AfroGlobal Perspectives
Vol. 3 No. 11 (2026): November 2026 issue
https://doi.org/10.70572/824xp694
Original article

Loan interest rates and growth of small business enterprises in the Central Division, Kasese Municipality: A cross-sectional study.

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Abstract

Background:

The study aims to examine loan interest rates and the growth of small business enterprises in the Central Division, Kasese Municipality.

Methodology:

The study adopted a correlational research design. Data were collected from 384 owners/managers of small business enterprises in the Central Division, Kasese Municipality that had borrowed microcredit, and from 18 key informants. Business owners were selected through stratified and systematic random sampling.

Results:

All 18 key informants were interviewed, giving an overall response rate of 99.0%. Aged 30–39 years (32.9%) and 40–49 years (27.4%), meaning that the majority were in their most economically active years. Only 2.6% were below 20 years. Repeat borrowers: 42.1% had taken 2–3 loans since 2021, 25.8% had taken 4–5, and 16.6% more than 5, while only 15.5% had borrowed once. The mean interest rate on the most recent loan was 4.3% per month (standard deviation 1.34; median 4.2%), ranging from 1.0% to 8.0%. The documented rates ranged from 2.5–3.0% per month for SACCOs and 3.6–4.5% for microfinance institutions to 6.0% for the registered money lender. There was no statistically significant correlation between the interest rate and the composite growth score ($r = 0.028$, $p = 0.591$).

Conclusions:

What matters more is how interest is calculated and whether the borrower understands it: borrowers on reducing-balance loans grew more, and those who did not know how their interest was calculated grew the least.

Recommendations:

Borrowers should compare the total cost of loans from different lenders rather than choosing based on speed and access alone, and should borrow only for uses that can generate enough margin to cover the interest.

Keywords: *microcredit, interest rate, small business growth, Uganda.*
Submitted: *November 01, 2026* ***Accepted:*** *November 11, 2026* ***Published:*** *November 22, 2026*
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Background of the Study

Across Africa, the growth of small business enterprises has been driven by demographic expansion, urbanization, and limited formal employment opportunities, positioning SBEs as a survival and growth mechanism. SBEs constitute 90–95% of all businesses, contribute about 40–50% of GDP, and generate up to 80% of employment in some sub-Saharan countries (World Economic Forum, 2023; Kazaara et al., 2024). Historically, African SBEs have evolved from informal trade systems into more structured enterprises, although informality still dominates. Recent developments highlight increased policy attention, digital finance adoption, and regional trade frameworks such as the African Continental Free Trade Area (AfCFTA), which aim to enhance SBE competitiveness. Nevertheless, structural constraints such as financing gaps estimated at about 17% of GDP in many African economies continue to hinder growth.

Interest rate refers to the cost of borrowing and the additional charges associated with accessing credit. High interest rates increase the cost burden on businesses and can reduce profitability and reinvestment capacity. Studies show that SBEs often face disproportionately higher interest rates than large firms, sometimes paying up to 70% more in borrowing costs, which constrains their growth potential (OECD, 2024). Recent microfinance research also shows that while microcredit can stimulate business expansion, high interest rates tend to hinder the realization of growth benefits, especially among small enterprises with limited financial resilience (Khan et al., 2024; Addae-Korankye, 2025).

Interest rates represent the cost of borrowing and play a significant role in determining the effectiveness of microcredit for small business enterprises (Egaru, 2025). Microfinance institutions charge interest on loans to cover operating costs, lending risks, and administrative expenses (Bank of Uganda, 2025). High interest rates can discourage entrepreneurs from borrowing or make it difficult for them to repay loans on time. Interest rates rank among the most significant factors influencing access to formal credit among

small and medium enterprises (Egaru, 2025). When interest rates are affordable, borrowers are more likely to access loans and use them productively. High borrowing costs, by contrast, reduce profitability and limit the positive impact of microcredit on business performance (Asiimwe & Arinaitwe, 2025). Lower borrowing costs enhance the ability of small and medium enterprises to undertake productive investments, manage cash flow, and expand operations, whereas high interest rates increase financial burdens and reduce the net benefits of credit (OECD, 2024). Access to microfinance increases the likelihood of revenue growth and expansion among small and medium enterprises in Kampala District, yet restrictive loan terms, including the cost of interest, limit the optimal use of credit (Kazaara et al., 2025). Higher microfinance interest rates exert a statistically significant negative effect on the performance of small-scale enterprises in Moshi Municipality (Lubinza et al., 2024). In Arua Municipal Council, lower or more flexible rates are associated with better SME performance (Onzima et al., 2024). Interest rates of 24–28 percent show a negative correlation with business profitability and expansion among microfinance clients in Nansana (Gloria & Mwesigwa, 2026). At the same time, the demand of small borrowers for microcredit tends to be relatively insensitive to price within the range charged by lenders, because access and speed matter more to them than the rate itself (Karlan & Zinman, 2008). When borrowers accept whatever rate is offered, the stated rate may not clearly distinguish growing businesses from declining ones. The study aims to examine loan interest rates and the growth of small business enterprises in the Central Division, Kasese Municipality.

Methodology

Research Design

The study adopted a correlational research design. A correlational design establishes the nature, direction, and strength of the relationship between variables without manipulating them (Creswell & Creswell, 2018). Data were collected from respondents once (cross-sectionally), but respondents reported their business figures for both 2021 and 2025, so that growth over the period could be measured. The study used a mixed-methods approach: quantitative data from business owners were used to test the relationships, while qualitative data from lenders, traders' association leaders, and municipal officials were used to explain them.

Study Population

The study population had two categories. The first comprised owners or managers of small business enterprises in Central Division, Kasese Municipality, that met the MSME Policy definition (1–49 employees and assets of up to UGX 100 million), had operated since at least 2021, and had borrowed microcredit at least once since 2021. The municipal trade licence register listed 1,155 licensed small businesses in the division in FY2024/25 (Table 1), but it does not show which of them have borrowed microcredit, and many small businesses operate without licences. The exact number of small businesses that had borrowed microcredit was therefore unknown, and the sample size for this category was determined using a formula for an unknown population (Section 3.3).

The second category comprised 18 key informants with specialised knowledge of microcredit lending and small business development in the division: managers or credit officers of microcredit lenders (microfinance institutions, SACCOs and a registered money lender), chairpersons of traders' associations, and municipal officials responsible for trade and commerce.

Table 3: Study Population, Sample Size and Sampling Techniques

Category of respondents	Population (N)	Sample size (n)	Sampling technique
Owners/managers of SBEs that have borrowed microcredit	Unknown*	384	Stratified and systematic random sampling
Managers/credit officers of microfinance institutions	6	6	Purposive sampling
SACCO managers	3	3	Purposive sampling
Registered money lenders	1	1	Purposive sampling
Chairpersons of traders' associations	5	5	Purposive sampling
Municipal officials (Town Clerk and Commercial Officers)	3	3	Purposive sampling
Total		**402**	

*Source: Kasese Municipal Council (2025); Cochran (1977). *Unknown; determined by Cochran's formula for an unknown population.*

https://doi.org/10.70572/824xp694

Sample Size

Because the number of small businesses that had borrowed microcredit in Central Division was unknown, the sample size for business owners was determined using Cochran's (1977) formula for an unknown (infinite) population:

$n = Z^2pq \div e^2$

where n is the required sample size, Z is the standard normal value at the 95% confidence level (1.96), p is the estimated proportion of the population with the attribute of interest (0.5, used when the proportion is unknown because it gives the largest sample), q = 1 − p (0.5), and e is the margin of error (0.05). Therefore, $n = (1.96^2 \times 0.5 \times 0.5) \div 0.05^2 = 0.9604 \div 0.0025 = 384.16 \approx 384$ business owners.

