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Effect of Commercial Bank Services on Performance of Small and Medium Enterprises in Gasabo District, Rwanda

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***Abstract**: The general objective of this study was to assess the effect of commercial bank services on the performance of Small and Medium Enterprises in Rwanda. The study was guided by Pecking Order Theory, Financial Intermediation Theory and Resource-Based View. The study adopted descriptive and correctional research design. The study population of 1752 respondents, comprising SME business owners, was examined using a sample size of 326 respondents determined through Slovin's formula. Data was collected using questionnaires, Quantitative data was analysed using SPSS through descriptive statistics, Pearson correlation, and multiple regression analysis to determine how loan services, saving services, and financial literacy services predict SME performance. The unstandardized coefficient for loan services is 0.175, indicating that a one-unit increase in loan services results in a 0.175-unit increase in performance of SMEs ($\beta = 0.175$, $t = 5.645$, $p = 0.000$). The unstandardized coefficient for saving services is 0.556, indicating that a one-unit increase in saving services results in a 0.556-unit increase in SME performance ($\beta = 0.556$, $t = 16.353$, $p = 0.000$). The unstandardized coefficient for financial literacy services is 0.229, indicating that a one-unit increase in financial literacy services results in a 0.229-unit increase in SME performance ($\beta = 0.229$, $t = 7.897$, $p = 0.000$). Commercial bank services significantly influence the performance of small and medium enterprises through various financial and educational channels. The study recommended that commercial banks, government institutions, SME owners, and financial service providers strengthen enterprise performance through designing flexible loan products.*

***Keywords**: Commercial Bank Services, Loan Services, Saving Services, Financial Literacy Services, Performance of SMEs*

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1. Introduction

Commercial banking activity influences enterprise stability and development in the United States through financial tools that support working capital, liquidity management, and investment readiness for small and medium enterprises operating across diverse sectors. Institutions such as Bank of America and JPMorgan Chase contributed to business continuity during economic disruptions through initiatives like the Paycheck Protection Program, which ensured liquidity support for firms experiencing weakened cash flow. These patterns show how commercial banks stabilize business operations when internal financial capacity becomes insufficient (Abugri & Osah, 2025).

Digital financial services offered through Kenya Commercial Bank, Equity Bank, and Cooperative Bank strengthen enterprise performance by integrating mobile-based lending, advisory programs, and tailored overdraft products into SME operations. Firms in digital distribution networks, such as Jumia vendors and participants in agricultural chains linked to Twiga Foods, rely on these services to coordinate procurement, transportation, and inventory management. Enterprises using combined credit and advisory programs demonstrate improved growth, resilience, and strategic coordination (Mbise & Mrindoko, 2024).

In Rwanda, commercial banking institutions such as Bank of Kigali, I&M Bank Rwanda, KCB Bank Rwanda, and Equity Bank Rwanda influence enterprise outcomes through structured credit programs, savings products, and transactional services that support business continuity and investment planning. These services allow firms in local manufacturing, hospitality, and trade to manage inventories, expand operations, and stabilise financial decisions in alignment with national private-sector development goals (Hahirwabasenga & Butera, 2023).

Commercial bank engagement in Nyarugenge District reinforces how financial services relate directly to business expansion among enterprises maintaining active accounts with institutions such as Bank of Kigali and I&M Bank Rwanda. Savings and deposit products help firms accumulate capital for scaling, while loan programs and bank outreach initiatives influence leadership choices and planning practices. These interactions explain variations in growth outcomes for enterprises operating under similar market conditions (Hahirwabasenga & Butera, 2023).

Youth-owned enterprises in Kigali benefit from bank-supported financial services and networking programs that strengthen business planning and operational skills. Loan facilities, overdraft options, and financial training delivered through partnerships with Bank of Kigali and Equity Bank Rwanda enhance enterprise performance among owners with strong managerial capacities and market networks. These findings show how combined financial and non-financial interventions influence growth outcomes for emerging enterprises (Munyaneza & Ndabaga, 2023).

