Microfinance Support and the Performance of Small and Medium Enterprises (SME) in lira city.

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Background: The study examined the level of microfinance support on the growth of small and medium enterprises in Lira City, Northern Uganda using a cross- sectioned research design supported by quantitative method. The study used simple random sampling method to select 382 respondents who were the proprietors of SMEs in Lira City. The categories of SMEs included; hotel managers, private school head teachers, fuel station managers, clinics and pharmacy managers, and commercial officers. SME representatives were sampled proportionally from the listed categories.

Methods: Data collected by administering questionnaires to the respondents. Data were analysed using SPSS version 23 at three levels: univariate, bivariate and multivariate levels. Univariate analysis used descriptive statistics including percentages, mean and standard deviation to describe the detail of both dependent and independent variables. At multivariable level, multiple linear regression model was used to determine the magnitude of the relationship of each of the three variables with respect to performance.

Findings: The findings indicated that the key steps followed when accessing credits from MFIs included loan application (98.43%), credit access (97.91%) and loan inquiry (96.86%). The key challenges faced were lengthy procedure (99.62%), no financial institution nearby (69.35%) and processing cost (65.13%). Finally, on effects of MFIs support on SME growth, age, statistically significant.

Conclusion: In conclusion, most MFIs in Lira City follow the recompensated general procedures during the loan processing. However, their borrowers face several challenges. Therefore, SME growth in Lira City is affected by several factors, which policy will have to address. A deliberate government policy needed through central bank to regulate the interest charged by MFIs to SMEs, and relax collateral demand as well as repayment structure to improve borrowing.

Keywords: Microfinance Support, and Performance of Small and Medium Enterprises (SME)