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The Growth and Development of Small-Scale Enterprises among the Youth: A Case Study of Mbuga Village, Mbarara District.

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Abstract: *This study assessed the factors that have hindered the growth and development of small scale enterprises in Mbuga village, to identify the limiting factors for the growth and development of small scale enterprises and to examine possible solutions to the slow growth and development of small scale enterprise of Mbuga village in Mbarara district. The study took a cross-sectional design where both quantitative and qualitative approaches were used in the facts that provides wide range of valid responses, no limits were put to respondents, many respondents participated at the same time and also enabled the researcher to understand first, analyze and reveal data in a more meaningful way however, quantitative data was used to provide numerical analysis in terms of frequencies and percentage composition as a way of measuring incidental effects or influence between different variables. A sample size of 50 respondents was used who were expected to provide reliable findings to the study questions administered to them. The study examined the causes of slow growth and development of small scale enterprises in Mbuga village in Mbarara district and findings revealed that inadequate education and training by the business owners to their employees, poor accounting practices, higher transaction costs, lack of market opportunity, stiff competition among SME owners, lack of enabling environment like competition inadequate management like business knowledge, government policies inform of heavy taxes, inadequate land for expansion, lack of improved infrastructures inform of roads and lack of market opportunity was also revealed among the limiting factors to the growth and development of small scale and medium enterprises. The study went ahead to assess the possible solutions to the limitation to the growth and development of small scale and medium enterprises in Mbuga village in Mbarara district. The findings revealed the necessity of equitable allocation of raw materials, improvement in techniques of production, adequate funding through bank loans and subsidies, government to emphasize export strategy to widen the market, improving on government policies like imposing appropriate taxes and giving subsidies, improving on the techniques of production to replace automated equipment and ensuring customer retention through building customer loyalty.*

Keywords : Growth ; Development ; Small-Scale Enterprises ; Youth ; Mbuga Village ; Mbarara District.

1.0 Introduction

Uganda has one of the youngest populations in the world, with 78% below the age of 30. Uganda's GDP growth in the fiscal years before 2020 was 6.8% while in 2020 it shrank to 3.1% due to Covid pandemic (World Bank, 2020b). This chapter presents the background of the study, the statement of the problem general objectives of the study for research question and significance of the study and the scope of the study.

This study was about the growth and development of small scale enterprises. Small scale enterprises are the dependent variables while the growth and development are the independent variables.

Small scale business embraces all proprietorship as well as a very large percentage of corporations. According to Moreira, (2016), the vast bulk of the firms and we find in the yellow pages of the phonebook. Small scale enterprises may include dry cleaners, druggist, retailers among others and they contribute 95% of all the business firms in the nation.

There is no one standard definition for micro, small or medium enterprises (MSMEs). A commonly used metric is the number of employees. Yet, even among those using number of employees to define firm sizes, there are discrepancies due to different statistical approaches and economic situations, as well as the divergences in how countries report data on employment distribution (ILO, 2019). Small scale businesses are defined by the congress in the business act of 1953, which states that a small business is the one that is independently owned and operate, is not dominant in the field of operational and does not engage in the innovative practices.

And small scale business owners manage their businesses a normal way expecting normal sales profits and growth. In other words, they seek a certain degree of freedom and delay a certain degree of financial independence and they are often run from home.

The efficiency of the small scale businesses has been approved so as to encourage poverty eradication and to strengthen industrial sector. This dream comes into reality with the opening of various small scale businesses in all parts of the world according to the world investment authority.

According to Carayannis E, Jones P, Liargovas P & Apostolopoulos N (2020). In 2019, the overwhelming majority (98.9%) of EU businesses forming part of the non-financial business economy were micro or small enterprises employing fewer than 50 persons. Their economic weight was lower in terms of their contribution to employment or value added: micro and small enterprises employed just under half (48.4%) of the EU's non-financial business economy workforce, while they contributed just over one third (35.3%) of the value added.

J Schmitt 2016 Taylor Francis says in 1992, 53% of all jobs in America were held by people working in small business (Stoner et al 1996) and between 1988-90 while large business were laying off people, the small scale enterprise business were recruiting.

In India about 45 % of total exports are contributed by micro and tiny enterprises (national research development cooperation 2007 by M Dutz).

This is true in many countries worldwide that the small scale business plays an important role in job creation and income generation.

Eurostat, (2017), argues that the growth of small scale enterprises refers to the increase in customer base, broadening production and increasing on the annual profits of the firm. Seo, (2017), believes that the growth of small scale enterprises permits strategic planning and is consistently used to explain the changes in the organization's cycle.

According to Sigalas, (2015), small scale enterprises have not been able to expand due to lack of market analysis, low profits and lack of collateral security, high interest rates and low micro finance credit which have limited their capital base. However, in Uganda the growth of small scale enterprises have partly increased as a result of good political climate in most parts of the country.

Some of the reasons then being preferred as follow as case formation, capital requirements, flexibility, mobility and a very many other factors seen from global market dominated by world class competitors in the form of multinational and for the developing countries, small scale enterprises appear to the way to compete.

In Uganda, small scale enterprises are reported to contribute about 20% of Uganda's GDP (Tulip and Bitekerezo 2012). This figure may be much higher given that Uganda's GDP is constituted by mostly agricultural production. This is mainly by smallholders who may not even fit in the definition of micro and small business. Besides, since a greater component of GDP is non monetized and largely subsistence it is possible larger than 20%.

