internal financing, and or short-term credit from suppliers, and or specialized financial products like factoring. In case of capital expenditures, which normally represent larger amounts than working capital needs, SMEs rely on internal financing, often involving fresh capital injections from shareholders (Eton, 2017).

2.2.2 Performance of SMEs

SME's performance can be evaluated by applying financial ratios such as profitability ratios, liquidity ratios, market ratios, and debt ratios, as last performance indicators, as they are influenced by how firms perform in terms of their efficiency and productivity, and how inputs and product prices change (Amornkitvikai & Harvie, 2016). SMEs performance may be measured using objective, subjective and operational measures (Harash, Suhail, & Jabbar, 2014).

Financial measures are referred to as objective measures because they can be individually measured and verified. Traditional statement of finance performance, statement of assets and liabilities and management account, are not enough to effectively measure performance of businesses, which are seeking to survive and add shareholder/owner value. Measuring performance in SMEs requires identifying what the business does in terms of levels of processing and attaching key performance indicators to those processes (Eton, 2017). Credit obtained from banks improves business performance in terms of increased business profit, increased employees, increased sales turnover, increased diversification, increased business capital and assets as well as reduction of poverty among customers (Eton, 2017). Other scholars like (Marus Eton et el, 2017) noted that financial measures include profit before tax. Nonfinancial measures of performance of SMEs include employee growth, customer satisfaction, satisfaction with performance of competitors and overall satisfaction (Harash, Suhail, &Jabbar, 2014). Based on the source of financing, performance of SMEs can be measured in terms of solvability ratio, and coverage of interest (Popa & Ciobanu, 2014). Availability of finance determines the capacity of an enterprise in terms of choice of technology, access to markets, and access to essential resources, which in turn greatly influences the viability, and success of a business (Eton, 2017). SMEs that do not have access to external funds due to stringent terms that the financiers tend to tie to their credit and investment have impaired capacity building (Eton 2017). However, short-term loans are not conducive to greater productivity while long-term loans may lead to improvements in productivity (Nderitu & Githinji, 2015). Profitability is the greatest indicator of performance of SMEs who struggle for survival, on top of proving their credit worthiness and solvability to their financiers.

2.3. Empirical Review

2.3.1 Effect of commercial loans on Performance of SMEs

The provision of finance to SMEs by lending institutions can be problematic (Nderitu et el 2015). Institutions need to be able to effectively monitor the performance of the enterprise to ensure the enterprise is abiding by the terms of the contract, the enterprise is making satisfactory business progress and the necessary means are available to ensure that the interests of the lender are being respected. However, it is difficult for banks to monitor due to a lack of transparency in the operation of SMEs, which are less likely to follow expected norms of corporate governance. This is compounded by the fact that SMEs experience greater volatility in profitability, sales growth and earnings in comparison to larger firms, and their survival rate is much lower (Storey and Thompson, 1995). SMEs also suffer from principal-agent problems, and asymmetric information, which can lead to investment in riskier projects and present lenders with the difficulty of distinguishing good loans from bad loans. In these circumstances banks find it rational to engage in credit rationing (e.g. not extending the full amount of the credit requested, even when the borrower is willing to pay a higher interest rate).

In addition, due to the high collateral requirements, unfavorable interest rates and untimely delivery of credit, SMEs are reluctant to obtain loans, access to credit by SMEs is limited since banks have failed to expand SME loans due to imperfect information, high transaction costs, large number of borrowers and low returns from investments. This will result in reduced financial performance in terms of sales, profits and liquidity (Olutunla and Obamuyi, 2008).

Atieno (2006) and Steel (2004) further explained that limited access to credit can also negatively affect profitability and financial survival if firms operate under poor economic conditions and high interest rates. On the other hand, if credit is accessible and reasonably priced, firms can address their liquidity constraints in turn aiding profitability (Laferrara, 2003).

In addition, loans are given depending on savings with financial institution and the SMEs previous loan repayment. Most of these loans are lent out depending on the collection convenience, payment and flexibility with experienced clients. Financial institutions tend to meet their clients working capital by giving short term loans and limit long term loans. Financial institutions cite weak SME management and governance, unreliable financial information on SME operations, lack of medium- and long-term resources for typical SME lending, and complicated procedures to register and seize collateral as the main constraints to funding SMEs with large loans amount (Odongo, 2014).

2.3.2 Effect of trade credit on performance of SMEs

Trade credit refers to the credit extended to SMEs by their suppliers whom they have purchased goods or services from on a credit basis for a given period of time after which they pay later when the credit period expires (Munyuny, 2013)

Trade credit is an important source of finance for many SMEs and start-ups, which can substitute or supplement short-term bank lending. This mainly consists of the extension of traditional credit instruments and credit-mitigation tools, such as loans and guarantees, to sustain import and export activities (Cusmano,2015).

Trade credit in the form of accounts payable and receivable move broadly in line with the business cycle, as they are closely linked to the exchange of goods and services and hence, to economic activity (Kyomuhendo 2014). SMEs with low credit worthiness are likely to be more financed by suppliers, where liquidation is likely to occur. Trade credit reflects the fact that low quality firms choose this type of financing from their suppliers and firms that use trade credit grow relatively faster (Kyomuhendo 2014).

Firms that are confronted with a liquidity shortage (shock), overcome this distressed situation by passing on one fourth of the shock to their suppliers by taking more trade credit. (Kyomuhendo 2014)

2.3.3 Effect of asset-based finance on the performance of SMEs

Asset-based finance, which includes asset-based lending, factoring, purchase-order finance, warehouse receipts and leasing, differs from traditional debt finance, as a firm obtains funding based on the value of specific assets, rather than on its own credit standing. Working capital and term loans are thus secured by assets such as trade accounts receivable, inventory, machinery, equipment and real estate hence serving the needs of young and small firms that have difficulties in accessing traditional lending. (Cusmano, 2015)

With an asset-based lending facility, finance is provided against a wider pool of assets. This will normally include debt but could also include inventory and stock, plant and machinery, real property and also intangibles such as intellectual property, brand and forward income streams.

Asset based finance provides a set of flexible funding options, with the finance available expanding as the client business grows. Funding decisions are based on real-world considerations such as the quality of a client's customers and the assets the client holds, not just accounts. As well as finance, clients benefit from finance partner that truly understands their business and can add genuine value to their operations.

Asset based financing is flexible because finance is provided against the debts and other assets of the business. As sales grow, the availability of working capital can also grow. The business can concentrate on managing and growing their operations; they don't need to worry about whether their funding will keep up. Asset based finance can unlock more funding, more quickly. New facilities can normally be set up in a matter of days and sometimes hours, and once a facility is up and running, every new invoice raised can unlock more funding. In addition, using asset-based finance will often release more funding overall than through other forms of funding. Asset based finance enables more predictable cash flow and greater financial stability hence liquidity for business. This can free up cash down the supply chain as well, allowing client to pay their own suppliers more quickly. This can bring additional savings by enabling a business to take advantage of volume discounts.

