

Microfinance Loans and Performance of Small and Medium Size Enterprises A Case Study of Lira City

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The study examined microfinance loans and performance of small and medium size enterprises in Lira City. SMEs in Lira City have created employment; it is a source of income and reduced poverty. SMEs have continued to decline for several factors like limited loan amount, short loan period, untimely disbursement of loans and high interest rates on loans from the microfinance institutions. The study was conducted in Lira City. The overall objectives of the study was to examine Microfinance loans and performance of small and medium size Enterprises in Lira City. The study used questionnaires and interviews as methods of data collection and the design used was causal research designs using qualitative and quantitative approaches. The results showed that there was low Level of low accessibility by SMEs In Lira City. There is low level of Performance of SMEs in Lira City and Microfinance (loan amount, loan interest, timeliness of loan disbursement and the loan period) contribute to performance of SMEs in Lira City. Loan amount contributes 20.2% to Performance of SMEs in Lira City. Loan interest contributes 13.6% to Performance of SMEs in Lira City. Timely loan disbursement contributes 2.9% to Performance of SMEs in Lira City and loan period contribute 41.5% to Performance of SMEs in Lira City. The conclusion is that Microfinance loans contributes of SMEs in Lira City.

MFIs should increase provision of non-financial services for SMEs such as trainings on managerial skills to enhance entrepreneurial capability, savings and insurance so as to improve on their performance.

MFIs to revise their policies on loan period which contributes 41.5% to performance to a longer period compared to the 12 months to enable these enterprises perform.

MFIs should increase the amount of loan given to SMEs which is very crucial in their performance in Lira City. Further study ought to be led on how best SMEs can utilization of financing by equity, for example, Venture Capital, Business Angels and government funding to SMEs in Lira City.

It is also important for future studies to be carried out on the impact of Microfinance Loans on the growth of SMEs in Lira City.