All 10 lender representatives, 5 traders' association chairpersons, and 3 municipal officials were included as key informants because they are few and hold specialised information. The total sample was therefore 402 respondents.

Sampling Techniques

Stratified and Systematic Random Sampling

Business owners were selected by stratified sampling followed by systematic random sampling. Businesses were first grouped into five strata by type of business: retail trade; wholesale trade; food and hospitality; services (such as salons, transport and repairs); and manufacturing and artisanal work. The sample was shared among the strata in proportion to the share of each type of business in the municipal trade licence register. Within each stratum, the researcher and research assistants visited businesses along the streets and in the markets of the division and approached every k^{th} business, where k is the number of businesses of that type divided by its sample. Each business approached was asked the screening questions in Section A of the questionnaire to confirm that it met the definition of a small business and had borrowed microcredit since 2021; businesses that did not qualify were replaced by the next business. Table 4 shows the distribution of the 380 business owners who completed the questionnaire.

Table 4: Distribution of the Sample of Business Owners by Type of Business

Type of business	Number of respondents	Percent (%)
Retail trade	175	46.1
Wholesale trade	49	12.9
Food and hospitality	56	14.7
Services	77	20.3
Manufacturing/artisanal	23	6.1
Total	**380**	**100.0**

Source: Primary data (2026).

Purposive Sampling

Purposive sampling was used to select the key informants: managers or credit officers of the microfinance institutions, SACCOs, and registered money lenders that lend to small businesses in the division; chairpersons of the traders' associations; and the municipal officials responsible for trade and commerce. They were selected because their roles give them specialised knowledge of lending terms and small business growth.

Methods of Data Collection

Questionnaire Method

A structured questionnaire was administered face-to-face to business owners or managers at their business premises. It collected data on the terms of their most recent microcredit loan and on their business figures for 2021 and 2025.

Interview Method

Semi-structured interviews were conducted with the key informants to obtain in-depth information on how lending terms are set, repayment practices, and their observations on the growth of small businesses in the division.

Documentary Review Method

Documentary review was used to obtain secondary data from the municipal trade licence register, municipal performance reports, lenders' records on interest rates, loan periods and fees, and traders' association reports for 2021–2025. These records were used to establish trends in the number of small businesses and to compare the lending terms reported by business owners with those stated by lenders.

Data Collection Instruments

Each instrument began with an introductory section that introduced the researcher and the study, explained its purpose, assured confidentiality, and sought the consent of the respondent.

Questionnaire for business owners: Section A contained background and screening questions (business type, number of employees, assets and microcredit borrowing). Sections B, C and D contained items on loan interest rates, loan duration and loan fees, including the actual terms of the respondent's most recent loan and Likert-scale statements.

https://doi.org/10.70572/824xp694

Section E recorded the business's average monthly sales, monthly profit, number of employees, and value of assets in 2021 and 2025, followed by Likert-scale statements on business growth.

Interview guide: The guide contained open-ended questions organised by objective, followed by questions on business growth trends, other challenges, and recommendations.

Documentary review checklist: The checklist listed the records to be reviewed and provided tables for recording the trend in licensed businesses and the lending terms of each lender.

Data Collection Procedure

The researcher obtained an introductory letter from the School of Graduate Studies and Research and presented it to the Town Clerk of Kasese Municipal Council and the leaders of the traders' associations to seek permission to conduct the study. The questionnaire was pre-tested with a small number of business owners outside Central Division. Questionnaires were then administered face-to-face to the selected business owners at their premises with the help of two trained research assistants. Interviews were held with key informants at agreed times and places, and documents were reviewed using the checklist.

Validity and Reliability of Instruments

Validity of Instruments

Content validity was established to ensure that the instruments adequately captured the concepts of microcredit lending terms and growth of small business enterprises. A panel of experts, including lecturers in business and finance, a SACCO manager, and a municipal official, reviewed the instruments for clarity, relevance, and comprehensiveness. Each expert rated each item on a 4-point relevance scale, and the Content Validity Index (CVI=0.84) was computed as the proportion of items rated relevant (3 or 4). Items with a CVI of 0.78 or higher were retained (Polit & Beck, 2006). The overall CVI of the questionnaire was 0.84, which was above the 0.78 threshold, and the few items flagged by the experts were reworded before data collection.

Reliability of Instruments

The questionnaire was pre-tested with 4 business owners outside Central Division, and Cronbach's alpha was computed for each section of Likert-scale items (pilot α =0.82). Reliability was also checked on the 380 questionnaires collected in the main study, as shown in Table 3.3, with positively worded items reverse-coded so that all items in a section pointed in the same direction.

Table 5: Reliability of the Likert-Scale Sections in the Main Study

Section of questionnaire	Number of items	Cronbach's alpha	Interpretation
Loan interest rates (B1–B11)	11	0.877	Below 0.70 threshold
Business growth (E5–E12)	8	0.892	Below 0.70 threshold

Source: Primary data (2026).

All four sections had alpha values above the 0.70 level usually regarded as acceptable (Gliem & Gliem, 2003; Tavakol & Dennick, 2011).

Measurement of Variables

Loan interest rate was measured as the interest rate per month on the respondent's most recent loan (a continuous variable), together with the method of calculating interest (flat rate, reducing balance, or don't know).

composite growth score was the average of the percentage changes in sales, profit, employees and assets.

Data Analysis

Quantitative Data Analysis

Questionnaire data were coded, cleaned, and analysed using the pandas and SciPy statistical libraries in Python; the procedures are the same as those available in SPSS. Descriptive statistics (frequencies, percentages, means, medians and standard deviations) were used to summarize the characteristics of respondents, lending terms and growth indicators. Paired-samples t-tests were used to test whether each indicator changed significantly between 2021 and 2025. Trends in the number of licensed small businesses for FY2020/21–FY2024/25 were presented in a table and line graph.

To answer each research question, Pearson's correlation coefficient (r) was used to assess the strength and direction of the relationship between each lending term and each growth indicator. Spearman's rank correlation (ρ) was also computed because repayment period is ordinal and some growth rates were skewed. One-way analysis of variance (ANOVA) was used to compare growth across categories of the method of calculating interest, instalment frequency, and grace period.

Hierarchical multiple regression was then used to determine the combined relationship between the lending terms and the composite growth score and to test for moderation. Model 1 contained the three lending terms; Model 2 added the moderating variables; and Model 3 added mean-centred interaction terms between each lending term and the moderating variable (Aiken & West, 1991; Baron & Kenny, 1986). Moderation was confirmed when the block of interaction terms significantly increased the explained variance (ΔR^2). The full model was:

$$Growth = \beta_0 + \beta_1 IR + \beta_2 LD + \beta_3 LF + \beta_4 M + \beta_5 (IR \times M) + \beta_6 (LD \times M) + \beta_7 (LF \times M) + \varepsilon$$

where IR is the interest rate, M is the moderating variable, and ε is the error term. Separate regressions were also run for each growth indicator. Multicollinearity was checked using variance inflation factors (VIF), and significance was judged at the 5% level.