It is also reported that by the ministry of planning and economic development (2005 -2015) that other 80% of Uganda's manufacturing output is by small scale enterprises. The sector also employs 2.6 million people in Uganda (Uganda investment authority 2016).

According to Wasswa Balunywa the principal director Makerere Business Institute (MBS) (2009) Small Scale Enterprise (SSE) are defined as differently in different countries. It is that small scale enterprise in the United States may be large enterprises in India and a very large enterprise in Uganda. While the absolute figures involved in the definition of these enterprises may differ, there are some underlying similarities in the concept used in the definitions. The following are common measures of defining small scale enterprises.

Number of people employed. The number of various people from country to country. In Uganda the figure is 5-50 (JJH Ellenkamp 2016), in India, the figures are 30-100.

In European Union, this figure includes what they call medium enterprises the one that employ up to 250 people (the Netherlands 2015) Storental (2018) reports that in the United States, small scale enterprises are those which employ less than 500 people, KIbera areas called micro enterprises. Those with 1-50 are small scale enterprises and 51-100 are medium.

Capital employed

The number of people employed may not be a good indicator especially if the industry is labor intensive approach to industrialization can transit huge sum of business worth transaction yet they employ a few people, consequently capital employed

is at times used as a measure of defining. In Uganda there is no proper agreement as to the capital employed through a figure ranging between US\$5,000 to US \$ 50,00 is a reasonable estimate. The Uganda investment authority has put this figure to now shs 50million (about US \$ 5,000 to US\$ 50,000). The ministry of industry however had indicated a figure of investment not exceeding sh \$300,000. This figure of course varies from coming to Uganda (country) but in Ugandan conditions 5-50millions would be a reasonable amount.

Sales turnover

Another criteria for indicating what a small enterprise is the annual sales turnover in the Uganda conditions is an attempt to define who was eligible to participate in the value added tax (VAT) administrative structure a figure of Shs 20million was agreed on as a threshold

Literature Review

2.1 The level of capital employed by small scale enterprises and their nature of annual turn over

According to facts and data, small business and entrepreneurship council, American's business overwhelmingly small business or small firms in the 20-499 employee category led job creation. Based on US Bureau of statistics data the level of entrepreneurship has (PDF) micro, small and medium enterprises around the world-IFC, employees, and small: 10-49 employees and medium 50-249. These actions can be taken first of the regional level, starting a business, minimum capital (percentage of the income per capita).

According to Small and Medium Enterprises (SMEs) in Dubai, sector in Dubai and the various industries where small businesses (micro business) is any enterprise with less than or equal to 9 employees and a level of capital formation by these businesses. On 11th June 2015, table 3a, number of persons employed by enterprise size, business economy employment resulting in a lower level of employees for micro enterprises. Small enterprises (employing 10-49) business economy-size class analysis statistics explained.

Since according to small and medium enterprises in Dubai shows that small enterprises are the ones that employ less than or equal to 90 employees by micro business and 10-49 employees by small scale enterprises and it is the same figure that most of small business across the world. Therefore I agree with the estimation.

According to the long-running survey by the higher education institute at the University of California at Los Angeles. America's students are still attracted to entrepreneurial life 39.3 percent of college freshmen was essential or very important to them. While this figure was less than 52 percent in 1985, it was still about the same levels in the early 1970s an interesting finding of the 2000 study was 63.6 percent of all African-American college students wanted to go into business themselves.

I agree with the high education institute at the University of California at Los Angeles since most of young people at universities and college want to go into small businesses with themselves and most of the businesses are corresponding to small scale business enterprises.

According to Trillium House at the Blue Ridge Mountains of Virginia defined small scale businesses as that is independently owned and operated, is not dominant in its field and does not engage in many new or innovative practices. The owners, they manage their business in a normal way expecting normal sales, profits and growth. These businesses are often run from the owner's home. The account for more than 60 percent of the nation's 5.6 million employers and more than 60 percent of the nation's 5.6 million employers and more than \$100 billion in annual spending. A survey in 2000 found that one in twelve adults was trying to find a new business.

According to Uganda investment authority (2012) defines a micro enterprise as an enterprise employing a maximum of 4 people with annual sales turnover of maximum shs. 12 million. A small enterprise is one employing a maximum of 50 people with annual sales turnover of maximum sh. 360 million and total assets of maximum sh. 360 million. A medium enterprises employs more than 50 people. With annual sales turn-over of more than sh. 360 million and total assets of more than sh. 360 million. For the case of Uganda, we shall consider the second definitions of the micro small and medium enterprises.

The estimation of annual sales turnover of maximum sh. 12 million and total assets of maximum sh. 12 million by micro businesses and medium enterprises employing 50 people with annual turnover of 260 million and total assets of maximum sh. 360 millions is not applicable to small businesses in Uganda because most of the total assets obtained by small businesses cannot reach to 360 million shilling unlike large businesses.

According to the European commission in 2019, a medium enterprise is an enterprise which employs fewer than 250 persons and whose annual sheet total does not exceed Euro 43 million.

A small enterprise is an enterprise which employs fewer than 50 person and whose annual turnover does not exceed Euro

10million. A micro enterprise and whose annual turnover or annual balance sheet total does not exceed euro2million.