3.0 Methodology

3.1 Research Design

The study adopted a case study design. This involved collection of large data from very many respondents cheaply and in a shorter time period (Creswell 2003 and Koul 2005). The case study design was used because of its in-depth investigation of an individual, group, institution and it makes detailed examination of a single subject (Mugenda and Mugenda, 1999). The study used a case study design to make an intensive investigation on Credit Financing and its effect on Performance of SME's in Uganda.

Both qualitative and quantitative methods were used in order to reduce bias. Qualitative approach was helpful in interpreting people's thoughts, opinions and perceptions about Credit financing specifically Commercial Loans, Trade Credit and Asset based financing. The qualitative data gave a narrative and descriptive information that explained and gave deeper understanding and insight into a problem as suggested by Amin, (2005).

3.2 Area of the Study

The study was on the Effect of Credit Financing on Performance of SME's in Uganda. The study was conducted in Kamuli Municipality in Kamuli District.

3.3 Study Population

The population of the study consisted of the current registered list of 260 SME's operating in Kamuli Municipality which was obtained from the Municipal Commercial Office Department records of businesses. The target population was the people who run SME's within Kamuli Municipality in Kamuli district.

Table: 3.3.1 Showing the population of the study

S/N	Category of respondent	Population
1	Kiosks	100
2	Min supermarkets	10
3	Retailer shops	100
4	Whole sale shops	50
	Total	260

Source: Kamuli Municipality Commercial Office Business data base

3.4 Sampling Procedures

3.4.1 Sample Size

In the study a sample of 152 respondents was used. The sample size was chosen with reference to Krejcie & Morgan, 1970 table of determining sample size from a finite population. See appendix III.

Table 3.4.2 Showing Sample Size

S/N	Category of respondent	Population	Sample Size	Sampling technique
1	Kiosks	100	60	Simple random sampling
2	Mini supermarkets	10	10	census sampling
3	Retailer shops	100	60	Simple random sampling
4	Whole seller shop	50	22	Simple random sampling
	Total	260	152	

Source: Primary data

3.4.2 Sampling Techniques

In determining the sample size, simple random sampling technique was used. Simple random sampling was preferred because it gave chance to all potential respondents from the study population equal chance of being picked.Using simple random sampling technique, the researcher assigned the respondents' numbers from 1 up to 152 then randomly pick which numbers to participate using computer generated random numbers.

3.5 Data Collection Methods and Instruments

Both primary and secondary data collection methods were used to collect data.

Primary data was gathered directly from respondents. Secondary data involved a collection and analysis of published material and information from other sources such as annual reports and both published and unpublished data.

3.5.1 Data Collection methods

Questionnaire survey

Questionnaire method involved the use of a set of questions printed in a logical order (Kothari, 1984: Mugenda and Mugenda, 1999). The method was advantageous because it collected data from a relatively large number of respondents with convenience, cheaply and saved time. The method was also preferred because it enabled respondents to freely express their views on Credit Financing and Performance of SME's in Uganda.

Interview method

The method comprised of personal (face to face) interviews with key individuals considered to have the necessary information relevant to objectives of the study. The method involved use of structured interviews with a set of pre - determined questions in an interview guide. The method had an advantage of providing in depth data which could not have been got using the questionnaire method.

Documentary Review

The study reviewed Credit Financing and its usage by the different clients especially by the SME's. The study also reviewed existing literature related to the study problem and variables in form of reports, published and unpublished research, journals, electronic journals, websites and databases to gain more information on the study problem. Sekaran (2003) classifies these documents as secondary sources of data collection method and asserts that this method saves time and reduces the cost of gathering information.

3.5.2 Data Collection Instruments

Data collection instruments that were used include questionnaire, interview guides and documentary review.

3.6 Quality Control Methods

3.6.1 Validity

Validity means that correct procedures have been applied to find answers to a question (Catherine, 2002). Validity was established through the average Content Validity Index (CVI) formula. The tool was used to gauge the content validity of items on an empirical measure. It was applied using the formula shown below;

$$\text{Content Validity Index (CVI)} = \frac{\text{Number of items declared valid}}{\text{Total number of items}}$$

3.6.2 Reliability

Reliability was used to measure the degree to which the instrument was the same when put under the same conditions. A data collection instrument was presumed reliable when it produced the same results when repeatedly used to measure concepts from the same respondents even by other researchers. To ensure reliability, the research instrument was pre-tested to selected 10 respondents from Kamuli Municipality to ensure consistency and comprehensiveness. Furthermore, some consultations with other researchers, supervisors and peer groups weredone to review the research instrument. The degree of reliability was considered if Cronbach's coefficient Alpha is above 0.72. This was considered to indicate a high reliability hence was acceptable research (Mugenda and Mugenda, 1999).

Reliability was run using SPSS to determine the reliability of the instrument used in data collection.

3.7 Data Management and Processing

Questionnaires once collected back from respondents were used for analysis and then stored in a safe place for future reference.The analyzed data was used for the study only and for academic purposes specifically. Data was processed using Pearson's correlation coefficient (r) to examine the relationship between independent and dependent variables. In addition, regression analysis was used to determine the coefficient of determination (r^2) and Adjusted R square which showed the variations caused by the independent variable in the dependent variable.

3.8 Data Analysis

According to (Sekaran, 2003), data analysis is the evaluation of data. It is the process of systematically applying statistical and logical techniques to describe, summarize and compare data.

3.8.1 Qualitative data analysis

Qualitative data was obtained by conducting interviews with other respondents outside the sample to cover up for any who did not return the questionnaires and to provide additional information to minimize sampling errors. Qualitative analysis involved categorizing data and then attaching it to the appropriate categories. Interview responses were critically analysis and added in the discussions to back up the findings on the various objectives. Data from questionnaires was, where necessary, quoted as stated by respondents to strengthen the interpretation.

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3.8.2 Quantitative data analysis

Quantitative data was collected from questionnaires. Quantitative data analysis process involved; editing, coding and the run through SPSS to generate frequencies, percentages and correlation coefficients through which relationships are established (Kothari, 2004). The data collected through questionnaires was analyzed using Statistical Package for Social Sciences (SPSS) because this was the most recommendable package for analyzing social sciences research data (Sekaran, 2003).

The statistics majorly used percentages, frequencies, mean and standard deviation to measure the Direction, form and degree of the relationship (regression and correlation) between Credit Financing and Growth of SMEs.

4.0 Presentation, Analysis and Discussion of Findings

4.1 Response rate

Table 4.1.1 showing response rate

Total number of Questionnaires administered	Number of questionnaires filled and returned	Number of questionnaires not returned
152	140	12

Source: Primary data

= (140/152) x 100

= 92.11%

Findings from the study revealed that out of the total number of (152) questionnaires that were administered, a total of (140) questionnaires were filled and returned while (12) could not be found and as a result were not obtained back by the researcher.