Qualitative Data Analysis

Interview notes were transcribed, organised by interview question, and analysed thematically (Braun & Clarke, 2006). Responses were coded, grouped into themes corresponding to each objective, and compared across categories of key informants. The themes were then used to explain and triangulate the quantitative findings, and selected responses are quoted in Chapter Four using key informant codes (KI01–KI18).

Ethical Considerations

Informed consent: Respondents were informed about the purpose of the study before participating, and they gave their consent after understanding the objectives and procedures of the research.

Confidentiality of information: All information provided by respondents was treated with strict confidentiality and used only for academic purposes.

Anonymity of respondents: The names of respondents and their businesses were not recorded. Questionnaires were identified by codes (Q001–Q380) and key informants by codes (KI01–KI18), and lenders are identified only by type in the report.

Voluntary participation: Participation was voluntary, and respondents were free to decline or withdraw at any stage without any negative consequence.

Honesty and integrity: Data were collected, recorded, and analysed honestly, and the findings are reported as they emerged, including results that did not support the expected relationships.

Respect for respondents: All respondents were treated with respect and courtesy, and interviews were scheduled at times convenient to them so as not to disrupt their work.

Results

Response Rate

Table 1: Response Rate

Category	Sampled	Responded	Response rate (%)
Owners/managers of SBEs (questionnaire)	384	380	99.0
Key informants (interviews)	18	18	100.0
Total	402	398	99.0

Source: Primary data (2026).

Of the 384 business owners sampled, 380 completed usable questionnaires, a response rate of 99.0%. All 18 key informants were interviewed, giving an overall response rate of 99.0%. The four questionnaires that were not returned or were incomplete were excluded. A response rate above 70% is generally considered very good for survey research, so the data were adequate for analysis and the findings can be considered representative of borrowing small businesses in Central Division.

Background Characteristics of Respondents

Characteristics of Business Owners and Businesses

Table 2: Background Characteristics of Business Owners and Businesses (n = 380)

Characteristic	Category	Frequency	Percent (%)
Gender	Male	195	51.3
	Female	185	48.7
Age bracket	Below 20 years	10	2.6
	20–29 years	91	23.9
	30–39 years	125	32.9
	40–49 years	104	27.4
	50 years and above	50	13.2
Level of education	No formal education	17	4.5
	Primary	72	18.9
	Secondary	134	35.3
	Certificate	69	18.2
	Diploma	52	13.7
	Bachelor's degree and above	36	9.5
Type of business	Retail trade	175	46.1
	Wholesale trade	49	12.9
	Food and hospitality	56	14.7
	Services	77	20.3
	Manufacturing/artisanal	23	6.1
Years in operation (to 2025)	4–5 years	68	17.9
	6–10 years	161	42.4
	More than 10 years	151	39.7
Size of business (2025)	Micro (1–4 employees)	187	49.2
	Small (5–49 employees)	193	50.8

Source: Primary data (2026).

The respondents were almost evenly split between males (51.3%) and females (48.7%), which shows that both men and women in Central Division use microcredit to finance their businesses. Most respondents were aged 30–39 years (32.9%) and 40–49 years (27.4%), meaning that the majority were in their most economically active years. Only 2.6% were below 20 years.

Most respondents had secondary education (35.3%), followed by primary (18.9%) and certificate level (18.2%), while 9.5% had a bachelor's degree or higher and 4.5% had no formal education. The respondents were therefore mostly literate and able to understand loan terms, although the level of education was modest for many.

Retail trade was the most common type of business (46.1%), followed by services (20.3%), food and hospitality (14.7%), wholesale trade (12.9%), and manufacturing/artisanal work (6.1%). This reflects municipal records showing that trade dominates business activity in the division (Kasese Municipal Council, 2025). Most businesses had operated for 6–10 years (42.4%) or more than 10 years (39.7%), so most respondents could report reliably on changes in their businesses over 2021–2025. By 2025, 49.2% of businesses were micro enterprises (1–4 employees), and 50.8% were small enterprises (5–49 employees).

https://doi.org/10.70572/824xp694

Characteristics of the Loans

Table 3: Characteristics of Respondents' Microcredit Borrowing (n = 380)

Characteristic	Category	Frequency	Percent (%)
Source of most recent loan	Microfinance institution	195	51.3
	SACCO	145	38.2
	Registered money lender	40	10.5
Number of loans since 2021	1	59	15.5
	2–3	160	42.1
	4–5	98	25.8
	More than 5	63	16.6
Amount of most recent loan (UGX)	Up to 1,000,000	9	2.4
	1,000,001–3,000,000	180	47.4
	3,000,001–5,000,000	111	29.2
	5,000,001–10,000,000	68	17.9
	Above 10,000,000	12	3.2

Source: Primary data (2026).

Microfinance institutions were the most common source of the most recent loan (51.3%), followed by SACCOs (38.2%) and registered money lenders (10.5%). Most respondents were repeat borrowers: 42.1% had taken 2–3 loans since 2021, 25.8% had taken 4–5, and 16.6% more than 5, while only 15.5% had borrowed once. The most recent loans were mostly between UGX 1,000,001 and 3,000,000 (47.4%) and UGX 3,000,001 and 5,000,000 (29.2%). The mean loan was UGX 3,695,356 and the median UGX 3,017,504, ranging from UGX 619,521 to UGX 20,000,000. The prevalence of repeat borrowing shows that microcredit is a regular source of finance for small businesses in the division rather than a one-off event, which means that lending terms affect these businesses repeatedly over time.

Growth of Small Business Enterprises, 2021–2025

Trend in Licensed Small Business Enterprises

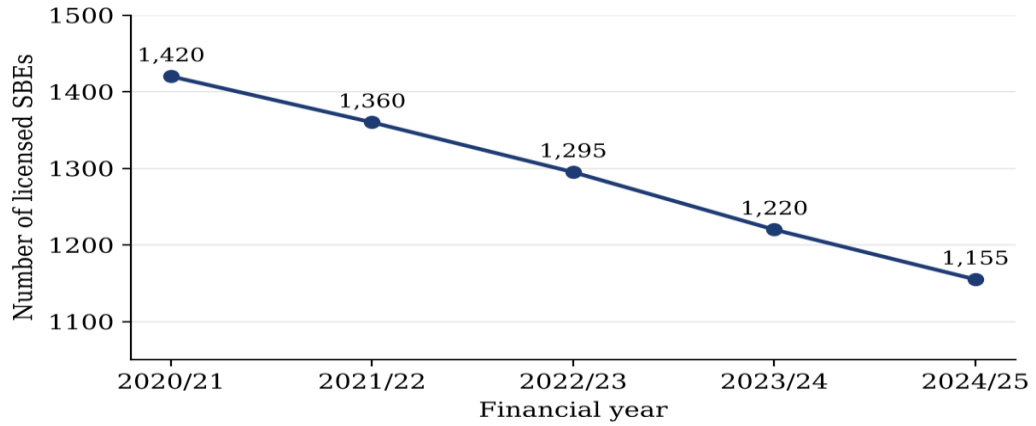


Figure 1: Trend in Licensed Small Business Enterprises in Central Division, FY2020/21–FY2024/25

Source: Kasese Municipal Council trade licence register (2025).