Although various studies such have examined challenges in SME financing and the influence of commercial bank services on enterprise performance in Rwanda, none have specifically focused on in Gasabo District, Rwanda. This creates a clear research gap. Therefore, this study on the effect of commercial bank services on the performance of small and medium enterprises in Gasabo District, aims to address and fill this gap effectively.

1.1 Objectives of the Study

The general objective of this study was to assess the effect of commercial bank services on performance of Small and Medium Enterprises (SMEs) in Rwanda.

1. To analyse the effect of loan services on performance of SMEs in Gasabo District.

2. To evaluate the effect of saving services on performance of SMEs in Gasabo District.

3. To examine the effect of financial literacy services on performance of SMEs in Gasabo District.

2. Literature Review

2.1 Theoretical Review

The theoretical framework for this study is built upon three foundational theories that explain the relationship between financial services and firm performance: The Pecking Order Theory, the Financial Intermediation Theory, and the Resource-Based View (RBV). These theories provide a comprehensive lens through which to examine how capital structure, bank-led intermediation, and internal strategic resources collectively influence the growth of small enterprises.

2.1.1 Pecking Order Theory

The Pecking Order Theory was originally formulated by Stewart Myers and Nicolas Majluf in 1984 to describe how asymmetric information influences corporate financing choices. This model suggests that businesses adhere to a strict hierarchy when seeking capital, prioritizing internal funds first, followed by debt, and using external equity only as a last resort. The core of this theory is that managers possess more information about the firm's true value than outside investors, which makes external equity more expensive and risky to issue (Abdelgany et al., 2024).

Pecking Order Theory was utilized to analyze the effect of loan services on the performance of SMEs. The study examined whether businesses in Gasabo District prioritize internal savings before seeking commercial loans and how this financing sequence impacts their overall financial stability and growth potential.

2.1.2 Financial Intermediation Theory

Leland and Pyle introduced the Financial Intermediation Theory in 1977 to explain why financial institutions are necessary in an economy with information frictions. The theory posits that banks act as specialized agents that reduce the costs of searching for, monitoring, and verifying the creditworthiness of borrowers. By acting as information brokers, banks mitigate the risks of adverse selection and moral hazard that would otherwise prevent capital from flowing from savers to entrepreneurs (Frimpong et al., 2022).

This study employed the Financial Intermediation Theory to evaluate how saving services influence SME performance. It served to demonstrate how the mobilization of deposits by commercial banks in Gasabo District creates a stable supply of credit that SMEs can leverage to improve their operational efficiency and market reach.

2.1.3 Resource-Based View (RBV)

The Resource-Based View (RBV) was significantly advanced by Jay Barney in 1991, shifting the focus of strategic management from external market positioning to internal firm attributes. This theory argues that a firm achieves a sustainable competitive advantage by controlling resources that are Valuable, Rare, Inimitable, and Non-substitutable (VRIN). These resources can range from physical assets and financial capital to intangible qualities like brand reputation and specialized employee knowledge (Marek & Stein, 2022).

This research adopted the Resource-Based View to examine the effect of financial literacy services on the performance of SMEs. The study argued that the financial skills acquired by SME owners in Gasabo District through bank-led training constitute a valuable and inimitable resource that directly enhances the firm's competitive position.

2.2 Empirical Review

An empirical literature review is a structured summary and critical analysis of previously published research studies that are based on real-world data and observations.

2.2.1 Loan Services and Performance of SMEs

Kyengo et al. (2023) examined the effect of bank loan financing on the financial performance of small and medium enterprises in Mombasa County, Kenya, using a descriptive research design grounded in resource dependency theory. The study selected a sample of 109 SMEs through stratified sampling and collected primary data using structured questionnaires. Instrument validity was assessed using factor analysis, while reliability was confirmed through Cronbach's alpha. Data were analyzed using SPSS version 25, employing descriptive and inferential statistics. Hypothesis testing was conducted at a 95% confidence level and 5% level of significance. The findings showed that bank loan financing had a significant positive effect on SME financial performance, leading to the rejection of the null hypothesis ($p < 0.05$). The study further established a positive correlation between bank loan financing and financial performance, confirming that improved access to bank loans enhances SME performance.