As a result, a 92.11%(140) response rate was obtained thus meeting and exceeding the requirement as indicated by Holbrook, Jon, and Alison (2007), that emphatically stated that response rate lower than 54% was minimally less accurate.

4.2 Background Information of respondents

This included the distribution of the gender of the respondents, age, working period and the level of education of the respondents.

Table 4.2.1 showing gender distribution of the respondents

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	58	41.4	41.4	41.4
	Female	82	58.6	58.6	100.0
	Total	140	100.0	100.0	

Source: Primary data

Study findings from table 4.2.1 revealed that there were 41.4%(58) male respondents and 58.6%(82) female respondents. This highlights the ever-growing rate of women in entrepreneurship today in Ugandan society. It also points to the resilient role of women in providing for their homes today and their fast progression in the business arena through several women empowerment projects like UWESO and many others in the different parts of Uganda.

Table 4.2.2 showing age distribution of the respondents

Age Bracket					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25 years and below	24	17.1	17.3	17.3
	26 - 35 years	67	47.9	48.2	65.5
	36 - 45 years	40	28.6	28.8	94.2
	46 - 55 years	5	3.6	3.6	97.8
	56 years and above	3	2.1	2.2	100.0
	Total	139	99.3	100.0	
Missing	System	1	.7		
Total		140	100.0		

Source: Primary Data

Study findings from table 4.2.2 revealed that majority 47.9%(67) of the respondents were within the age of (26 – 35) years of age. The study also revealed that 28.6%(40) of the respondents were within the ages (36 – 45) years of age, 17.1%(24) were 25 years and below, 3.6%(5) were (46 – 55) years of age whereas 2.1%(3) respondents were 56 years and above. Basing on these findings therefore, it is clear that majority of the respondents were within the ages of 26 – 35 years of age. At this age many people are believed to be in their active age where they try anything possible to earn them a living as cited by Amran (2011) who argued that age had a significant effect on performance in business. This actually points to the fact that there are so many youths in Uganda today who have failed to complete their school due to the poor standards of living and high cost of education today in Uganda. As a result, many have resorted to starting their own businesses for survival. However, this is also probably due to the various governments that are targeting and empowering youths in different parts of the country especially the Youth Livelihood Program that is encouraging youths to involve themselves in self-earning projects by providing them with credit finances.

Table 4.2.3 showing the experience of respondents in SME's

Experience in the organization					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 year and below	36	25.7	25.7	25.7
	2 - 6 years	88	62.9	62.9	88.6
	7 - 11 years	12	8.6	8.6	97.1
	12 years and above	4	2.9	2.9	100.0
	Total	140	100.0	100.0	

Source: Primary data

Study findings from table 4.2.3 above, revealed that at least 62.9%(88) of the respondents have been in business for about (2-6 years), 25.7%(36) have worked for at least (1 year) and 2.9%(4) have been in business for at least (12) years and above. Basing on these findings therefore, it is revealed that majority of the respondents have worked for (2 – 6) years. This period of (2 – 6) years is probably due to the fact that many of these SME's may have been a product of the many credit financing institutions like banks and microfinance institutions and also the youth livelihood program which started about 8years ago.

Table 4.2.4 showing educational levels attained by the respondents

Level of Education					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary level	39	27.9	27.9	27.9
	Secondary level	84	60.0	60.0	87.9
	Diploma level	11	7.9	7.9	95.7
	Bachelors level	4	2.9	2.9	98.6
	Others	2	1.4	1.4	100.0
	Total	140	100.0	100.0	

Source: Primary Data

Study findings from the table 4.2.4 above revealed that 60.0%(84) respondents had reached secondary, 27.9%(39) had reached primary level, 11%(7.9) had reached Diploma, 2.9%(4) are bachelors holders while 1.4%(2) were other levels either higher, lower or even none at all. Basing on the study findings, therefore, majority of the respondents had reached Secondary level, this is probably due to high cost of education at higher levels especially university and even other certificate levels, however, given the fact that there are many females involved it could be also pregnancy drop outs also as a result of early marriages and as a result they start business to earn a living and support the young families. Further still these people have at least to a great extent some knowledge about credit facilities as a mode of business financing. They are also young and vibrant

4.3 Descriptive statistics on Credit financing and Performance of SME's

The study determined the frequencies, percentages, mean and standard deviation of the perceptions of respondents on Commercial Loans, Trade Credit, Asset Based Finance and also Performance of SME's.

The first objective of this study was to determine the effect of Commercial Loans on the performance of SME's. The data collected was analyzed and presented as below.

Table 4.3.1 Perception of respondents on the use of Commercial Loans

		Strongly disagree	Disagree	Agree	Strongly Agree	Mean	Std. dev.
SME's perceive bank loans as a quick way of securing finance for daily operations that enables them to maintain high stock levels thus sales	Frequency	37	87	12	4	1.83	.673
	Percentage	26.4%	62.1%	8.6%	2.9%		
I am charged low interests on money borrowed to run my business activities	Frequency	6	46	74	14	2.69	.711
	Percentage	4.3%	32.9%	52.9%	10.0%		
Commercial loans is a quicker way of financing my business operations which enhances stock	Frequency	7	41	63	29	2.81	.819
	Percentage	5.0%	29.3%	45.0%	20.7%		
Loan financing is a cheaper way of enhancing my business operations	Frequency	5	31	75	29	2.91	.754
	Percentage	3.6%	22.1%	53.6%	20.7%		
Lending institutions offer affordable commercial loans to SME's to improve their business operations	Frequency	4	37	63	36	2.94	.798
	Percentage	2.9%	26.4%	45.0%	25.7%		
	Frequency	5	35	75	25	2.86	.745

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I have received sufficient funds from lending institutions that have allowed me to improve on my business	Percentage	3.6%	25.0%	53.6%	17.9%		
There are favorable repayment terms offered by lending institutions that have allowed SME's to acquire commercial loans to improve business performance	Frequency	3	51	61	25	2.77	.762
	Percentage	2.1%	36.4%	43.6%	17.9%		

Source: Primary data

From the table 4.3.1, findings of the study revealed that 62.1%(87) of the respondents disagreed and 8.6%(12) agreed, while 26.4%(37) strongly agreed and 2.9%(4) strongly agreed with the statement that SME's perceive bank loans as a quick way of securing finance for daily operations that enables them to maintain high stock levels thus sales. Findings also revealed a mean of (1.83) from the central tendency and standard deviation of (0.673) which shows that responses were deviating more towards disagreeing with the statement. This mean shows that majority of the responses were in disagreement with the statement and the standard deviation shows a low level of agreement from the respondents that SME's in Kamuli Municipality perceive bank loans as a quick way of securing finance for daily operations that enables them to maintain high stock levels thus sales. This therefore, probably implies that SME's in Kamuli Municipality believe that commercial loans are not a quick way of securing finance for daily operations that enables them to maintain high stock levels thus sales. Some authors in fact argue that commercial loans may not be easy to secure by SMEs maybe because of the fear by the lending institutions of not being able to effectively monitor the SMEs (Barger and Udell 2003).Indeed this is even coupled with some respondents interviewed who said that processing time and requirements are too many for their busy schedules and even given the small nature of their businesses which they argued that discourages them from using loans when they need money so fast.