Figure 1 shows that the number of licensed small businesses in Central Division fell every year, from 1,420 in FY2020/21 to 1,155 in FY2024/25, a total decline of 18.7%. Closures and non-renewals (150–235 per year) consistently exceeded new registrations, which fell from 210 to 125 per year. The small business sector in the division as a whole contracted over the study period. As one municipal official observed, "business performance varies by sector, location and business management capacity" (KI16), and revenue constraints, competition and purchasing power were cited as influences on trade.

AfroGlobal Perspectives
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https://doi.org/10.70572/824xp694
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Growth of the Sampled Businesses

Table 4: Growth Indicators of Small Business Enterprises, 2021 and 2025 (n = 380)

Indicator	Mean 2021	Mean 2025	Change in mean (%)	Median growth (%)	Businesses that grew (%)	Businesses that declined (%)	Paired t	p-value
Average monthly sales revenue (UGX)	5,060,556	5,337,856	5.5	6.2	57.6	42.4	3.96	<0.001
Average monthly profit (UGX)	786,641	806,989	2.6	2.2	52.1	47.9	1.21	0.229
Number of employees	3.89	4.59	18.0	14.3	51.8	22.9	8.65	<0.001
Value of business assets (UGX)	22,568,421	24,629,504	9.1	11.2	64.7	34.7	5.48	<0.001

Source: Primary data (2026).

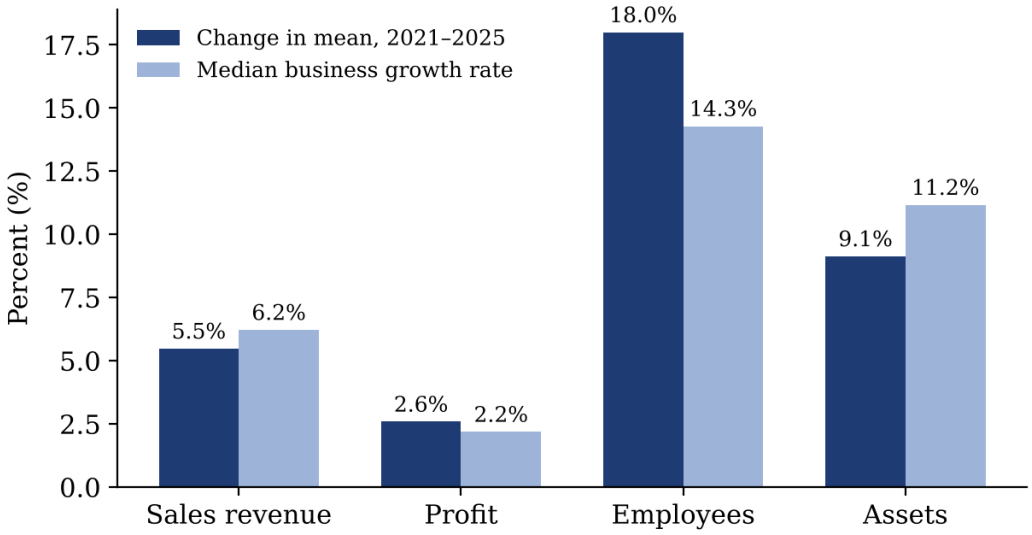


Figure 2: Change in Growth Indicators of Small Business Enterprises, 2021–2025

Source: Primary data (2026).

Figure 2 shows that the businesses that were still operating in 2025 grew modestly on average. Average monthly sales rose from UGX 5,060,556 to UGX 5,337,856 (5.5%), the number of employees rose from 3.89 to 4.59 (18.0%), and the value of assets rose from UGX 22,568,421 to UGX 24,629,504 (9.1%). These increases were statistically significant ($p < 0.001$). Average monthly profit rose only from UGX 786,641 to UGX 806,989 (2.6%), and this change was not statistically significant ($t = 1.21$, $p = 0.229$). The averages hide wide differences between businesses. While 57.6% of businesses increased their sales, 42.4% saw sales fall; 47.9% saw their profit fall; 34.7% saw the value of their assets fall; and 22.9% reduced their number of employees, while 25.3% kept the same number. The composite growth score, the average of the four percentage changes, had a mean of 10.8% (median 8.4%, standard deviation 19.8%), ranging from −36.1% to 99.7%; 72.9% of businesses had a positive composite score. Growth in profit, the indicator most directly affected by the cost of borrowing, was therefore the weakest.

These results, together with Figure 1, show two sides of the same picture. Many small businesses in the division closed during 2021–2025, while those that survived and continued to borrow grew only slightly in sales and hardly at all in profit. Because closed businesses could not be surveyed, the growth of the sampled businesses probably overstates the growth of all businesses that borrowed microcredit in the division.

Table 5: Respondents' Views on the Growth of their Businesses since 2021 (n = 380)

No.	Statement	SD/D (%)	N (%)	A/SA (%)	Mean	Std. dev.
E5	My business sales revenue has increased since 2021.	27.6	37.4	35.0	3.09	1.03
E6	My business profits have increased since 2021.	32.9	38.2	28.9	2.92	1.02
E7	The number of employees in my business has increased since 2021.	34.2	40.5	25.3	2.87	0.98
E8	My business assets (stock, equipment, premises) have increased since 2021.	33.7	38.7	27.6	2.93	0.95
E9	My business serves more customers than it did in 2021.	30.5	35.5	33.9	3.02	1.00
E10	My business has expanded its operations since 2021.	30.3	40.0	29.7	2.99	0.98
E11	Repaying microcredit has limited the growth of my business.	10.3	28.9	60.8	3.73	0.93
E12	Microcredit has enabled my business to grow.	14.2	34.7	51.1	3.50	0.94

Source: Primary data (2026). SD/D = strongly disagree/disagree; N = neutral; A/SA = agree/strongly agree.

Respondents' views on growth were more pessimistic than their reported figures. Only 35.0% agreed that their sales had increased since 2021, 28.9% that their profits had increased, 25.3% that their number of employees had increased, and 27.6% that their assets had increased (means of 2.87–3.09, around "neutral"). However, 60.8% agreed that repaying microcredit had limited the growth of their business (mean = 3.73), while 51.1% agreed that microcredit had enabled their business to grow (mean = 3.50). This shows that many respondents saw microcredit as both a source of capital and a burden, a view echoed by key informants: "Credit supports continuity, but growth is not automatic" (KI09); "Credit may maintain operations without necessarily increasing assets" (KI13).

Loan Interest Rates and Growth of Small Business Enterprises

Interest Rates Charged on Microcredit

Table 6: Interest Rates Charged and Method of Calculating Interest (n = 380)

Characteristic	Category	Frequency	Percent (%)
Interest rate per month	2.0% and below	16	4.2
	2.1–3.0%	51	13.4
	3.1–4.0%	108	28.4
	4.1–5.0%	91	23.9
	5.1–6.0%	73	19.2
	Above 6.0%	41	10.8
Method of calculating interest	Flat rate	213	56.1
	Reducing balance	122	32.1
	Don't know	45	11.8

Source: Primary data (2026).