However, the European commission considered a small scale enterprise to be large businesses in developing countries like Uganda.

2.2 Factors that limits the growth and development of small scale enterprises.

In addressing the question of growth and development of small scale enterprises, an alternative way is to look at the so called barriers to growth literature this literature assumed that a number of small firms wish to grow but they are prevented from doing so by barriers to growth in small firms (1989) can be consulted. The study summarized a literature on the topic under three headings. Management and motivation, the sources and market opportunities and structure. The idea is the same as presented whereby D.I. Storey's factors influencing small business firm growth in a negative way. It can also be engaged at this point that even though these studies were done in the UK and Europe mostly, they provide a general base on how small firms are constrained from growth and development.

Also considering the fact that small business growth in Tanzania and in developing countries in general are few and these few have not been done to the extent of providing concrete insight to be used as frameworks for further studies such as this. Not all elements in this literature would fit last factors influencing small business growth into the developing world context of small firms but the most important thing is that the degree of relevance and usefulness is checked.

According to Enock Simon Nkonoki (2000) in the book what are the factors limiting the success and growth small scale business in Tanzania. He conducted nine interviews which included six small business owners and three officials representing three organizations. The results obtained identified a number of limiting factors to small firm growth. The author saw it as a merit to group the results into two groups. Limiting factors that are internal to the firm (inadequate education and training, lack of a proper business plan, capital constraint) and those that are external to the firm (comprising things like corruption, government policy, bureaucratic process). The author concluded by making following main recommendations; firstly a reform of SME policy by the government, a search of an adequate business education by the small business community and trying to develop services and the maintenance of good relationship with small business owners by other stakeholders like the financial institutions.

Although the author grouped the limiting factors for the growth of small firms into both external and internal and among the internal he specified only few factors like inadequate education and training lack of proper business plan and capital constraint but he leaves some factors which are internal limiting factors like conflicts in organizations due to personal interest, lack of professional ethics, indiscipline among apart from the one mentioned above by the other, here are also other limiting factors to the growth of small enterprises such as political instability(ies), lack of access to finances, lack of market opportunity which hinders the growth of small enterprises.

According to Mazunder (2015) more recent concerns associated with the growth and efficiency of small enterprises have also become prominent. Using the case study of northern Italy,(Sigalas, 2015), have argued that small enterprises are more efficient because they have adopted a flexible specialization approach. Correspondingly ,there had been growing interest in whether this model has or can be replicated in developing countries.

The role of finance has been viewed as a critical element for the development of small and medium sized enterprises. Previous studies have highlighted the limited access to financial resources available to smaller enterprises compared to larger organizations and the consequences for their growth and development (Levy, 2023).

Typically, smaller enterprises face higher transaction costs than larger enterprises in obtaining credit (Saito and Villanueva, 2015). Inefficient funding has been made available to finance working capital (Jahanshahi et al., 2015).

Poor management and accounting practices have hampered the ability of smaller enterprises to raise finance. Information asymmetries associated with lending to small scale borrowers have restricted the flow of finance to smaller enterprises. In spite of those claims however, some studies show a large number of small enterprises fail because of non-financial reason (Jahanshahi et al., 2015).

The author talked only about the few factors that are hindering the growth of small scale enterprises like lack of access to finance, higher transaction costs and poor management and accounting practices which are not enough to explain as to why small scale businesses fail to expand because other factors are also important such as corruption and embezzlement of business funds, poor techniques of production, limited market opportunities, unfavorable Government policies, lack of skilled and development of small businesses.

According to Makerere University Business School, recognizes that business has an important role to play in many economies. We

must therefore understand what constraints them to be able to support them. Various studies (Kibera and Kibera M. 2012, Themba et al, 2004, Alila and McCormick,2000) have enumerated the factors that are generally agreed on as the constraints to the growth of small business especially in the African setting. These includes, lack of market opportunity, access to finance, enabling environment,market information and managerial skills, we have submitted that these are important but probably not the only ones as they are explained below.

Lack of market opportunity, in the poor countries, effective demand consequently market opportunity is a constraining factor for small business and indeed beg business development. This may not be the case in the developed countries. Income is low in Uganda and there is a low purchasing power. Consequently, even if there is opportunity to exploit, it may be difficult to realize because of lack of market.

Another aspect is the fragmentation of African market both physically and culturally. For instance, selling in Uganda with over 40 languages becomes a nightmare for salesmen. Where as in industrialized countries, the commodity of culture and languages eases the selling process. The level of development itself imposes additional constraints to small enterprises growth. Because of usage of low level techniques, small enterprises cannot compete with large enterprises that have benefits that arise from economies of scale.

Lack of access to finance, on E Lubega 2018, point of finance as one of the key constraints to small enterprise growth. This is worsened by the absence of financial markets in the developing countries. Small enterprise owners cannot easily access finance to expand business and they are usually faced with problems of collateral, feasibility studies and the unexplained bank charges. This means that they cannot access finance as to enable them to grow. In a study by Kumar & Rao, (2015), a detailed analysis of finance as a constraining factor and includes collateral, interest rates, extra bank charges, inability to evaluate financial proposals and lack of financial management skills as hindrances to small enterprises growth under developed financial markets.