From the table 4.3.1, findings of the study revealed that 52.9 %(74) agreed and 32.9 %(46) disagreed, 4.3%(6) strongly disagreed while 10.0%(14) strongly agreed with the statement that I am charged low interests on money borrowed to run my business activities. Findings also revealed a mean (2.69) and standard deviation (0.711). This mean shows that majority of the responses were in agreement with the statement that I am charged low interests on money borrowed to run my business activities and the standard deviation shows moderate level of agreement amongst the respondents that they are charged low interests on money borrowed to run their business activities which in my view enhances performance of SME's. This is also supported by some respondents who said that for them as people in business, they often borrow money at fair interest rates from particular institutions that give them longer repayment periods and that they believe the interest rate is not bad since they are even given a whole year before they start repayment.

From the table 4.3.1, findings of the study revealed that 45.0%(63) agreed and 29.3%(41) disagreed, 5.0%(7) strongly disagreed while 20.7%(29) strongly agreed with the statement that Commercial Loans is a quicker way of financing my business operations which enhances stock. Findings also revealed a mean (2.81) and standard deviation (0.819). This mean shows that most of the respondents believe that commercial loans are a quick way of financing their business operations and the standard deviation shows moderate level of agreement from the respondents largely that commercial loans are a quicker way of financing their business operations. This may be because these SME's have at least used these commercial loans to finance their operations and it worked for them thus improving their performance. Similar studies by (Odongo,2014) show that loans are given depending on savings with financial institutions and the SMEs previous loan repayment.

From the table , findings of the study revealed that 53.6 %(75) agreed and 22.1 %(31) disagreed, 3.6 %(5) strongly disagreed while 20.7 %(29) strongly agreed with the statement that Loan financing is a cheaper way of enhancing my business operations. Further findings also revealed a mean (2.91) and standard deviation (0.754). This mean implies that majority of the respondents were in agreement that loan financing is a cheaper way of enhancing business operations and the standard deviation shows moderate levels of agreement amongst the respondents that loan financing is a cheaper way of enhancing my business operations. Basing on the study findings majority of the respondents believed that loan financing is a cheaper way of enhancing their business operations. This is probably because when loans are acquired, they give a grace period before repayment *as some of the respondents agreed that financing institution grace period, which gives the owners of SME's some time to invest the acquired money into their operations hence enhancing their operations and as a result enhancing their performance.*

From the table 4.3.1, findings of the study revealed that 45.0 %(63) agreed and 26.4 %(37) disagreed, 2.9%(4) strongly disagreed while 25.7%(36) strongly agreed with the statement that Lending institutions offer affordable commercial loans to SME's to improve their business operations. Further findings also revealed a mean (2.94) and standard deviation (0.798). This mean shows that majority of the respondents were in agreement that Lending institutions offer affordable commercial loans to SME's to improve their business operations and the standard deviation shows moderate level of agreement amongst the respondents that Lending institutions offer affordable commercial loans to SME's to improve their business operations. Basing on the study findings majority of the respondents believed that Lending institutions offer affordable commercial loans to SME's to improve their business operations. This is may be because SME's get loans that are well priced hence improving SMEs liquidity. Similar studies by Leferra(2003) argue that if credit is accessible and priced reasonably firms can address liquidity constraints.

From the table 4.3.1, findings of the study revealed that 53.6%(75) agreed and 25.0%(35) disagreed, 3.6%(5) strongly disagreed while 17.9%(25) strongly agreed with the statement that I have received sufficient funds from lending institutions that have allowed me to improve on my business. Further findings also revealed a mean (2.86) and standard deviation (0.745). This mean shows that most of the respondents were in agreement with the statement I have received sufficient funds from lending institutions that have allowed me to improve on my business and the standard deviation shows moderate level of agreement amongst the respondents agreed with the statement that I have received sufficient funds from lending institutions that have allowed me to improve on my business. Basing on the study findings most of the respondents including those who were interviewed believed that they have received sufficient funds from lending institutions that have allowed them to improve on their business. This is probably because SME's are able to acquire large quantities of stock and as a result are able to make large sales over a short period of time which improves their performance.

From the table 4.3.1, findings of the study revealed that 43.6%(61) agreed and 36.4%(51) disagreed, 2.1%(3) strongly disagreed while 17.9%(25) strongly agreed with the statement there are favorable repayment terms offered by lending institutions that have allowed SME's to acquire commercial loans to improve business performance. Further findings also revealed a mean (2.77) and standard deviation (0.762). This mean shows that most of the respondents were in agreement with the statement there are favorable repayment terms offered by lending institutions that have allowed SME's to acquire commercial loans to improve business performance and the standard deviation shows moderate level of agreement amongst the respondents that there are favorable repayment terms offered by lending institutions that have allowed SME's to acquire commercial loans to improve business performance. Basing on the study findings most of the respondents believed that there are favorable repayment terms offered by lending institutions that have allowed SME's to acquire commercial loans to improve business performance. This is probably because SME's are offered credit periods that they bargain for and they accept them basing on the flow of their activities as said by some of the respondents and therefore this makes SME operations flexible since they work without undue influence or pressure from the lenders thus improving their performance. *Some respondents interviewed even argued that the only time when one can have pressure from the lending institutions is when they don't comply with the terms and conditions as prescribed otherwise, they work without any problem totally.*

4.3.2 Trade Credit

The second objective of the study was to find out the effect of using Trade Credit on the performance of SME's. The data was analyzed as below;

Table 4.3.2 Respondents perceptions on use of Trade Credit

		Strongly disagree	Disagree	Agree	Strongly Agree	Mean	Std. Dev.
SME's receive sufficient credit period for repayment which has offered them value for money	Frequency	11	90	35	4	2.23	.627
	Percentage	7.9%	64.3%	25.0%	2.9%		
Trade credit to SME's has facilitated business expansion thus better performance	Frequency	2	14	99	25	3.05	.579
	Percentage	1.4%	10.0%	70.7%	17.9%		
Trade credit has allowed me to acquire higher quality products which would rather be very costly on cash basis	Frequency	0	48	61	31	2.88	.744
	Percentage	0.0%	34.3%	43.6%	22.1%		
Trade credit provides a safe valve for SME's through availability of liquidity	Frequency	3	32	70	35	2.98	.754
	Percentage	2.1%	22.9%	50.0%	25.0%		
Trade credit has enabled me to work harder towards clearing old debts thereby enhancing my business performance	Frequency	3	44	69	24	2.81	.735
	Percentage	2.1%	31.4%	49.3%	17.1%		
I have managed to acquire a variety of products to meet customers demand due to trade credits	Frequency	0	26	75	39	3.09	.677
	Percentage	0.0%	18.6%	53.6%	27.9%		
	Frequency	2	46	59	33	2.88	.782