The mean interest rate on the most recent loan was 4.3% per month (standard deviation 1.34; median 4.2%), ranging from 1.0% to 8.0%. More than half of the respondents (53.9%) paid above 4.0% per month, and 10.8% paid above 6.0%. Rates were similar across sources: microfinance institution borrowers reported a mean of 4.24%, SACCO borrowers 4.29%, and money lender borrowers 4.62% per month. A monthly rate of 4.3% calculated on a flat basis is equivalent to about 51.6% of the original loan amount per year, which is very high relative to the margins of most small businesses.

Most loans (56.1%) were charged interest on a flat rate, meaning interest is calculated on the original loan amount throughout the loan period, which makes the effective cost higher than the stated rate. Only 32.1% were on a reducing balance, and 11.8% of respondents did not know how their interest was calculated.

Table 7 summarizes the lending terms obtained from the documentary review of lenders' records.

Table 7: Lending Terms of Selected Microcredit Lenders in Central Division

Lender	Type	Interest rate (% per month)	Usual loan period	Fees reported
MFI A	Microfinance institution	4.0	3–12 months	Processing; insurance
MFI B	Microfinance institution	4.5	3–9 months	Application; late-payment penalties
MFI C	Microfinance institution	3.6	6–12 months	Processing; insurance
SACCO A	SACCO	2.5	6–12 months	Membership/share; processing
SACCO B	SACCO	3.0	3–12 months	Processing; compulsory savings
SACCO C	SACCO	2.8	6–12 months	Membership/share; late-payment penalties
Registered Money Lender A	Registered money lender	6.0	1–6 months	Processing; contract; late-payment penalties

Source: Lenders' records, documentary review (2026).

The documented rates ranged from 2.5–3.0% per month for SACCOs and 3.6–4.5% for microfinance institutions, up to 6.0% for the registered money lender. Rates reported by SACCO borrowers (a mean of 4.29%) were higher than the rates in SACCO records, which suggests that some borrowers counted other charges as interest or did not know the actual rate. This is consistent with the 11.8% of respondents who did not know how interest was calculated and with key informants' comments that "terms are not always easy for borrowers to compare across lenders" (KI13) and that "borrowers often need guidance to compare loan offers and calculate total costs" (KI18).

Respondents' Views on Loan Interest Rates

Table 8: Respondents' Views on Loan Interest Rates (n = 380)

No.	Statement	SD/D (%)	N (%)	A/SA (%)	Mean	Std. dev.
B1	Interest rates influence my decision to apply for a loan.	8.2	28.4	63.4	3.79	0.93
B2	High interest rates limit my ability to reinvest in my business.	10.8	27.4	61.8	3.73	0.96
B3	I clearly understand how interest on my loan is calculated.	26.6	37.9	35.5	3.11	1.00
B4	Interest rates charged by lenders are fair.	50.8	31.8	17.4	2.50	1.02
B5	High interest rates increase the risk of loan default.	7.4	25.3	67.4	3.88	0.94
B6	Interest rates affect my ability to hire additional employees.	14.7	32.9	52.4	3.54	1.00
B7	I am satisfied with the interest rates offered by microcredit institutions.	46.8	37.4	15.8	2.58	0.96
B8	Interest payments significantly reduce my working capital.	5.8	21.8	72.4	3.93	0.86
B9	Lenders offer flexible interest rates.	42.9	40.0	17.1	2.63	0.96
B10	High interest rates discourage long-term investment in my business.	7.9	26.1	66.1	3.88	0.95
B11	Interest rates vary significantly among different lenders in Central Division.	8.4	30.5	61.1	3.72	0.89

Source: Primary data (2026). SD/D = strongly disagree/disagree; N = neutral; A/SA = agree/strongly agree.

The findings show that respondents viewed interest rates as a burden on their businesses. Most agreed that interest payments significantly reduce their working capital (72.4%, mean = 3.93), that high interest rates increase the risk of loan default (67.4%, mean = 3.88), that high interest rates discourage long-term investment (66.1%, mean = 3.88), and that they limit the ability to reinvest (61.8%, mean = 3.73). Just over half (52.4%) agreed that interest rates affect their ability to hire additional employees.

On the other hand, only 17.4% agreed that interest rates are fair (50.8% disagreed; mean = 2.50), only 15.8% were satisfied with the rates (mean = 2.58), and only 17.1% agreed that lenders offer flexible rates (mean = 2.63). Only 35.5% clearly understood how interest on their loan is calculated (mean = 3.11). Overall, respondents regarded interest rates as high, unfair, and inflexible, and believed that they reduce the funds available for business growth.

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https://doi.org/10.70572/824xp694
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Relationship between Loan Interest Rates and Growth

Table 9: Correlation between Interest Rate and Growth of Small Business Enterprises

Growth measure	Pearson r	p-value	Spearman ρ	p-value	N
Sales growth	-0.041	0.424	-0.020	0.691	380
Profit growth	-0.002	0.963	0.020	0.704	380
Employee growth	0.078	0.128	0.117	0.023	380
Asset growth	-0.058	0.263	-0.085	0.098	380
Composite growth score	0.028	0.591	0.038	0.455	380
Perceived growth index (E5–E10)	0.008	0.876	0.020	0.696	380

Source: Primary data (2026).

There was no statistically significant correlation between the interest rate and the composite growth score ($r = 0.028$, $p = 0.591$). The correlations with sales growth ($r = −0.041$, $p = 0.424$), profit growth ($r = −0.002$, $p = 0.963$), asset growth ($r = −0.058$, $p = 0.263$), and respondents' perceived growth ($r = 0.008$, $p = 0.876$) were very weak and not significant. The only significant coefficient was a weak positive Spearman correlation between interest rate and employee growth ($\rho = 0.117$, $p = 0.023$), but the Pearson correlation for the same pair was not significant ($r = 0.078$, $p = 0.128$), so this result is not robust. The coefficients for sales and assets were negative, as theory predicts, but too small to be distinguished from zero. Businesses that paid higher interest rates therefore did not grow measurably less, or more, than businesses that paid lower rates.

Table 4.10 compares growth across methods of calculating interest.

Table 10: Composite Growth by Method of Calculating Interest

Category	n	Mean composite growth (%)	Std. dev.
Method of calculating interest			
Flat rate	213	10.22	18.56
Reducing balance	122	13.84	21.77
Don't know	45	5.41	18.85
F(2, 377) = 3.23; p = 0.041			

Source: Primary data (2026).

Growth differed significantly by method of calculating interest ($F(2, 377) = 3.23$, $p = 0.041$). Businesses whose loans were on a reducing balance grew the most (mean composite growth of 13.8%), followed by flat-rate loans (10.2%), while borrowers who did not know how their interest was calculated grew the least (5.4%). Although the level of the interest rate was not related to growth, the way interest was calculated, and whether the borrower understood it, was. This suggests that understanding the true cost of a loan matters more for growth than the stated rate itself.