Low level of technology. Because of their smallness, the enterprises end up using a cheap technology which is usually not top of the range. This results into high costs of production and in competitiveness for instance, small enterprises cannot afford to use computers or even where they have a computer, to continuously upgrade their equipment. Therefore they cannot compete with large enterprises. This may not be the case in the developed countries where because of market opportunity and likely success due to environmental enabling factors, it is easier to secure new technology. Besides, this technology originates from the develop countries and unlike in the developing countries where it must be imported it is relatively cheap.

Lack of enabling environment. While many counties have acknowledged that small enterprises have an important role in their economies, not much effort has been done to facilitate their growth. They have to compete for finance, markets, personal and utility like any other business unit (Kumar & Rao, 2015), in few countries especially India, there has been affirmative action to promote small enterprises over a long period. In Uganda, the government has only paid a lip service.

According to Makerere Business School, they put much emphasis to some few factors that are hindering the growth and development of small scale enterprises in developing countries like Uganda and the factors that they suggested include; lack of enabling environment, lack of market opportunity, low levels of technology and lack of access to finance. But in real sense the business may be having all the above mentioned factors and it again fails to grow because there are some critical factors that I think that they may hinder the growth and development of small scale enterprises like political instabilities, economic instabilities in form of inflation, the diseconomies of scale,poor financial management, bureaucratic tendencies which are stumbling block to the growth and development of small scale enterprises.

Just as small companies make unique more than larger businesses. These, there special problems that affect them more than larger businesses. These problems can result in limited profitability and growth, the decision to voluntarily close the business or financial failure.

According to Mc Namara, Murro&O'Donohoe, (2017), chief economists for the SBA, state up firms do not fail as often as some people think, in a land mark study, he found that the vast majority of businesses that close do so for voluntary reasons, such as the owners desire to enter a more profitable business, legal changes, owner's or family's decision to end the business after the death of the owner.

Why do small scale businesses fail to expand while we do not always know the exact reason on early Minot a Cooperation Survey of 703 business with fewer than 800employees found that the main reasons were;

Lack of capital (48 percent), no business knowledge (23percent), poor management (19 percent), inadequate planning (percent) and inexperience (percent). As you can see, the last four reasons can be summarized as; inadequate management. An additional problem cited by many small business owners is the burden of government regulations and paperwork.

Inadequate financing. Notice in the list above that adequate financing is the primary cause of slow growth and development of small scale enterprises. It cannot be stressed enough that the shortage of capital is the greatest problem facing small.

Business owners. However, without adequate funds, one is unable to acquire and maintain facilities, hire and reward capable employees, produce and market a product, or do the other things necessary to run a successful business. Therefore, a study for the SBA done by CERA economic consultants, in the, found that most small business enterprises grow at slow pace because of undercapitalization.

Inadequate management, in the firm of limited business knowledge, poor management, inadequate planning and experience, is the second problem facing small firms. And many owners tend to rely on person management and seem reluctant to vary from this managerial pattern. They tend to guard their position very jealously and may not select qualified employees or may fail to give them enough authority and responsibility to management adequately. Most small businesses are started because someone is good at a specific activity or trade not because she or he has managerial skills.

Managers of small firm must be generalists rather than specialists. Because they must take their decisions and then live with the business resources are limited, cannot afford to make costly mistakes, yet because the organization is so small, the owner cannot afford to pay for managerial assistance to prevent bad decisions.

2.3 Possible strategies that can be put forward to enhance development of small scale enterprise (SME) in Mbuga village Mbarara District in country and the world.

Mc Namara, Murro & O'Donohoe, (2017) suggests that equitable allocation of raw-materials, imported components and equipment's, improvement in the techniques of production, provision for adequate finance, marketing assistance, provision for industrial training but of these may be put forward when advertising strategies are not considered which could limit their growth and development. Therefore advertising is important.

Monic Patrick (2013) emphasizes that equitable allocation of raw materials, imported components the small scale industrial units should be given adequate degree of priority in the allocation pattern of essential but scarce raw materials, imported and equipment.

The other only emphasized equitable allocation of raw-materials and imported component he leaves out many factors that could stimulate the growth and development of small scale enterprises such as provision for adequate finance, employing skilled employees, ensuring employee discipline at the workplace, customer care, which I think that they could be vital in the growth and development of small scale enterprises.

Haston (2015) asserts that industrial education and training should be made with full advantages of changing techniques of production, dispensation of technical knowledge, both to the small scale entrepreneurs as well as their workers. These should form an essential element of the overall strategy, provision of adequate facilities for industrial education and training therefore cannot be over emphasized.

Although the researcher asserts that industrial education and training and changing the production techniques that are the only factors that could improve on the slow growth and development of small scale enterprises such as good customer care, adequate finance, ensuring well organized structures, proper marketing strategies, ensuring employee discipline in the organization.

Hastom (2015) also adds on that provision of adequate finance should also be another strategy, promoters of own capital in the small scale industries is generally small and a generation of internal resources, they depend therefore on the external source of finance in a substantial measure, this factor requires therefore on the system of integrated credit whereby the long term as well as short term finance is made available in an adequate measure and at a rate of interest which these undertakings can be finance as a strategy of improving on the performance of small scale enterprise but still there are other strategies that can be used to increase on the growth and development of small scale enterprises such as the use of capital intensive technique of production in order to reduce on expenses in terms of salary paid to employees, ensuring good quality products and services, industrial education and training, adequate finance, paper marketing.