Mbabazi and Kengere (2023) evaluated the effect of commercial bank services on the growth of manufacturing small and medium enterprises in Rwanda, focusing on enterprises bankrolled by the Bank of Kigali. The study adopted both quantitative and qualitative approaches, targeting a population of 317 SMEs, from which a sample of 177 enterprises was selected using Slovin's formula and purposive sampling. Data were analyzed using SPSS, and the results showed a strong relationship between financial literacy services, saving services, and bank loan services and SME growth. The model produced a modified R^2 value of 0.720, indicating that the predictors explained 72% of the variation in SME growth. The ANOVA results were significant ($F = 130.431$, $p < 0.05$), with a standard error of estimate of 0.34637, confirming a very significant positive relationship between commercial bank services and SME growth in Rwanda.

2.2.2 Saving Services and Performance of SMEs

ElDeeb et al. (2021) examined the pillars determining financial inclusion among small and medium enterprises in Egypt, focusing on service awareness, access, usage of banking services, and macroeconomic policies. The study derived a novel dataset from questionnaires administered to bankers managing SME portfolios and applied descriptive statistics, inferential analysis, and econometric estimation. Principal Component Analysis identified three main pillars of SME financial inclusion: integrated marketing tools, usage of banking services, and assessment of macroeconomic risks. A subsequent logistic regression model confirmed the statistical relevance of these pillars. Notably, the interaction term among the three pillars explained 86.6% of the variability in the level of financial inclusion among Egyptian SMEs. The findings demonstrate that financial inclusion is significantly enhanced when awareness, service usage, and macroeconomic risk considerations operate jointly within the financial system.

Nyiransabimana and Tarus (2023) evaluated the effect of microfinance services on the financial performance of small and medium enterprises in Gisagara District, Rwanda. The study targeted a population of 6,984 SMEs, with a sample of 378 respondents selected using Slovin's formula and random sampling techniques. Descriptive and inferential statistics were employed for data analysis. The findings indicated a significant positive effect of financial literacy on financial performance ($\beta = 0.335$, $p < 0.05$). Similarly, saving services had a significant effect on SME financial performance ($\beta = 0.273$, $p < 0.05$), while credit services also showed a significant positive effect ($\beta = 0.337$, $p < 0.05$). These results confirm that access to financial literacy, savings, and credit services significantly improves SME financial performance in Gisagara District.

2.2.3 Financial Literacy Services and Performance of SMEs

Frimpong et al. (2022) investigated the effect of financial literacy and access to digital finance on the performance of small and medium enterprises in the Central Region of Ghana. The study adopted a quantitative research approach and used purposive sampling to collect data from 400 SMEs across Cape Coast, Mankessim, Assin Fosu, Agona Swedru, and Kasoa. Data were collected using self-administered questionnaires and analyzed using SPSS for descriptive statistics, while PLS-SEM was employed for inferential analysis. The findings showed that financial literacy positively affects access to digital finance, and access to digital finance significantly improves SME performance. The results further revealed that access to digital finance mediates the relationship between financial literacy and SME performance, indicating that digital finance is as critical as financial literacy in enhancing SME performance.

Mudumizi and Rusibana (2024) evaluated the effect of financial literacy on the financial performance of small and medium-sized enterprises in Nyarugenge District, Kigali City. The study adopted a correlational research design using quantitative methods and involved 211 SME proprietors, achieving a 100% response rate. Data were collected using questionnaires and analyzed across trade, manufacturing, and service sectors. The findings indicated a significant relationship between financial planning skills and financial performance of SMEs. Additionally, record-keeping skills were found to significantly improve SME financial performance. The study further established that knowledge of financial access significantly affected SME performance, demonstrating that awareness of funding sources contributes to improved financial outcomes. The results underscore the importance of financial literacy components in enhancing SME financial performance in Kigali City.