Key Informant Views on Interest Rates

Key informants agreed that interest reduces the money available for reinvestment, but stressed that its effect depends on the business. A microfinance manager explained that "higher rates raise instalments and can reduce money available for restocking, though urgent credit may prevent stock-outs" (KI01), while another noted that "high rates are manageable for some fast-turnover businesses but difficult for low-margin enterprises" (KI02). Traders' association leaders reported that "members frequently complain that interest reduces money for restocking" (KI11) and that "members with narrow margins feel interest most strongly" (KI14). A traders' leader also noted that members "often compare lenders by speed and ease of access, not only rate" (KI12), and a money lender observed that "borrowers who need fast funds may accept costly terms" (KI10). A municipal official summed up that "borrowing costs may influence survival and investment, but they are not the only factor" (KI16).

These views help explain the quantitative results. Borrowers choose lenders mainly for speed and access and accept the rate offered, and the burden of a given rate depends on the turnover and margins of the business. As a result, the rate alone did not separate growing from declining businesses, even though borrowers felt its burden.

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https://doi.org/10.70572/824xp694
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Combined Relationship and Moderating Variables

Correlation among the Study Variables

Table 11: Correlation Matrix of Lending Terms and Composite Growth

Variable	(1)	(2)	(3)	(4)
(1) Interest rate	1			
(2) Composite growth	0.028	-0.075	-0.005	1

*Source: Primary data (2026). * Significant at the 0.05 level.*

The three lending terms were almost unrelated to one another (r between −0.030 and 0.039), which means that a loan with a high interest rate did not necessarily have a short period or high fees. Multicollinearity was therefore not a concern; the variance inflation factors in the regression models ranged from 1.01 to 1.17, well below the usual threshold of 10 (Hair et al., 2019).

Hierarchical Regression Analysis

Hierarchical multiple regression was used to establish the combined relationship between the three lending terms and the composite growth score (Model 1), to add the moderating variables (Model 2), and to test the interaction between each lending term and business size (Model 3). Table 4.19 presents the model summary.

Table 12: Model Summary of Hierarchical Regression of Composite Growth on Lending Terms and Moderating Variables

Model	R	R^2	Adjusted R^2	F	p-value	ΔR^2	F change	p (F change)
1: Lending terms only	0.081	0.007	-0.001	0.83	0.475	0.007	0.83	0.475
2: + Moderating/control variables	0.320	0.102	0.078	4.20	<0.001	0.096	5.61	<0.001
3: + Interaction terms	0.349	0.122	0.091	3.91	<0.001	0.020	2.75	0.043

Source: Primary data (2026).

Model 1 shows that the three lending terms together explained only 0.7% of the variation in composite growth ($R^2 = 0.007$), and the model was not statistically significant ($F(3, 376) = 0.83$, $p = 0.475$). Adding the moderating variables in Model 2 increased the explained variation to 10.2%, a significant increase ($\Delta R^2 = 0.096$, F change = 5.61, $p < 0.001$). This shows that business and owner characteristics explained far more of the differences in growth than the lending terms did. Adding the interaction terms between the lending terms and business size in Model 3 produced a further significant increase ($\Delta R^2 = 0.020$, F change = 2.75, $p = 0.043$), and the final model explained 12.2% of the variation in growth (adjusted $R^2 = 0.091$; $F(13, 366) = 3.91$, $p < 0.001$).

Table 13: Regression Coefficients of Model 1 (Lending Terms Only)

Variable	B	Std. error	Beta (β)	t	p-value
(Constant)	13.283	4.923		2.70	0.007
Interest rate (% per month)	0.450	0.758	0.031	0.59	0.553

Source: Primary data (2026). Dependent variable: composite growth score (%).

None of the three lending terms was a significant predictor of composite growth when considered together: interest rate ($\beta = 0.031$, $p = 0.553$), repayment period ($\beta = -0.076$, $p = 0.138$), and loan fees ($\beta = -0.002$, $p = 0.963$). Table 4.21 presents the coefficients of the full model.

Table 14: Regression Coefficients of Model 3 (Full Model with Interaction Terms)

Variable	B	Std. error	Beta (β)	t	p-value
(Constant)	58.525	24.192		2.42	0.016
Interest rate (% per month)	0.318	0.727	0.022	0.44	0.662
Business size 2021 (ln employees)	-8.161	1.885	-0.216	-4.33	<0.001
Loan size (ln UGX)	-2.651	1.539	-0.086	-1.72	0.086
Knows how interest is calculated (1 = yes)	4.796	3.029	0.078	1.58	0.114
Wholesale trade	4.454	3.100	0.076	1.44	0.152
Food and hospitality	6.733	2.911	0.121	2.31	0.021
Services	-1.948	2.614	-0.040	-0.74	0.457
Manufacturing/artisanal	-2.087	4.240	-0.025	-0.49	0.623
Interest rate × business size	-0.873	1.277	-0.034	-0.68	0.495
Repayment period × business size	5.841	2.092	0.139	2.79	0.006
Loan fees × business size	-0.357	1.011	-0.017	-0.35	0.724

Source: Primary data (2026). Dependent variable: composite growth score (%). Lending terms and business size are mean-centred in the interaction terms; retail trade is the reference category for type of business.

In the full model, the lending terms remained non-significant. Business size had a significant negative relationship with growth (β = −0.216, p < 0.001): businesses that were smaller in 2021 grew faster in percentage terms, which is consistent with findings that smaller firms grow faster proportionally (Evans, 1987). Food and hospitality businesses grew significantly more than retail businesses (B = 6.73 percentage points, p = 0.021). Loan size (p = 0.086) and knowing how interest is calculated (p = 0.114) were not significant once other variables were controlled for, although borrowers who knew how their interest was calculated grew by about 4.8 percentage points more.

The interaction between repayment period and business size was positive and significant (B = 5.84, β = 0.139, p = 0.006), while the interactions of business size with interest rate (p = 0.495) and loan fees (p = 0.724) were not significant.

Table 15: Regression of Each Growth Indicator on the Lending Terms (Standardized Coefficients)

Growth indicator	Interest rate β (p)	Repayment period β (p)	Loan fees β (p)	R^2	F (p)
Sales growth	-0.041 (0.424)	-0.004 (0.944)	-0.008 (0.870)	0.002	0.22 (0.880)
Profit growth	-0.003 (0.961)	0.027 (0.595)	0.031 (0.554)	0.002	0.22 (0.884)
Employee growth	0.082 (0.110)	-0.105 (0.041)	-0.013 (0.798)	0.017	2.22 (0.085)
Asset growth	-0.057 (0.268)	-0.015 (0.771)	-0.010 (0.851)	0.004	0.46 (0.712)

Source: Primary data (2026). Figures are standardized coefficients (β) with p-values in brackets.

The separate regressions confirm the overall result. The three lending terms explained between 0.2% and 1.7% of the variation in each growth indicator, and none of the models was significant. The only significant coefficient was a small negative relationship between repayment period and employee growth (β = −0.105, p = 0.041).

Tests of the Moderating Variables

Table 16: Summary of Tests of Moderating Variables

Moderating variable tested	Interaction terms added	ΔR^2	F change	p-value	Decision
Business size (ln employees in 2021)	Rate, period and fees × size	0.020	2.75	0.043	Significant moderation
Type of business	Rate × business type (4 dummies)	0.019	1.94	0.104	Not significant
Financial literacy (knows how interest is calculated)	Rate, period and fees × literacy	0.011	1.56	0.199	Not significant
Loan size (ln loan amount)	Rate, period and fees × loan size	0.004	0.58	0.628	Not significant

Source: Primary data (2026).