Kate McFarlane (2013) suggest that there must be improvement in the methods and techniques of production to replace their automated equipment with that incorporating an up to date technology and facilities and incentives should be provided whenever required, updating the techniques of production of quality goods conforming to standards of the role of government is the standardization of certain products should be ensured in order to increase on the growth and development of small scale enterprises.

The researcher puts lies emphasis on only improvement in the methods and techniques of production to replace their automated equipment yet not only that could lead to the growth and development of small scale enterprises such as encouraging employee motivation employee training and skill advancement, adequate financing, good customer cares and ensuring quality control measures and encouraging employee discipline in an organization.

Kate McFarlane (2013),emphasized the focus on customer retention, customer retention is a matter of business survival, as getting a new customer is sometime more expensive than retaining a current one, work on core product and service attributes to build customer loyalty such as treating each customer as a valued individual. Business must focus on such issues as instilling a helpful staff, attitude delivering on advertising promises, developing a favorable return policy and providing accurate product information.

Although the researcher emphasizes customer loyalty, delivering or advertising promises, developing a favorable return policy and providing accurate product information and leaves out some of the significant such as employee motivation on their jobs, employee training and education, adequate financing, better flow of communication, ensuring employee discipline at work which could facilitate the growth and development of small scale businesses.

Geri (2003) also says that there should be applying the information, analyze the intelligence you have collected, draw conclusions and make recommendations based on it. Develop a plan for seeking out opportunities to demonstrate for company's strengths. If weaknesses are critical draw backs to four company's success develop a plan for overcoming them.

Geogy Gregory (2014) emphasizes that extra training is typically needed and this can raise more productivity and that employers can be given packages that include telecommunicating or flexible scheduling and generous paid time off to accommodate their employees.

The researcher puts more emphasis on extra training of workers, employee motivation, better floe of communication and leaving out some other factors which are very critical to the development and growth of small scale enterprises such as adequate financing, proper marketing strategies, proper marketing, employee discipline, ensure good quality standards, customer care which are very essential to the growth and development of small scale enterprises.

Methodology

3.1 Research design

The study employed a descriptive survey design that is descriptive, comparative, and correlational and history analysis for qualitative data.

3.2 Study population

The study used an accessible population of 75 respondents including the sub county tax revenue collectors and proprietors.

3.3 Sample size and selection

Table1: sample size of respondents

Population category	Population
Population Sub county tax collectors	17
proprietors	58

Table 1: sample size of respondents. Source: Primary Data 2023

3.4 Sampling techniques and procedures

The study used probability and non-probability techniques. Probability sampling refers to methods of selection individuals to include in a study where each member of the population has an equal chance of being selected while non-probability sampling technique is where selection of sample is based on the subjective judgment of the researcher, to select employees and tax revenue collectors. In using the simple random sampling, the study used the lottery approach where names were written on the rag and one picked at a time until the required number was reached. The study used purposive sampling to select contract to committee the remaining categories since they were presumed to possess specialized information and knowledge of micro finance institution loans.

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3.5 Validity and reliability of instruments

In a bid to ensure validity of questionnaires and interview guide, I designed a questionnaire that specifically captured data that addressed the researcher questions. To ensure reliability, the same questionnaire was used several times under some condition to yield the same outcome. This involved constructing pre-test questionnaire and an interview guide to ensure its validity before administering it to the sample population. The researcher also involved his/her supervisor who helped him/her in establishing the reliability of the study instruments.

3.6 Data processing

Data was presented manually, arranged sorted and analyzed, interpreted using computer programs like Microsoft word, excel and SPSS where graph, tables, charts were used to manipulate the data. The data was processed by editing, coding and tabulation.

Editing of the data includes cross checking filled questionnaires which enabled the researcher to realize if responses by respondents were correct or complete.

Coding. In respect with coding, the researcher coded all filled questionnaires by use of tallies.

Tabulation. In relation to tabulation, the researcher used tables to show all the frequencies respondents got or revealed.

Data Presentation, Interpretation and analysis

Objective one: The nature of capital by entrepreneurs.

The researcher sought to find out the nature of capital by entrepreneurs as table 4 represents below.

The Nature of Capital by Entrepreneurs

Nature of capital	Number of respondents	Percentage
Sh. 50,000-100,000	08	11
Sh. 200,000-500,000	13	17
Sh. 1,000,000-1, 500,000	30	40
Sh. 2,000,000 above	24	32
Total	75	100

Table:the nature of capital by entrepreneurs. Source: Primary Data 2023

The table represents that the majority of the respondents had capital invested ranging from 1,000,000-1,500,000 represented by 40% whereas few of the respondents had capital invested ranging from 50,000-100,000 and were represented by 11% of the total respondents.