2.3 Research Gap

Several studies have explored the general relationship between financial services and SME performance; however, significant gaps remain in terms of scope, context, and depth. Notably, prior studies such as Kyengo et al. (2023), James and William (2018), and Mbabazi and Kengere (2023) examined the impact of loan services on SME growth but failed to provide a nuanced analysis of critical loan components such as collateral requirements, interest rate structures, loan maturity periods, and how these specifically influence SME outcomes. This lack of disaggregation limits practical insights for financial institutions aiming to tailor loan products to SME needs.

Similarly, research by ElDeeb et al. (2021), Kwitonda et al. (2024), and Nyiransabimana and Tarus (2023) evaluated the role of saving services in SME development but did not sufficiently investigate how saving account features such as minimum deposit requirements, ease of withdrawal, and interest yield affect the financial behavior and performance of small enterprises. These elements are crucial in understanding how SMEs manage liquidity and build reserves.

Furthermore, although studies like Frimpong et al. (2022), Jumaa and Bwanab (2025), and Mudumizi and Rusibana (2024) have addressed financial literacy, they largely concentrated on the general awareness of financial concepts without evaluating the mechanisms through which banks deliver financial training, or the effectiveness of such programs in improving budgeting, record keeping, and financial planning practices among SMEs.

This study seeks to address these gaps by conducting a comprehensive analysis of how specific components of loan services, saving services, and financial literacy programs when provided by commercial banks affect the performance of SMEs in Gasabo District. By contextualizing the research in Rwanda's banking and SME sector, the study aims to provide actionable recommendations and contribute original insights to the fields of financial service delivery and small business development.

3. Methodology

3.1 Research Design

The study used descriptive and correlational research design. Descriptive research design is used to systematically describe a phenomenon or situation without manipulating any variables. Correlational research design explores the relationship or association between two or more variables without attempting to influence them.

3.2 Study Population

The study population comprised 1752 Small and Medium Enterprises owners operating in Gasabo District.

3.3 Sample Size and Sampling

In this study, the sample size was determined using Slovin's formula in order to obtain a statistically reliable sample from the total population of 1752 entities. Slovin's formula is appropriate where the population is known and allows the researcher to determine the sample size based on a specified margin of error.

$n = N / (1 + N(e)^2)$

n = Sample size

N = Total population

e = Margin of error (5%)

$n = 1752 / (1 + 1752 (0.05)^2)$

$n = 1752 / (1 + 4.38)$

$n = 1752 / 5.38$

$n = 326$

The study applied simple random sampling. This technique ensures equal probability of selection for each entity within the population and supports objective representation of SMEs owners in Gasabo District.

3.4 Data Collection

The source of data that include in this study was primary data. Primary data for the study was collected from self-administered questionnaires. Primary data was directly collected by the research from their original sources. These are the first-hand information collected from the field.

This study used primary data and each has its specific instruments for collection. Primary data are those collected directly from respondents through questionnaires. These tools captured first-hand information related to loan services, saving services, financial literacy services, and performance of Small and Medium Enterprises in Gasabo District, Rwanda.

The study utilized a closed-ended questionnaire as the primary tool, Participants was sent a survey with short agree and disagree answers for this research. With response options, the respondents were presented with a number of options from which to choose an answer. For this study, participants were given the questionnaires and expected to fill it out independently, before returning it to the researcher through the same method and in the specified time frame.

3.5 Validity, Reliability and Pilot Study

To ensure validity, data collection tools aligned with the general objective of assessing the effect of commercial bank services on SME performance in Gasabo District, and specific objectives covering loan, savings, and financial literacy services. Questionnaire validity was assessed during proposal presentation through supervisor and panel review. In addition, the Content Validity Index was applied using the formula CVI = n ÷ N, where n represents relevant items and N total items. A CVI above 0.70 confirmed instrument validity.

The Content Validity Index (CVI) of 0.87 was obtained through dividing 20 relevant items through the total 23 items. This result indicates a high level of content validity for the research instrument used within the current study. Most of the questions are appropriate and measure the constructs of interest because this result exceeds the widely accepted mark of 0.7. A high CVI increases the reliability of the research results as it implies the questionnaire contains meaningful information that supports the goals of the study. The four items categorized as irrelevant represent the demographic background data which identify respondents without directly measuring the core variables.