Only business size significantly moderated the relationship between lending terms and growth (ΔR^2 = 0.020, p = 0.043), and this moderation operated through the repayment period. Type of business (p = 0.104), the owner's financial literacy (p = 0.199), and loan size (p = 0.628) did not significantly moderate the relationship, although among the type-of-business interactions, the interest rate had a more negative relationship with growth for food and hospitality businesses than for retail businesses (p = 0.017). Figure 4.3 illustrates the moderating effect of business size.

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https://doi.org/10.70572/824xp694
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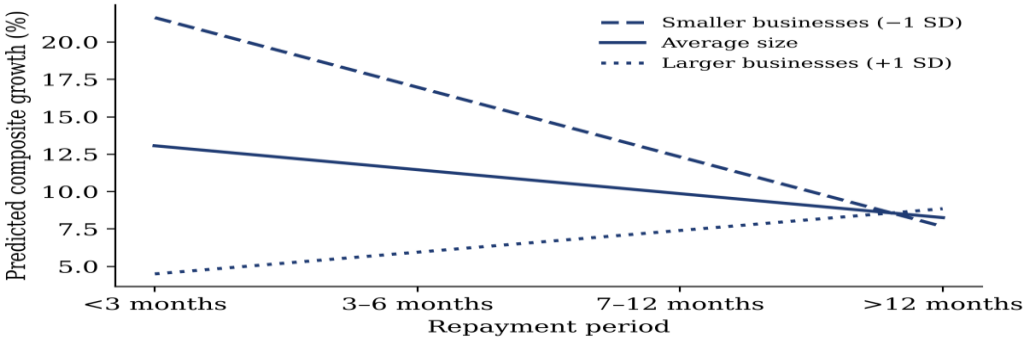


Figure 3: Moderating Effect of Business Size on the Relationship between Repayment Period and Growth

Source: Primary data (2026). Lines show predicted composite growth at one standard deviation below the mean, at the mean, and one standard deviation above the mean of business size.

Simple slope analysis (Aiken & West, 1991) showed that for the smallest businesses (about two employees in 2021, one standard deviation below the mean), each step to a longer repayment period was associated with 4.7 percentage points lower composite growth (B = −4.65, p = 0.003). For businesses of average size (about three to four employees), the relationship was not significant (B = −1.60, p = 0.167), and for larger businesses (about six employees) it was slightly positive but not significant (B = 1.45, p = 0.366). In other words, longer loans were associated with weaker growth among the very smallest businesses but not among larger ones. A possible explanation is that the smallest businesses take longer loans to cover consumption or existing obligations rather than to invest, as key informants observed: "some enterprises expand stock; others borrow to meet existing obligations" (KI14), and "some businesses add stock while others use credit to cover household or operating emergencies" (KI03).

Table 17: Composite Growth by Type of Business, Level of Education and Source of Loan

Category	n	Mean composite growth (%)	Std. dev.
Type of business			
Retail trade	175	10.07	19.73
Wholesale trade	49	13.73	19.17
Food and hospitality	56	17.22	25.35
Services	77	7.12	16.34
Manufacturing/artisanal	23	6.97	12.24
F(4, 375) = 2.73; p = 0.029			
Level of education			
No formal education	17	2.50	16.59
Primary	72	11.46	21.10
Secondary	134	12.94	18.07
Certificate	69	10.36	19.71
Diploma	52	7.82	23.83
Bachelor's+	36	10.69	18.04
F(5, 374) = 1.17; p = 0.322			
Source of loan			
Microfinance institution	195	10.48	20.12
SACCO	145	11.00	18.93
Registered money lender	40	11.73	21.63
F(2, 377) = 0.08; p = 0.927			

Source: Primary data (2026).

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https://doi.org/10.70572/824xp694
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Growth differed significantly by type of business ($F(4, 375) = 2.73$, $p = 0.029$). Food and hospitality businesses grew the most (17.2%) and wholesale businesses 13.7%, while retail (10.1%), services (7.1%), and manufacturing/artisanal businesses (7.0%) grew less. Growth did not differ significantly by level of education ($p = 0.322$), although owners with no formal education had the lowest growth (2.5%), or by source of loan ($p = 0.927$). Since growth did not differ by lender type, and lenders' terms differ (Table 4.7), this again suggests that the choice of lender and its terms mattered less for growth than the characteristics of the business.

Regression Diagnostics

Summary of Qualitative Findings

Table 18: Summary of Themes from Key Informant Interviews

Theme	Summary of key informant views	Implication
Interest rates	Most key informants described interest as reducing retained earnings and working capital, especially for low-margin businesses; they also noted that rates reflect perceived risk, operating costs, and product design.	Negative pressure on reinvestment; effect varies by turnover and loan use.
Business growth	Informants described mixed outcomes: credit can sustain or expand stock and equipment, but growth is not automatic.	Growth also depends on demand, management, records, competition, and operating costs.
Suggested improvements	Clear written schedules, transparent total cost, suitable repayment periods, financial literacy, and bookkeeping support were repeatedly recommended.	Combine responsible lending with business development support.

Source: Key informant interviews (2026).

The interviews add three insights to the quantitative findings. First, key informants agreed that interest, short repayment periods, and fees put pressure on borrowers' working capital, which matches the respondents' views in Tables 4.8, 4.12 and 4.16. Second, they consistently said that the effect of lending terms depends on the business: its turnover and margins, whether its cash flow fits the repayment schedule, and whether the loan is used for productive stock and equipment or for household and operating emergencies. Third, they identified other factors that strongly affect growth, namely volatile demand, low purchasing power, rent and utility costs, rising supplier prices, competition including cross-border changes, and weak bookkeeping. As one commercial officer put it, "some businesses grow through stock turnover; others remain small despite borrowing" (KI17). These views explain why, in the quantitative analysis, business characteristics explained much more of the variation in growth than the level of the lending terms.

DISCUSSION

Growth of Small Business Enterprises

The number of licensed small businesses in Central Division fell by 18.7%, from 1,420 in FY2020/21 to 1,155 in FY2024/25. Among the 380 surviving businesses that had borrowed microcredit, average monthly sales rose by 5.5%, employees by 18.0%, and assets by 9.1% between 2021 and 2025, all statistically significant, while profit rose by only 2.6%, which was not significant. Growth was uneven: 42.4% of businesses had lower sales and 47.9% lower profit in 2025 than in 2021. Respondents' own views were more pessimistic, with only 28.9% agreeing that their profits had increased, and 60.8% agreed that repaying microcredit had limited their growth.

Loan Interest Rates and Growth of Small Business Enterprises

The finding that the interest rate was not significantly related to growth differs from studies that found a significant negative relationship between interest rates and SME performance, such as Lubinza et al. (2024) in Moshi, Tanzania, Gloria and Mwesigwa (2026) in Nansana, and Onzima et al. (2024) in Arua. It also differs from the expectation of the Credit Rationing Theory that higher borrowing costs reduce reinvestment and therefore growth (Stiglitz & Weiss, 1981; Cull et al., 2009).