Trade credit enables me to minimize holding any capital in stock thus enhancing business expansion	Percentage	1.4%	32.9%	42.1%	23.6%		

Source: Primary data

From the table 4.3.2, data collected and analyzed revealed that 64.3%(90) disagreed and 25.0%(4) agreed with the statement that SME's receive sufficient credit period for repayment which has offered them value for money. In addition, 7.9%%(11) strongly disagreed while 2.9%(4) strongly agreed with the statement that SME's receive sufficient credit period for repayment which has offered them value for money. Study findings also revealed a mean (2.23) and standard deviation (0.627). Basing on these findings, the mean value shows majority of the respondents disagree that SME's receive sufficient credit period for repayment which has offered them value for money and the standard deviation also shows a low level of agreement amongst the respondents that SME's receive sufficient credit period for repayment which has offered them value for money. From the data, majority of the respondents were in disagreement with the statement that SME's receive sufficient credit period for repayment which has offered them value for money. This may be because of the lack of information about the SMEs hence fear by the suppliers to extend long periods of credit.

From the table 4.3.2, data collected and analyzed revealed that 70.7%(99) agreed and 10.0%(14) agreed with the statement that Trade credit to SME's has facilitated business expansion thus better performance. In addition, 1.4%%(2) strongly disagreed while 17.9%(25) strongly agreed with the statement that trade credit to SME's has facilitated business expansion thus better performance. Study findings also revealed a mean (3.05) and standard deviation (0.579). Basing on these findings, the mean value show majority agreements among respondents that trade credit to SME's has facilitated business expansion thus better performance and the standard deviation also shows a high level of agreement amongst respondents that Trade credit to SME's has facilitated business expansion thus better performance. This probably because trade credit enables SME's to acquire huge amounts of goods and in variety thereby increasing sales levels and hence business expansion which enhances performance. Similar studies by (Fisman and Love, 2003) show that firms that use trade credit grow faster. This is indeed true probably because SME's can be supplied with more stock even when the old stock is not finished hence boosting the stock diversity for sale to different customers of different preferences.

From the table 4.3.2, data collected and analyzed revealed that 43.6%(61) agreed and 34.3%(48) disagreed with the statement that trade credit has allowed me to acquire higher quality products which would rather be very costly on cash basis. In addition, 0.0%(0) strongly disagreed while 22.1%(31) strongly agreed with the statement that trade credit has allowed me to acquire higher quality products which would rather be very costly on cash basis. Study findings also revealed a mean (2.88) and standard deviation (0.744). Basing on these findings, the mean value shows that majority of the respondents agreed that trade credit has allowed me to acquire higher quality products which would rather be very costly on cash basis and the standard deviation also shows a moderate level of agreement amongst the respondents that trade credit has allowed me to acquire higher quality products which would rather be very costly on cash basis. This probably because trade credit enables SME's to acquire high quality goods and pay later as said by some of the respondents thus enabling them to acquire even very costly and higher quality goods unlike when they are using cash.

From the table 4.3.2, data collected and analyzed revealed that 50.0%(70) agreed and 22.9%(32) disagreed with the statement that Trade credit provides a safe valve for SME's through availability of liquidity. In addition, 2.1%(3) strongly disagreed while 25.0%(35) strongly agreed with the statement that Trade credit provides a safe valve for SME's through availability of liquidity. Study findings also revealed a mean (2.98) and standard deviation (0.754). Basing on these findings, the mean value shows that majority of the respondents were in agreement that trade credit provides a safe valve for SME's through availability of liquidity and the standard deviation also shows moderate level of agreement that respondents to a large extent are in agreement with the statement that trade credit provides a safe valve for SME's through availability of liquidity. From the data, majority of the respondents were in agreement with the statement that Trade credit provides a safe valve for SME's through availability of liquidity. Similar studies by Boissay and Gropp (2007) show that trade credit helps firms faced with liquidity shocks.

From the table 4.3.2, data collected and analyzed revealed that 49.3%(69) agreed and 31.4%(44) disagreed with the statement that trade credit has enabled me to work harder towards clearing old debts thereby enhancing my business performance. In addition, 2.1%(3) strongly disagreed while 17.1%(24) strongly agreed with the statement that trade credit has enabled me to work harder towards clearing old debts thereby enhancing my business performance. Further analysis revealed a mean (2.81) and standard deviation (0.735). Basing on these findings, the mean value shows majority of the respondents agreeing that trade credit has enabled me to work harder towards clearing old debts thereby enhancing my business performance and the standard deviation also shows moderate levels of agreement that respondents agreed with the statement that trade credit has enabled me to work harder towards clearing old debts thereby enhancing my business performance. From the data, majority of the respondents were in agreement with the statement that trade credit has enabled me to work harder towards clearing old debts thereby enhancing my business performance. This may be because the reduced transaction costs through trade credit as shown in the studies by Rodriquez (2006)

From the table 4.3.2, data collected and analyzed revealed that 53.6 %(75) agreed and 18.6%(26) disagreed with the statement that I have managed to acquire a variety of products to meet customers demand due to trade credits. In addition, 0.0%(0) strongly disagreed while 27.9%(39) strongly agreed with the statement that I have managed to acquire a variety of products to meet customers demand due to trade credits. Further analysis revealed a mean (3.09) and standard deviation (0.677). Basing on these findings, the mean value shows majority of the respondents agreed that I have managed to acquire a variety of products to meet customers demand due to trade credits and the standard deviation also shows moderate levels of agreement by respondents agreeing with the statement that I have managed to acquire a variety of products to meet customers demand due to trade credits. From the data, majority of the respondents were in agreement with the statement that I have managed to acquire a variety of products to meet customers demand due to trade credits thereby enhancing my business performance. This may be because trade credit allows the owners of SME's to acquire large variety of goods which they pay later which in return allows them to sale to different customers and improve on their performance. Similar studies by (Munyunyi,2013) show that trade credit allows SMEs to get goods from suppliers on credit and pay later when credit period expires.

From the table 4.3.2, data collected and analyzed revealed that 42.1 %(59) agreed and 32.9%(46) disagreed with the statement that trade Credit enables me to minimize holding any capital in stock thus enhancing business expansion. In addition, 1.4%(2) strongly disagreed while 23.6%(33) strongly agreed with the statement that trade Credit enables me to minimize holding any capital in stock thus enhancing business expansion. Further analysis revealed a mean (2.88) and standard deviation (0.782). Basing on these findings, the mean value shows that majority of responses were in agreement that trade Credit enables me to minimize holding any capital in stock thus enhancing business expansion and the standard deviation also shows moderate levels of respondents agreeing with the statement that Trade Credit enables me to minimize holding any capital in stock thus enhancing business expansion. From the data, majority of the respondents were in agreement with the statement that trade Credit enables me to minimize holding any capital in stock thus enhancing business expansion. This probably implies that SME's are able to spend much of their funds on fast running products other than holding in stock which takes longer hence enhancing performance.