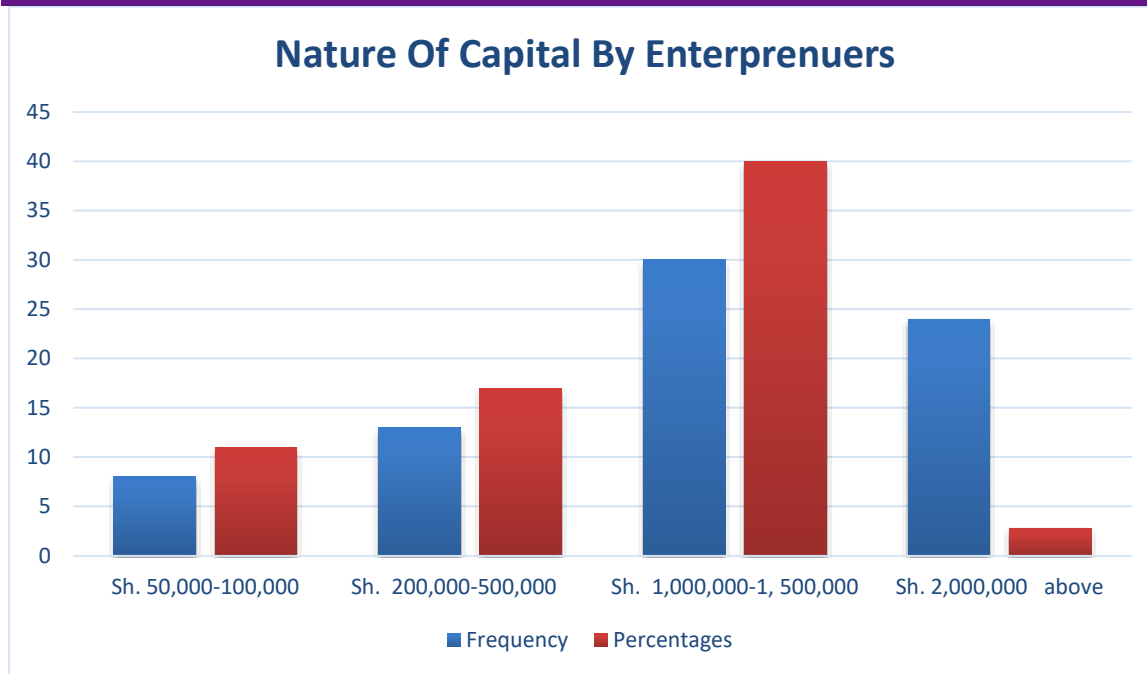


Figure 1: Nature of capital by entrepreneurs. Source: primary data 2023

Figure 3 above represents that the majority of the respondents had capital invested ranging from 1,000,000-1,500,000, represented by 40% whereas few of the respondents had capital invested ranging from 50,000-100,000 and above and were represented by 11% of the total respondents.

Objective two; The Limiting Factors to the Growth and Development of Small-Scale Enterprises

The purpose of objective two was to establish the limiting factors to the growth and development of small scale enterprises in Mbuga Sub-County. These causes include; inadequate industrial education and training by the business owners to their employee, poor accounting practices, high costs in obtaining credit facilities, lack of market opportunity, lack of enabling environment like competition for finance, inadequate management, low levels of technology, unfavorable government policies in form of heavy taxes, inadequate land for expansion, lack of roads, stiff competition among others as reported by respondents in the table below.

The Limiting Factors to Growth and Development of small-Scale Enterprises

Responses	No. of respondents	Percentage
Inadequate industrial training and education by business owners to their employees	20	27
Poor accounting practices.	15	20
High transaction cost	02	03
Lack of market opportunity	05	07
Lack of enabling environment like competition	02	03

Inadequate management like business knowledge, poor management	05	07
Low level of technology	04	05
Unfavorable government policies inform of heavy taxes	14	19
Inadequate land for expansion	05	07
Lack of improved infrastructures in form of roads	02	03
Stiff competition among small scale enterprises' owners	01	01
Total	75	100

Table. Limiting factor to the growth and development of SBs. Source: primary data 2023

The table above shows that the majority of the respondents were of the view that proposed inadequate industrial education and training by business owners accounting practices was the major limiting factor to the growth and development of small scale enterprises both represented by 27% whereas 01% of the respondents argued that stiff competition among small scale enterprises' owners is the minor limiting factor to the growth and development of small scale enterprises in Mbuga sub county.

