

**EVALUATING THE CAUSES OF FINANCIAL DISTRESS OF SMALL AND MEDIUM  
SIZE ENTERPRISES; A CASE STUDY OF MBALE MUNICIPAL COUNCIL**

**BY**

**NANGEDE DOREEN**

**2011/HD06/3232U**

**SUPERVISOR**

**DR. JOHN MUTENYO**

**A RESEARCH REPORT SUBMITTED TO THE GRADUATE SCHOOL IN PARTIAL  
FULFILLMENT FOR THE AWARD OF THE MASTER OF BUSINESS  
ADMINISTRATION OF MAKERERE UNIVERSITY.**

**NOVEMBER, 2013**

## **ABSTRACT**

The impact of SME sector to economic growth and development of any country has been widely appraised and documented both in the developed and developing countries. This endeavor has propelled most economies like Uganda to devise policies that enhance the growth and survival of the SME sector, however, the failure rate of SMEs in Uganda is very high as new start ups fail within five years of their establishment. Insufficient capital to sustain their entrepreneurial activities has been identified as the major setback for the survival and growth of SMEs in Uganda. The purpose of the study was to evaluate the causes of financial distress of SMEs. Data was collected from self administered questionnaires. Data was cleaned, and analyzed to extract the factors that cause financial distress of SMEs which eventually leads to their failure. The data was collected from 150 SMEs in Mbale Municipality.

Basing on the findings from the study, it was revealed that the causes of financial distress are varied and among these include limited access to markets, high inflation and interest rate, limited access to credit, limited market research, poor record keeping, taxation, low demand, misuse use of enterprise funds, and enterprise owners do not consult business experts. The study has identified and proposed possible solutions, key policy intervention and approaches to be adopted towards enhancing SMEs growth and survival.