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**ANALYSIS OF SMES' FINANCING BY FORMAL INSTITUTIONS IN UGANDA; A
CASE STUDY OF YOUTH LED SMEs.**

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ABSTRACT

This study set to assess the obstacles to credit financing faced by the youth led enterprises. The objectives of the study included; identifying the factors affecting, assessing the creditworthiness of youth led enterprises to access credit financing, and also design strategies to address the obstacles to credit financing the SMEs by formal institutions in Uganda.

The study followed a descriptive cross-sectional study where data was collected from 154 youth entrepreneurs in Lubaga Division Kampala District and analyzed using Ms Excel.

Findings indicate that the major source of financing was personal savings 70.8% and 9.1% from loans accessed from financial institutions. From the study 98% of the respondents said they ventured into business to make money. Only 21.4% said had ever applied for a loan and only 51.5% were successful and collateral was estimated at 4 times the loan value. Just like any other enterprise the youth led enterprises were also affected by financing (75%) at startup and 35% said they lacked access to financial institutions. Age, education and gender were not substantially different in accessing loans however for marital status majority of the loans applied for by married respondents were approved.

A logistic multivariate model fitted was used to estimate with statistical significance the impact of the different obstacles to the successful access to loans from financial institutions. The model included independent variables such as, ownership of a bank account, enterprise registered, age of enterprise, and whether the entrepreneur received apprenticeship as a proxy for good management of the enterprise. And all the independent variables explained 54% of the dependent variable and they were also all significant. The study recommended the formalizing of SMEs, provision of apprentice training and ensuring survival of enterprises through improved management and sharing knowledge.