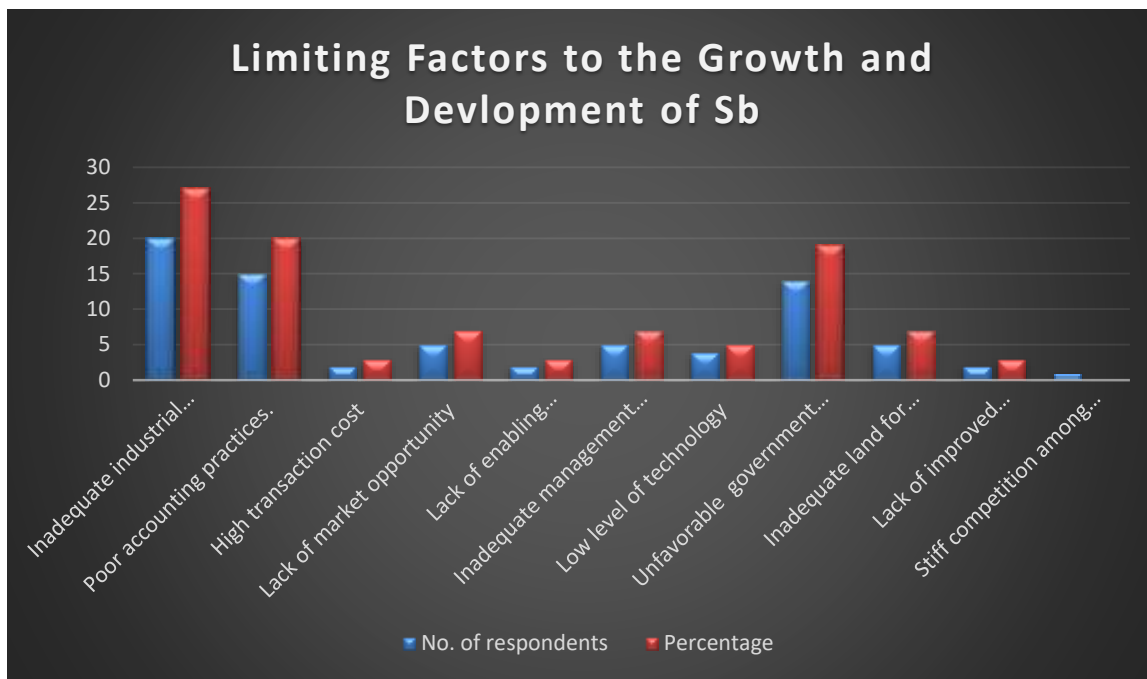


Figure 2: limiting factors to the growth and development of SBs. Source: primary data 2023

The figure above shows that the majority of the respondents were of the view that proposed inadequate industrial education and training by business owners was the major limiting factor to the growth and development of small scale enterprises represented by 27% whereas 01% of the respondents argued that stiff competition among small scale enterprises' owners is the minor limiting factor to the growth and development of small scale enterprises in Buwama sub county.

Objective three: Response towards the strategies that can be used to improve on the growth and development of small scale enterprises.

These are outlined in the table below.

The Strategies that Can Be Used to Improve on the Growth and Development of Small Scale Enterprises

Responses	No. of respondents	Percentage
Equitable allocation of raw materials improvement in techniques of production	12	16
Encouragement of employee industrial education and training	15	20
Adequate funding through bank loans and subsidies	10	13
Ensuring customer retention through building customer loyalty	04	05
Improving the methods and techniques of production to replace automated equipment	11	15
Improving on government policy like imposing appropriate taxes giving subsidies	15	20
Government to emphasize export strategy to wider the market	08	11
Total	75	100

Table. Strategies to improve the growth and development of SBs. Source: primary data 2023

From the table above respondents recommend that there should be encouragement of employees training and education, equitable allocation of raw materials, adequate financing through loans and government taxation, government emphasizing export strategy to widen the market size, improving on the techniques of production in order to strengthen the growth and development of small scale enterprises.

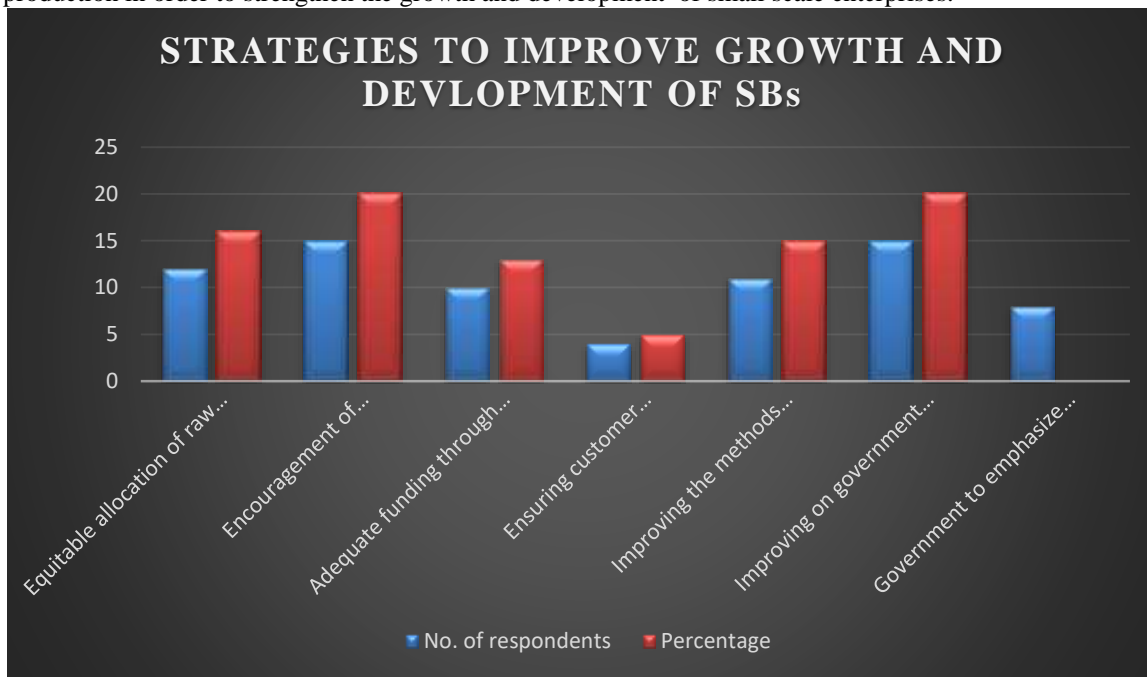


Figure: strategies to improve growth and development of SBs. Source: primary data 2023

The figure shows that majority of the respondents were of the view that there should be an improvement in government policies such as taxation, and the lowest number of respondents are of the view that to improve on the growth and development of small scale enterprises in Buwama sub county, small scale enterprises should ensure customer retention.