Several explanations are possible. First, the interest rates in Central Division were high for almost all borrowers (most paid 3–6% per month), so the variation between borrowers may have been too small relative to their burden to produce measurable differences in growth. Second, as key informants explained, borrowers choose lenders mainly for speed and ease of access and accept the rate offered, which agrees with evidence that small borrowers' demand for credit is relatively insensitive to the price of credit (Karlan & Zinman, 2008). Third, the burden of a given rate depends on the margin and turnover of the business, so the same rate may be manageable for a fast-moving trader and crippling for a low-margin enterprise (KI02, KI14). Fourth, studies that found a significant relationship often measured

borrowers' perceptions of interest rates and of growth with the same questionnaire, which can inflate correlations; this study related the actual rate on each loan to measured changes in business figures.

The finding is, however, consistent with the respondents' views and with Kazaara et al. (2025), who found that restrictive loan costs limit the optimal use of credit rather than preventing growth altogether. The significant difference in growth by method of calculating interest suggests that what matters is not only the level of the rate but whether it is calculated fairly (on a reducing balance) and understood by the borrower. This is consistent with Lusardi and Mitchell (2014), who show that people with low financial literacy are more likely to borrow on costly terms that they do not fully understand, and with the recommendation of key informants that lenders "disclose effective borrowing cost" (KI06).

Moderating and Extraneous Variables

The finding that business characteristics explained much more of the variation in growth than lending terms (10.2% compared with 0.7%) is consistent with the international evidence that the effects of microcredit are modest on average and vary widely across borrowers (Banerjee et al., 2015; Meager, 2019). The negative relationship between initial business size and percentage growth agrees with Evans (1987), and the significant differences across types of business agree with key informants' observation that "business growth differs by sector" (KI02).

The Credit Rationing Theory explains why lenders in Central Division impose high rates, short periods, frequent instalments and multiple fees: they lend to borrowers with little collateral and weak records in an environment of high risk, and several lenders stated that rates reflect "risk, cost of funds and collection costs" (KI06). The findings suggest, however, that once credit has been granted, the variation in these terms between borrowers does not by itself explain why some businesses grow, and others do not. The theory is therefore more useful in explaining the design of lending terms than in predicting the growth of individual borrowers, and it needs to be complemented by attention to business characteristics and the use of loans. The extraneous variables identified by key informants, namely low purchasing power, competition, cross-border trade, rent and supplier prices, are also likely to account for much of the remaining unexplained variation and for the closure of businesses in the division.

Conclusions

The study concludes that interest rates on microcredit in Central Division are high (about 4.3% per month, mostly on a flat basis) and are perceived by borrowers as unfair and burdensome, but that the level of the interest rate is not significantly related to the growth of small business enterprises. What matters more is how interest is calculated and whether the borrower understands it: borrowers on reducing-balance loans grew more, and those who did not know how their interest was calculated grew the least.

Limitations of the Study

The study used a cross-sectional design, with business figures for 2021 and 2025 collected at one point in time. The results therefore show associations rather than causal effects of lending terms on growth. In addition, only businesses that were still operating in 2025 could be surveyed; businesses that closed between 2021 and 2025 were not included, which may make the sampled businesses appear more successful than all borrowers were.

The Likert-scale sections had low internal consistency in the main study, which limited their use to item-level description. Response bias was also possible, as respondents may have given socially desirable answers. This was reduced by using neutral wording and by comparing questionnaire responses with interview and documentary evidence.

Recommendations

i) Microfinance institutions, SACCOs and money lenders should move from flat-rate to reducing-balance interest calculation and state the annual effective cost of each loan in writing, so that borrowers can compare offers on the same basis.

ii) The Uganda Microfinance Regulatory Authority and Bank of Uganda should enforce disclosure of the total cost of credit by Tier 4 lenders under the Tier 4 Microfinance Institutions and Money Lenders Act, 2016.

iii) Borrowers should compare the total cost of loans from different lenders rather than choosing on speed and access alone, and should borrow only for uses that can generate enough margin to cover the interest.

Contribution of the Study

The study contributes to knowledge in four ways. First, it provides evidence from a Ugandan municipality on the relationship between specific microcredit lending terms and the growth of small businesses, using the actual terms of each borrower's loan and measured changes in sales, profit, employees, and assets over 2021–2025, rather than perceptions alone. Second, it shows that the level of lending terms explained very little of the variation in growth, while business characteristics explained much more. Third, it identifies business size as a moderator of the relationship between loan duration and growth, which has not been tested in previous Ugandan studies. Fourth, it extends the application of the Credit Rationing Theory by showing that the theory explains the design of lending terms better than the growth outcomes of individual borrowers.

Areas for Further Research

i) A longitudinal study that follows the same borrowers over time, including those whose businesses close, is needed to establish the causal effect of lending terms on growth and survival.

ii) Further research should examine the use of microcredit loans (investment, working capital, consumption, or repaying other debts) as a mediating variable between lending terms and business growth.

iii) Studies should compare the effective annual cost of credit, including fees and flat-rate calculation, rather than the stated monthly rate, across lenders and its relationship with business performance.

iv) Similar studies should be conducted in other divisions of Kasese Municipality and in other municipalities to test whether the findings apply more widely.

v) Research is needed to develop reliable multi-item scales for measuring borrowers' perceptions of lending terms in the Ugandan context, since the scales used in this study had low internal consistency.

Acknowledgements

I thank the Almighty God for the gift of life, good health, and the strength to complete this course.

I am deeply grateful to my supervisor, Dr. Sendagi Muhammad, for his guidance, constructive criticism, and patience from the proposal stage to the completion of this dissertation. His comments greatly improved the quality of this work.

I thank the management and staff of the School of Graduate Studies and Research and the lecturers of the Master of Science in Finance programme at Team University for the knowledge and support they gave me during my studies.

I am grateful to the Town Clerk and Commercial Officers of Kasese Municipal Council, the managers and credit officers of the microfinance institutions, SACCOs and money lenders, and the chairpersons of the traders' associations in Central Division who gave their time and information. I also thank the 380 business owners and managers who completed the questionnaire, and the research assistants who helped with data collection.

Finally, I thank my family, friends, and classmates for their encouragement, prayers, and support throughout this journey. May God bless you all.

List of acronyms

AfCFTA	African Continental Free Trade Area
ANOVA	Analysis of Variance
BOU	Bank of Uganda
CDTA	Central Division Traders Association
CVI	Content Validity Index
FY	Financial Year
GDP	Gross Domestic Product
KI	Key Informant
MFIs	Microfinance Institutions
MSMEs	Micro, Small and Medium Enterprises
OECD	Organisation for Economic Co-operation and Development
SACCOs	Savings and Credit Cooperative Organisations
SBEs	Small Business Enterprises
SD	Standard Deviation
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
UBOS	Uganda Bureau of Statistics
UGX	Uganda Shillings
UMRA	Uganda Microfinance Regulatory Authority
VIF	Variance Inflation Factor

Source of funding

The study was not funded.

Conflict of interest

No conflict of interest declared.

Author contributions

HB: Conceptualization, Methodology, Investigation, Writing-original draft.
EB: Data curation, Formal analysis, Visualization.
MS: Supervision, Validation, Writing-review and editing.
All authors: Approved the final version of the manuscript and agreed to be accountable for the work.

Data availability

Data are available upon request.

Informed consent

Written informed consent was obtained from all participants before their inclusion in the study. Participants were informed about the purpose of the study, procedures involved, potential risks and benefits, and their right to withdraw at any time without penalty.

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