The reliability of the instruments used in this study was assessed using the Cronbach alpha approach. The range of values for Cronbach alpha, also known as coefficient alpha, is from 0 to 1, with higher values indicating more reliability. A suitable rating for reliability is one more than or equal to 0.7.

Table 1: Reliability Statistics

Variables	Cronbach's Alpha	N of Items
Loan Services	0.814	5
Saving Services	0.852	5
Financial Literacy Services	0.829	5
Performance of SMEs	0.871	5

Source: Pilot Study Data, 2026

Table 1 presents the reliability statistics for the research variables including loan services, saving services, and financial literacy services. Loan services recorded a Cronbach's Alpha of 0.814 across 5 items, which shows high internal consistency for the credit construct. Saving services achieved an alpha value of 0.852 for its 5 items which signifies that the assessment instrument remains reliable for the sampled entities. Financial literacy services reached a coefficient of 0.829 with 5 items which indicates strong consistency in the responses provided through the participants. Performance of SMEs recorded an alpha of 0.871 across 5 items which confirms the reliability of the performance scale used in the questionnaire. Every variable surpasses the 0.70 threshold which proves that the instrument remains a consistent tool for data collection in Gasabo District.

A pilot study was conducted to refine the questionnaire assessing the effect of commercial bank services on SME performance in Nyarugenge District. The pilot sample comprised 10 percent of the total sample of 326 respondents, resulting in 33 participants. The pilot test identified issues of clarity, relevance, and structure, enabling revision of unclear items before actual data collection.

3.6 Data Analysis

In order to find descriptive statistics, the researcher used SPSS version 29 to calculate percentages, means, correlations, and frequency distributions. Descriptive and inferential statistics was applied to assess relationships between the independent variables and the dependent variable within the study objectives.

To analyze the relationships between commercial bank services and performance of Small and Medium Enterprises, inferential statistics was employed. Pearson correlation analysis was used to examine strength and direction of relationships among the variables. Additionally, multiple linear regression was conducted to evaluate the effect of each commercial bank service component on performance of Small and Medium Enterprises. The model for the study takes the following form:

$Y = \beta_0 + \beta_1 X_1 + \beta 2 X_2 + \beta_3 X_3 + \varepsilon$

Where:

Y = Performance of Small and Medium Enterprises

X1 = Loan services

X2 = Saving services

X3 = Financial literacy services

β0 = Constant term

β1, β2, β3 = Regression coefficients measuring the effect of each independent variable

ε = Error term

3.7 Ethical Considerations

Ethical considerations were observed throughout the research process. Confidentiality and privacy of all participants was maintained. Informed consent was obtained prior to data collection after clear communication of study objectives and purpose. Participation remained voluntary, and fairness was maintained without discrimination. Respondent identity remained anonymous, and participation would not interfere with personal or professional wellbeing. Data collected was used strictly for academic and research purposes and handled with high confidentiality.

4. Results and Discussion

This chapter presents the findings derived from the data collected through questionnaires administered to SME owners and managers in Gasabo District. The primary focus is to analyze the gathered information in relation to the specific objectives: evaluating the impact of loan services, saving services, and financial literacy on SME performance. The data is presented using tables and frequencies, followed by detailed interpretations that link the findings to the research goals.

4.1 Response Rate

The response rate serves as a primary indicator for the reliability and statistical integrity of research findings. It constitutes the proportion of the sampled population that successfully completed and returned the research instruments. High participation levels minimize non-response bias and ensure that the gathered data remains representative of the target population.

Table 2: Response Rate of Respondents

Questionnaire	Frequency	Percent
Returned and complete	320	98.16
Incomplete	6	1.84
Total	**326**	**100.00**

Source: Field Data, 2026

Table 2 indicates that 98.16% (320) of the questionnaires were successfully completed and returned, providing a robust data foundation for evaluating bank services. The remaining 1.84% (6) represents incomplete responses, which is a minimal figure that does not negatively impact the overall statistical validity of the research. This high level of participation suggests that SME owners in Gasabo District are highly engaged with the topic of commercial bank services. Therefore, the data is highly representative and sufficient to draw meaningful conclusions regarding the financial factors influencing SME performance.