Discussion, Conclusions and Recommendations

5.1 Discussion of research findings

The study was to find out the factors that have hindered the growth and development of small scale enterprise, to find out the level

of capital employed by the small scale enterprises and to suggest possible solutions to the slow growth and development of small scale enterprises in Mbuga sub county.

A survey questionnaire was developed and used to collect data from a cross section of study firm's staff. A total of 16 survey questionnaires were received and analyzed and it was believed that the role of microfinance institutions plays a great role on the development of small scale enterprises.

5.1.1 Nature of capital

The discussion was made on the nature of capital employed by small scale enterprises in Mbuga Sub County, Mbarara District, where a number of 58 entrepreneurs were involved and it was discussed that the initial capital is mainly ranging between shs. 50,000-100,000 though as they gain experience and profits, the nature of capital increases to shs 2,000,000 and above. It was also discovered that majority of the enterprises are filled with the capital ranging between shs. 1,000,000-1,500,000 even though some have invested more capital because to different reasons.

5.1.2 Limiting factors

The study examined the limiting factors to the growth and development of small scale enterprises in Mbuga sub county in Mbarara District and finding revealed that inadequate industrial education and training by business owner to their employees, poor accounting practices, higher transaction costs, lack of market opportunity, stiff competition among SMEs owners, lack of enabling environment like competition, inadequate management like business knowledge, poor management, low levels of technology, unfavorable government policies in form of heavy taxes, inadequate land for expansion, lack of improved infrastructures in form of roads and lack of market opportunity, was also revealed among the limiting factors to the growth and development of small and medium enterprises.

5.1.3 Possible solutions

The study went ahead to access the possible solutions that can aid and improve on the growth and development of small and medium enterprises in Mbuga sub county in Mbarara District, the findings revealed the necessity of equitable allocation of raw materials, improvement in techniques of production, adequate funding through bank loans and subsidies, government to emphasize export strategy to wider market improving the methods and techniques of production to replace automated equipment, improving on government policies like imposing appropriate taxes, giving subsidies and ensuring customer retention through building customer loyalty.

5.2 Conclusion

From the results of this research it provides the factors that have hindered the growth and development of small scale enterprises in Mbuga Sub County.

Results were got from Mbuga Sub-County in Mbarara district and also examined the difference in the firm's financial conditions of different groups of SME and to estimate how the microfinance and firm characteristics determine SME development. The study suggests that firms that participate in micro financing see an increase in their revenues and net profits because micro finance institutions play a very important role in generating out of small and medium enterprises. This further explains the relationship between participants of microfinance and the development of small and medium enterprises in terms of revenue growth and net profit growth.

5.2.1 Nature of capital

After the discussion, the conclusion was made on the nature of capital employed by small scale enterprises in Mbuga Sub County, Mbarara district where their initial capital was found ranging between Sh. 50,000-100,000 due to lack of experience and fear of risks but as they gain much profits and experience, the capital increased and some entrepreneurs have invested a maximum capital of Sh. 2,000,000 and above although the majority invested capital ranging between Sh 1,000,000-1,500,000.

5.2.2 Limiting factors

It was also concluded that the major hindrance to the growth and development of small scale enterprises in Mbuga Sub County was the inadequate industrial training and education by entrepreneurs to their employees though there were other limiting factors like poor accounting practices, poor management, low levels of technology, unfavorable government policies, stiff competition and high transaction costs which tend to be minor but limiting the growth and development of small scale enterprises in Mbuga Sub County Mbarara district.

5.2.3 Possible solutions

The study went ahead and made a conclusion on the possible solutions to the limiting factors to the growth and development of small-scale enterprises in Mbuga Sub-County, Mbarara district where it was resolved that of much effort is still needed to improve the status of

smallscaleenterpriseslike encouragingofemployeesindustrialeducationandtraining, equitable allocation of raw materials andimprovement in the techniques ofproduction, improving on government policies like imposing an appropriate taxes, adequate funding throughbankloansandsubsidies whichcouldbeappliedtoimproveonthegrowthand developmentofsmallscaleenterprisesinMbararaSubCountyMbararaDistrict.

5.3 Recommendations

5.3.1 Nature of capital

Inthereviewoftheabove conclusions,theresearchermadethefollowingrecommendation.

The study recommends that micro finance institutions have to a larger extent played importantroletothedevelopmentofsmalland mediumenterprises, thusfundingand supportingsmallscaleenterprises.

5.3.2 Limiting factors

Thestudyalsofoundthatanindividualinnovativeness.Affectsthegrowthanddevelopment

ofsmallscaleenterprises, itthereforerecommends thatthestakeholdersshouldprovidefunds toenableinnovativeness.

5.3.3 Possible solutions

ThegovernmentofUgandashouldsensormsmallscaleenterprise on theoperationsof microfinanceinstitutions.This can bedonethroughawarenesscreationonthepurposeand activitiesofmicrofinanceinstitutionsandwheretheycanbereached.

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