4.3.3 Asset Based Financing

The third objective of the study was to ascertain the effect of Asset Based Financing on the performance of SME's. Study findings were summarized as below.

Table 4.3.3 Perception of respondents about Asset Based Financing

		Strongly disagree	Disagree	Agree	Strongly Agree	Mean	Std. Dev.
Using my assets to acquire credit has enhanced low costs by allowing wide spread of debt over variety of assets	Frequency	44	68	23	5	1.92	.787
	Percentage	31.4%	48.6%	16.4%	3.6%		
Use of business assets to secure financing for my business has helped me to afford enough money based on available assets thus better performance	Frequency	1	49	66	24	2.81	.719
	Percentage	0.7%	35.0%	47.1%	17.1%		
I am satisfied with the way asset-based financing contributes to business operations	Frequency	3	29	82	26	2.94	.691
	Percentage	2.1%	20.7%	58.6%	18.6%		
I am able to make payment in installments for a longer period through use of my assets as a security which has enhanced cash flows of the business	Frequency	1	41	66	32	2.92	.691
	Percentage	0.7%	29.3%	47.1%	22.9%		
I have acquired credit from multiple sources using the assets of my business that has improved my business funds	Frequency	2	36	76	26	2.90	.703
	Percentage	1.4%	25.7%	54.3%	18.6%		
Using my assets to get business funds has been friendlier thus enabling most SME's to get business funds	Frequency	1	42	65	32	2.91	.744
	Percentage	0.7%	30.0%	46.4%	22.9%		
	Frequency	1	27	76	36	3.05	.692

Use of business assets to acquire credit financing has improved the overall performance of SME's	Percentage	0.7%	19.3%	54.3%	25.7%		

Source: Primary data

From the table 4.3.3, study findings revealed that 16.4 %(23) of the respondents agreed, 48.6%(68) disagreed with the statement that using my assets to acquire credit has enhanced low costs by allowing wide spread of debt over variety of assets. On the other hand, study findings also revealed that 31.4%(44) of the respondents strongly disagreed while 3.6%(5) strongly agreed with the statement that using my assets to acquire credit has enhanced low costs by allowing wide spread of debt over variety of assets. Basing on these findings, majority of the respondents were in disagreement with the statement that using my assets to acquire credit has enhanced low costs by allowing wide spread of debt over variety of assets. Furthermore, study findings also revealed a mean (1.92) and standard deviation (0.787). This mean value shows a relatively low level of responses from the center implying majority of the responses were in disagreement with the statement that using my assets to acquire credit has enhanced low costs by allowing wide spread of debt over variety of assets and in fact this is also reflected by the standard deviation which shows low level of agreement from the respondents that the statement that using my assets to acquire credit has enhanced low costs by allowing wide spread of debt over variety of assets.

From the table 4.3.3, study findings revealed that 47.1%(66) of the respondents agreed, and 35.0%(49) disagreed with the statement that use of business assets to secure financing for my business has helped me to afford enough money based on available assets thus better performance. On the other hand, study findings also revealed that 0.7%(1) of the respondents strongly disagreed while 17.1%(24) strongly agreed with the statement that use of business assets to secure financing for my business has helped me to afford enough money based on available assets thus better performance. Basing on these findings, majority of the respondents were in agreement with the statement that use of business assets to secure financing for my business has helped me to afford enough money based on available assets thus better performance. Furthermore, study findings also revealed a mean (2.81) and standard deviation (0.719). This mean value shows that majority of the respondents were in agreement with the statement that use of business assets to secure financing for my business has helped me to afford enough money based on available assets thus better performance and in fact this is also reflected by the standard deviation which shows moderate levels of agreement among the respondents that use of business assets to secure financing for business has helped me to afford enough money based on available assets thus better performance. This may be because of the flexibility of asset financing which is given on any asset a firm has. Similar studies by Cusmano (2015) show that asset financing is flexible.

From the table 4.3.3, data collected and analyzed revealed that 58.6%(82) agreed and 20.7%(29) disagreed with the statement that I am satisfied with the way asset based financing contributes to business operations. In addition, 2.1%(3) strongly disagreed while 18.6%(26) strongly agreed with the statement that I am satisfied with the way asset based financing contributes to business operations. Further analysis revealed a mean (2.94) and standard deviation (0.691). Basing on these findings, the mean value shows that majority of the respondents were in agreement that I am satisfied with the way asset based financing contributes to business operations and the standard deviation also shows moderate level of agreement amongst the respondents I am satisfied with the way asset based financing contributes to business operations. From the data, majority of the respondents were in agreement with the statement that I am satisfied with the way asset-based financing contributes to business operations. This probably implies that most owners of SME’s are satisfied with the way asset based financing contributes to business operations maybe due to the fact that they can even use the same assets in their business operations despite being used to acquire credit finance thus enhancing and boosting business operations due to the large assets levels that keep accumulating and also increment in credit worthiness enabling them to even acquire more stock thereby improving performance of SME’s.

From the table 4.3.3, data collected and analyzed revealed that 47.1%(66) agreed and 29.3%(41) disagreed with the statement that I am able to make payment in installments for a longer period through use of my assets as a security which has enhanced cash flows of the business. In addition, 0.7%(1) strongly disagreed while 22.9%(32) strongly agreed with the statement that I am able to make payment in installments for a longer period through use of my assets as a security which has enhanced cash flows of the business. Further analysis revealed a mean (2.92) and standard deviation (0.691). Basing on these findings, the mean value shows that majority of the respondents agree that I am able to make payment in installments for a longer period through use of my assets as a security which has enhanced cash flows of the business and the standard deviation also shows moderate levels of agreement amongst the respondents with the statement that I am able to make payment in installments for a longer period through use of my assets as a security which has enhanced cash flows of the business. From the data, majority of the respondents were in agreement with the statement that I am able to make payment in installments for a longer period through use of my assets as a security which has enhanced cash flows of the business. This probably implies that most owners of SME’s are satisfied with the fact that they can make

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payments in installments for a longer period enabling them to make sales and use part of that same money to meet their debts hence improving performance of SME's.

From the table 4.3.3, data collected and analyzed revealed that 54.3%(76) agreed and 25.7%(36) disagreed with the statement that I have acquired credit from multiple sources using the assets of my business that has improved my business funds. In addition, 1.4%(2) strongly disagreed while 18.6%(26) strongly agreed with the statement that I have acquired credit from multiple sources using the assets of my business that has improved my business funds. Further analysis revealed a mean (2.90) and standard deviation (0.703). Basing on these findings, the mean value shows that majority of the respondents agreed that I have acquired credit from multiple sources using the assets of my business that has improved my business funds and the standard deviation also shows moderate levels of agreement amongst the respondents that I have acquired credit from multiple sources using the assets of my business that has improved my business funds. From the data, majority of the respondents were in agreement with the statement that I have acquired credit from multiple sources using the assets of my business that has improved my business funds. This probably implies that majority owners of SME's are satisfied since they can acquire credit from multiple sources using the same assets of their business which boosts funding and hence improving performance.