4.2 Inferential Statistics

This section utilizes inferential statistics to determine the strength and direction of the relationships between commercial bank services and the performance of SMEs in Gasabo District. Correlation analysis and multiple linear regression are applied to test the research hypotheses and quantify the influence of loan, saving, and financial literacy services on business outcomes.

4.2.1 Correlation Analysis

Correlation analysis is conducted to measure the degree of association between independent variables and the performance of small and medium enterprises within Gasabo District.

Table 3: Correlation Matrix

		Loan services	Saving services	Financial literacy services	Performance of Small and Medium Enterprises
Loan services	Pearson Correlation	1	.559**	.634**	.679**
	Sig. (2-tailed)		.000	.000	.000
	N	320	320	320	320
Saving services	Pearson Correlation	.559**	1	.617**	.830**
	Sig. (2-tailed)	.000		.000	.000
	N	320	320	320	320
Financial literacy services	Pearson Correlation	.634**	.617**	1	.744**
	Sig. (2-tailed)	.000	.000		.000
	N	320	320	320	320
Performance of Small and Medium Enterprises	Pearson Correlation	.679**	.830**	.744**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	320	320	320	320

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Field Data, 2026

Table 3 presents the relationship between loan services and the performance of small and medium enterprises in Gasabo District. The Pearson correlation coefficient is 0.679 with a significance value of 0.000, which is less than the 0.05 alpha level. This indicates a strong positive correlation between the availability of credit facilities and the growth indicators of the sampled business entities.

The relationship between saving services and the performance of small and medium enterprises in Gasabo District is shown in Table 3. The Pearson correlation coefficient reaches 0.830 with a significance level of 0.000, falling below the 0.05 threshold. This result demonstrates a very strong positive correlation, signifying that effective fund accumulation through banks is highly associated with business success.

The relationship between financial literacy services and the performance of small and medium enterprises in Gasabo District is displayed in Table 3. The Pearson correlation coefficient stands at 0.744 with a p-value of 0.000, which is statistically significant at the 0.05 level. This indicates a strong positive correlation, where increased financial knowledge is linked to improved decision-making and better performance outcomes for enterprises.

The findings are consistent with Mbabazi and Kengere (2023), who established that financial services correlate strongly with the growth of manufacturing entities through a positive statistical association, showing that the combination of credit, savings, and education supports stable business expansion in competitive markets. Similarly, the results correspond with Nyiransabimana and Tarus (2023), who found that credit and saving services have a significant positive association with enterprise financial success, enabling firms to acquire assets and manage cash flow effectively. Together, these studies confirm that integrated financial services are key drivers of sustainability and improved performance among small enterprises.

4.2.2 Regression Analysis

Regression analysis provides a detailed look at the predictive power of the model, testing the collective and individual influence of bank services through the Model Summary, ANOVA, and Coefficient tables.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.893[a]	.797	.795	.17158	1.685

a. Predictors: (Constant), Financial literacy services, Saving services, Loan services
b. Dependent Variable: Performance of Small and Medium Enterprises

Source: Field Data, 2026

Table 4 shows the R-value of 0.893, representing a strong correlation between the predictors and the dependent variable. The R Square value of 0.797 signifies that 79.7% of the variance in the performance of small and medium enterprises in Gasabo District is explained through predictors' variables (Financial literacy services, saving services and loan services). The Durbin-Watson statistic is 1.685, which falls within the acceptable range to confirm the absence of autocorrelation in the data. This statistical value proves that the residuals are independent and the model is reliable for prediction. The results indicate that the majority of changes in SME success are linked to the combined effect of bank services.

