

## **ABSTRACT**

The study evaluated the impact of financing on the growth of Small and medium enterprises in Kasese District. The objectives of the study were; (i) to analyse the sources of financing for SME growth in Kasese District, (ii) to assess whether access to financing is dependent on managerial capacity of SME's in Kasese District. (iii) to establish the relationship between access to financing and SME growth potential of enterprise in Kasese District. The purpose of this study was to explore the obstacles faced by SMEs to access financing that consequently affect their potential for growth. The major theories reviewed that guided this study were derived from Hanks et al. (1993) stages-of-growth model. The study was conducted through the use of qualitative and quantitative survey design using structured questionnaires, analysis of project reports, meetings and semi structured interviews with key stakeholders. Analysis data obtained from this survey confirmed that the major bottleneck to the growth of SMEs in Kasese district was lack of adequate access to finance. Over the period of five years based on interviews and qualitative documentary evidence it was found out that 98% of the small and medium sized firms in Kasese district on average considered financing the most critical constraint to their growth. I therefore recommend Government improves the reliability of financial information provided by SMEs by helping them design a user friendly accounting and reporting requirements; banks should design credit procedures that address SME's particular circumstances i.e. substitutes for collateral. Financing suitable for SMEs is still insufficient and this results in limited growth and survival of SMEs. Furthermore introduce diversified financial products must be offered to meet the varying needs of SMEs.