From the table 4.3.3, data collected and analyzed revealed that 46.4%(65) agreed and 30.0%(42) disagreed with the statement that Using my assets to get business funds has been friendlier thus enabling most SME's to get business funds. In addition, 0.7%(1) strongly disagreed while 22.9%(32) strongly agreed with the statement that Using my assets to get business funds has been friendlier thus enabling most SME's to get business funds. Further analysis revealed a mean (2.91) and standard deviation (0.744). Basing on these findings, the mean value shows that majority of the respondents agreed that Using my assets to get business funds has been friendlier thus enabling most SME's to get business funds and the standard deviation also shows that majority respondents strongly agreed with the statement that using my assets to get business funds has been friendlier thus enabling most SME's to get business funds. From the data, majority of the respondents were in agreement with the statement that using my assets to get business funds has been friendlier thus enabling most SME's to get business funds. This probably implies that majority of SME's are comfortable because maybe they work under less pressure from their lenders when they use their assets to acquire credit hence boosting their businesses. Studies by (Cusmano, 2015) show that asset financing unlocks more funding.

From the table 4.3.3, data collected and analyzed revealed that 54.3%(76) agreed and 19.3%(27) disagreed with the statement that use of business assets to acquire credit financing has improved the overall performance of SME's. In addition, 0.7%(1) strongly disagreed while 25.7%(36) strongly agreed with the statement that use of business assets to acquire credit financing has improved the overall performance of SME's. Further analysis revealed a mean (3.05) and standard deviation (0.692). Basing on these findings, the mean value shows that majority of the respondents agreed that use of business assets to acquire credit financing has improved the overall performance of SME's and the standard deviation also shows moderate levels of agreement amongst the respondents that use of business assets to acquire credit financing has improved the overall performance of SME's. From the data, majority of the respondents were in agreement with the statement that use of business assets to acquire credit financing has improved the overall performance of SME's. This probably implies that majority of SME's are comfortable because maybe they do not have liquidity problems as assets are used instead of cash to acquire more money hence business performance become better overtime and thus attribute it to asset-based credit financing. Studies by (Cusmano 2015) show that asset base finance enables more predictable cash flow.

4.3.4 Performance of Small and Medium Enterprises

The dependent variable of this study was Performance of SME's. Below are the perceptions of respondents on performance of SME's as a result of credit financing.

Table 4.3.4 Perceptions of respondents on Performance of SME's

		Strongly disagree	Disagree	Agree	Strongly Agree
SME's have opened new shops as a result of credit financing	Frequency	5	102	26	7
	Percentage	3.6%	72.9%	18.6%	5.0%
There is an increase in sales volume of SME's due to credit financing	Frequency	0	15	97	28
	Percentage	0.0%	10.7%	69.3%	20.0%
SME's have been able to enhance the number of products lines and services due to credit financing	Frequency	1	45	72	22
	Percentage	0.7%	32.1%	51.4%	15.7%
SME's in the Municipality have registered high earnings per capital invested over a period of two years	Frequency	2	43	73	22
	Percentage	1.4%	30.7%	52.1%	15.7%

The SME's have reinvested its returns heavily to earn a relatively greater yield	Frequency	1	31	73	35
	Percentage	0.7%	22.1%	52.1%	25.0%
There is increase in the sales turnover of the SME's	Frequency	0	34	77	29
	Percentage	0.0%	24.3%	55.0%	20.7%
Credit Financing has led to increased profitability of SME's in the Municipality	Frequency	1	48	52	39
	Percentage	0.7%	34.3%	37.1%	27.9%
Credit financing has led to increase in periodical sales revenue due to availability of stock	Frequency	2	17	92	29
	Percentage	1.4%	12.1%	65.7%	20.7%
Credit financing has facilitated larger profits due to capacity to procure large amounts of stock	Frequency	0	36	67	37
	Percentage	0.0%	25.7%	47.9%	26.4%

Source: Primary data

From the table 4.3.4 above, 5.0% (7) strongly agreed, 18.6% (26) of the respondents agreed, that SME's have opened new shops as a result of credit financing 72.9%(102) disagreed,3.6% (5) strongly disagreed that SME's have opened new shops as a result of credit financing. Majority 76.5% disagreed that SME's have opened new shops as a result of credit financing as a result of credit financing. This may mean that SMEs lack knowledge to use credit obtained to put finance to use. Similar studies by (Madole,2013) the stringent terms of the financiers have impaired capacity building.

From the table 4.3.4 above, 20% (28) strongly agreed, 69.3% (97) of the respondents agreed, that there is an increase in sales volume of SME's due to credit financing 0.0%(0) strongly disagreed,10.7% (15) disagreed that there is an increase in sales volume of SME's due to credit financing. Majority 89.3% agreed that there is an increase in sales volume of SME's due to credit financing. This may mean that through credit financing SMEs are able to reach several markets and sale their products hence increase in sales this is in line with the respondents who said that through credit financing they are able to reach more markets. Similar studies by Barringer and Greening (1998), assert that geographical expansion leads to a firm’s performance.
From the table 4.3.4 above, 15.7% (22) strongly agreed, 51.4% (72) of the respondents agreed, that SME's have been able to enhance the number of products lines and services due to credit financing 0.7%(1) strongly disagreed,32.1% (45) disagreed that SME's have been able to enhance the number of products lines and services due to credit financing. Majority 67.1% agreed that SME's have been able to enhance the number of products lines and services due to credit financing. This may be because of the finance obtained in form of assets that is plant and machinery which enable SMEs to have more production lines and hence more services as said by some of the respondents. Similar studies by (Cusmano, 2015) show that asset-based financing to SMEs can enable the setting up of facilities.

From the table 4.3.4 above, 15.7% (22) strongly agreed, 52.1% (73) of the respondents agreed, that SME's in the Municipality have registered high earnings per capital invested over a period of two years1.4 %(2) strongly disagreed,30.7% (43) disagreed that SME's in the Municipality have registered high earnings per capital invested over a period of two years. Majority 67.8% agreed that SME's in the Municipality have registered high earnings per capital invested over a period of two years. This may be because the credit finance acquired is put on productive businesses and reinvestment of the profits earned leading to high profitability which makes SMEs to have high earnings per capital invested as said by some of the respondents.

From the table 4.3.4 above, 25.0% (35) strongly agreed, 52.1% (73) of the respondents agreed, SME’s have reinvested its returns heavily to earn a relatively greater yield 0.7 %(1) strongly disagreed, 22.1% (31) disagreed that SME’s have reinvested its returns heavily to earn a relatively greater yield. Majority 77.1% agreed that SME’s have reinvested its returns heavily to earn a relatively greater yield. This may be because of the assets acquired through credit financing which enable SMEs to easily run their businesses using the same assets that are working as collateral security for borrowing.