The findings are consistent with ElDeeb et al. (2021), who demonstrated that the interaction between service awareness and banking usage explains a substantial proportion of variability in financial inclusion outcomes, indicating that the integration of multiple financial components strengthens the predictive capacity for small business success. Similarly, the results correspond with Kwitonda et al. (2024), who found that combined service models, including credit and savings mobilization, significantly determine business outcomes through regression analysis, creating a more sustainable environment for growth than isolated interventions. Collectively, these studies support the current findings by confirming that integrated banking services are essential for improving SME performance.

Table 5: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.492	3	12.164	419.448	.000[b]
	Residual	9.302	316	.029		
	Total	45.794	319			

a. Dependent Variable: Performance of Small and Medium Enterprises
b. Predictors: (Constant), Financial literacy services, Saving services, Loan services

Source: Field Data, 2026

Table 5 determines the statistical significance of the regression model for the study of SMEs in Gasabo District. The F-statistic is 419.448, indicating a high ratio of explained variance to unexplained variance. The significance value is 0.000, which is strictly less than the 0.05 significance level. This confirms that the model is fit to predict the study variables. The results show that the regression model is a statistically appropriate fit for the observed data.

The findings align well with Mudumizi and Rusibana (2024), who established that the relationship between financial literacy components and financial performance is statistically significant at high confidence levels, demonstrating that improvements in financial planning and record-keeping contribute to real and measurable business outcomes. Similarly, the results are supported by Frimpong et al. (2022), who found that regression models analyzing financial access and performance produce high F-values and significant p-values, confirming the reliability of these relationships. Together, these studies affirm that the influence of financial services on SME performance is statistically valid and contributes to sustainable growth.

Table 6: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.187	.120		1.558	.119		
	Loan services	.175	.031	.193	5.645	.000	.552	1.810
	Saving services	.556	.034	.547	16.353	.000	.572	1.748
	Financial literacy services	.229	.029	.284	7.897	.000	.498	2.009

a. Dependent Variable: Performance of Small and Medium Enterprises

Source: Field Data, 2026

4.3 Hypotheses Testing

This section presents hypothesis testing results together with discussion based on empirical evidence. The decision rule states that when the p-value is less than 0.05, the null hypothesis is rejected.

For H_{01}: Loan services have no significant effect on the performance of small and medium enterprises in Gasabo District. The results show that the unstandardized coefficient for loan services is 0.175, with a t-value of 5.645 and a p-value of 0.000. Since the p-value is less than 0.05, the null hypothesis is rejected. This confirms that loan services have a statistically significant positive effect on the performance of small and medium enterprises in Gasabo District. A one-unit increase in loan services leads to a 0.175-unit increase in performance. The VIF of 1.810 is well below critical levels, indicating that this variable contributes unique information to the performance of SMEs. These findings are consistent with empirical evidence from Kyengo et al. (2023), who established that access to bank credit significantly enhances firm performance through improved capital availability. The implication is that loan services enable enterprises to finance operational activities, invest in productive assets, and manage working capital gaps

For H_{02}: Saving services have no significant effect on the performance of small and medium enterprises in Gasabo District. The findings indicate that the unstandardized coefficient for saving services is 0.556, with a t-value of 16.353 and a p-value of 0.000. Since the p-value is below 0.05, the null hypothesis is rejected. This demonstrates that saving services have a statistically significant positive effect on enterprise performance. A one-unit increase in saving services results in a 0.556-unit increase in performance. With a Tolerance of .572, this variable shows the least amount of overlap with other predictors, ensuring highly reliable coefficient estimates. The magnitude of this coefficient indicates that saving services are the most influential predictor in the model. This result aligns with Nyiransabimana and Tarus (2023), who established that structured saving mechanisms improve financial stability and liquidity management among small enterprises. The findings imply that enterprises with access to reliable saving platforms are better positioned to reinvest funds, manage financial shocks, and sustain business operations over time.

For H_{03}: Financial literacy services have no significant effect on the performance of small and medium enterprises in Gasabo District. The results reveal that the unstandardized coefficient for financial literacy services is 0.229, with a t-value of 7.897 and a p-value of 0.000. Since the p-value is less than 0.05, the null hypothesis is rejected. This indicates that financial literacy services have a statistically significant positive effect on enterprise performance. A one-unit increase in financial literacy leads to a 0.229-unit increase in performance. VIF at 2.009, it remains far below the threshold of 10, confirming that multicollinearity does not bias the results for this variable. These findings are supported by Mudumizi and Rusibana (2024), who found that financial knowledge significantly improves decision-making, budgeting, and record-keeping among small business owners. The implication is that financial literacy equips entrepreneurs with the necessary skills to optimize resource utilization and minimize financial mismanagement.

The results indicate that all variables significantly influence the performance of small and medium enterprises, with saving services exerting the strongest effect, followed by financial literacy and loan services. This suggests that while access to credit is important, the ability to manage and accumulate financial resources plays a more dominant role in determining enterprise success. The findings collectively emphasize that a comprehensive banking support system combining credit access, savings mechanisms, and financial education is essential for improving enterprise performance in Gasabo District.

Table 7: Decision on Null Hypotheses

Null Hypothesis	Sig. Value	Decision
H01: There is no significant effect of loan services on performance of SMEs in Gasabo District.	.000	Rejected
H02: There is no significant effect of saving services on performance of SMEs in Gasabo District.	.000	Rejected
H03: There is no significant effect of financial literacy services on performance of SMEs in Gasabo District.	.000	Rejected

Source: Field Data, 2026

The decision to reject all null hypotheses is based on the p-values being less than the 0.05 significance level. This indicates that loan services, saving services, and financial literacy services each have a statistically significant effect on the performance of small and medium enterprises in Gasabo District. The results confirm that commercial bank services are essential for driving business growth and sustainability in the study area.

5. Conclusions and Recommendations

5.1 Conclusions

Commercial bank credit services facilitate the acquisition of essential capital for daily operations and expansion projects. Accessing these funds allows enterprises to stabilize the financial position and manage growth effectively. The positive statistical relationship confirms that debt instruments are vital for the continuous development of the small business sector. This resource remains a primary driver for achieving operational goals within the district.

Saving services provide a reliable mechanism for fund accumulation and liquidity management for entrepreneurs. Systematic deposits create a financial cushion that helps businesses withstand market volatility and invest in future opportunities. The strong association indicates that formal savings are fundamental for maintaining long-term financial independence. Effective saving habits contribute to the economic stability of various enterprises.

Financial literacy services bridge the knowledge gap and enhance the decision-making capabilities of business owners. Acquired skills in budgeting and risk management lead to more professional and disciplined enterprise management. The significant impact proves that educational support is as critical as financial capital for achieving competitive advantage. Continuous learning helps owners navigate complex financial environments.

Commercial bank services significantly influence the performance of small and medium enterprises through various financial and educational channels. The integration of loans, savings, and literacy programs creates a comprehensive support system for business sustainability. Promoting these services across the district ensures the economic health and resilience of the entire SME ecosystem. This synergy leads to higher survival rates for emerging firms.

5.2 Recommendations

Based on the study findings, the following recommendations are made:

1. The study recommended that commercial banks design more flexible loan products with affordable interest rates specifically for small enterprises. These financial institutions should reduce stringent collateral requirements to facilitate easier access to credit for startups.
2. Government authorities have to implement policies that provide credit guarantees for small businesses to encourage bank lending. The Central Bank should monitor lending rates to ensure they remain within the financial capacity of emerging entrepreneurs.
3. SME owners are recommended to prioritize formal bank savings to build reserves for unexpected operational costs. Small businesses should utilize digital banking platforms to enhance the convenience and frequency of their deposit activities.
4. Commercial banks have to offer attractive interest rates on savings accounts to incentivise fund accumulation among business clients. Bank managers should expand mobile banking reach to facilitate effortless cash flow management for rural and urban traders.
5. Local government leaders should create platforms where financial institutions and small business owners can interact and discuss service delivery improvements. Stakeholders have to promote the usage of integrated financial packages to maximize the benefits of commercial banking.

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