From the table 4.3.4 above, 20.7% (29) strongly agreed, 55.0% (77) of the respondents agreed, that There is increase in the sales turnover of the SME's 0.0%(0) strongly disagreed,24.3% (34) disagreed that There is increase in the sales turnover of the SME’s. Majority 75.7% agreed that there is increase in the sales turnover of the SME's due to credit financing. This may be because the easy access to markets enabling SMEs to sale their products very fast as said by some of the respondents. Similar studies by (Mugunchu 2013) show that availability to finance influences firm’s capacity to access markets.
From the table 4.3.4 above, 27.9% (39) strongly agreed, 37.1% (52) of the respondents agreed, that Credit Financing has led to increased profitability of SME's in the Municipality 0.7%(1) strongly disagreed,34.3% (48) disagreed that Credit Financing has led to increased profitability of SME's in the Municipality. Majority 65.0% agreed that Credit Financing has led to increased profitability of SME's in the Municipality as result of credit financing. This may be because of proper managed of the assets acquired by the

SMEs in a bid to acquire more asset finance as said by some of the respondents. Studies by (Moya, 2010) show that through effective management of assets profitability is reflected.

From the table 4.3.4 above, 20.7% (29) strongly agreed, 65.7% (92) of the respondents agreed, that credit financing has led to increase in periodical sales revenue due to availability of stock 1.4%(2) strongly disagreed, 12.1% (17) disagreed that credit financing has led to increase in periodical sales revenue due to availability of stock 86.4% agreed that credit financing has led to increase in periodical sales revenue due to availability of stock as a result of credit financing. This may be because of easy access to trade credit which makes SMEs financing safe by saving SMEs from liquidity shocks (Wilner, 2000; Boissay & Gropp, 2007; Cunat, 2007) and reducing transaction costs for SMEs (Rodríguez, 2006) hence increase in sales revenue.

From the table 4.3.4 above, 26.4% (37) strongly agreed, 47.9% (67) of the respondents agreed, that credit financing has facilitated larger profits due to capacity to procure large amounts of stock 0.0 %(0) strongly disagreed,25.7% (36) disagreed that Credit financing has facilitated larger profits due to capacity to procure large amounts of stock. Majority 74.3% agreed that credit financing has facilitated larger profits due to capacity to procure large amounts of stock as a result of credit financing. This may be because of the confidence by lending institutions to extend credit because of large stocks and the credit extended improves business performance in terms of increased business profits as shown by (Madole, 2013) in his studies.

5.0 Conclusions and Recommendations

5.1 Conclusions

5.1.1 Commercial Loans and Performance of SMEs

The study determined the effect of Commercial Loans on Performance of SME's in Uganda. Findings revealed that there is a minimal negative effect of commercial loans on performance of SME's represented by a negative Beta. Therefore, rejecting the first hypothesis that Commercial Loan have a Positive significant effect on Performance of SME's. This means that Commercial Loans at a certain time result into poor performance in SME's. This is further backed by the weak effect represented by the Adjusted R Square. Therefore, owners and other people who run SME's should depend on less of commercial loans if the performance of their businesses is to be improved further and instead consider other types of Credit financing like Trade Credit and Asset Based Financing.

5.1.2 Trade Credit and Performance of SME's employee performance in banking sectors

The study determined the effect of Trade Credit on Performance of SME's in Uganda. Findings revealed that Trade Credit has a positive significant effect on Performance of SME's. Thus accepting the hypothesis that Trade Credit has a positive significant effect on Performance of SME's. This means that use of more trade credit by SME's will lead to improvement in the performance of SME's. As backed by the Adjusted R square which shows that Trade credit has a positive effect on Performance of SME's. Therefore, owners and other people who are involved in the running of SME's should employ more use of Trade Credit if the performance of their businesses is to be better.

5.1.3 Asset Based Financing and Performance of SMEs

The study determined the effect of Asset Based Finance on Performance of SME's in Uganda. Findings revealed that Asset Based Financing has a positive significant effect on Performance of SME's. Thereby accepting the hypothesis that Asset Based Financing has a positive significant effect on Performance of SME's. This means that more use of assets to acquire credit finance for SME's will lead to improvement in the performance of SME's. This is also backed by the findings of the Adjusted R Square that Asset Based Financing has a strong positive effect on Performance of SMEs. Therefore, owners and other people who are involved in the running of SME's should use more of their assets to acquire credit finance if the performance of their businesses is to be better other than any other type of Credit financing.

5.2 Recommendations

5.2.1 Effect of Commercial Loans on Performance of SMEs

Study findings revealed that up to a majority (62.1%) of the respondents disagree with the statement that SME's perceive bank loans as a quick way of securing finance for daily operations that enables them to maintain high stock levels thus sales. In regard to this the researcher recommends that the owners and other people who acquire loans from the banks to finance their businesses, should always do prior planning and properly plan for the time when they might need the loan from the bank by carrying out monthly reviews of their stock levels to be able to predict the time when they might need external credit finance with reference to the time it might take them to acquire the loan. Secondly, owners of SME's should use very little of Commercial Loans and use more of other Sources of Financing like Asset Based Financing and Trade Credit if they are to realize better performance in their SME's.

5.2.2 Effect of Trade Credit on Performance of SMEs

Study findings also revealed that up to as many as (70.7%) of the respondents believe that Trade credit has facilitated business expansion thus better performance. While another (64.3%) disagree with the statement that SME's receive sufficient credit period for repayment which has offered them value for money. first and foremost, in line with the (70.7%) agreement, SME's and their owners should employ more of trade credit to help expand their businesses even further by acquiring more assets so that they have a bigger asset base against which they can borrow larger sums of money to stimulate more business expansion and also as a result they will be able to bargain for longer and more friendly repayment periods. However, the aspect of repayment periods not being very favorable can also be mitigated by SME's scanning the market carefully so as to be able to know which products and services move faster and apply more of the acquired credit finance in those products and services which yield faster before the repayment periods expire. This will help them be able to as well acquire the desired sums of money to be able to meet their business needs in a shorter time period than before.

5.2.3 Effect of Asset Based Finance on Performance of SMEs

Study findings revealed that up to (58.6%) of the respondents were satisfied with the way asset-based financing contributes to business operations while another (48.6%) disagreed with the statement that using my assets to acquire credit has enhanced low costs by allowing wide spread of debt over variety of assets. Probably, owners of SME's should learn to bargain for favorable re-payment terms especially in terms of interest charged in order to minimize these associated costs and this is possible through for example these SME's borrowing in groups and avoid single handedly acquiring loans using only their assets, however, these costs can also be mitigated by avoiding borrowing several times over a short period of time as this accumulates operational costs. SME's should instead learn to plan in advance and acquire large sums of money at once and repay over a longer time period so as to incur less costs.

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