THE FACTORS THAT HAVE HINDERED THE RAPID GROWTH AND DEVELOPMENT OF SMALL SCALE ENTERPRISES.A CASE STUDY OF NAMAINGO TOWN COUNCIL IN NAMAINGO DISTRICT.
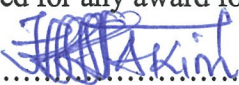
BY

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A RESEARCH REPORT TO BE SUBMITTED TO THE COLLEGE OF EDUCATION, OPEN AND DISTANCE LEARNING IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF A BACHELORS DEGREE IN EDUCATION WITH ARTS AT KAMPALA INTERNATIONAL UNIVERSITY.

JULY 2018

DECLARATION

I, KAGOMA AKIMU, do hereby declare that this is my original work and has never been submitted for any award for degree in any University.
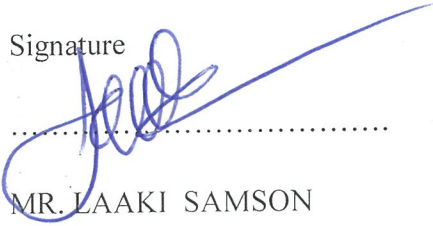
Signed:..................................... Date: 19th -Aug- 2018.

KAGOMA AKIMU

STUDENT

APPROVAL

I do certify that this report has been presented under my guidance and supervision

Signature

....

MR. LAAKI SAMSON

Date

.......23/8/18.................

DEDICATION

I dedicate this piece of work to Mr.Kagoma who has been part and partial during the completion of this work.

ACKNOWLEDGEMENT

I would like to judiciously thank God for having me to complete this piece of work in a special way I would like to convey my belated thanks to my supervisor Mr. Laaki Samson whom I have cooperating with throughout the completion of my report

I am grate full to the academic staff of faculty of education enhancing my capabilities.

ABSTRACT

This study assessed the factors that have hindered the rapid growth and development of small scale enterprises in Namaingo town council, to identify the causes of slow growth and development of small scale enterprise and to examine possible solutions to the slow growth and development of small scale enterprise of Namaingo town council in Namaingo district.

The study took across sectional design where both qualitative and quantitative approaches were used in the study. The study used the qualitative data basing on facts that provided 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, and 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 way of measuring incidental effects or influences 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 cause of slow growth and development of small scale enterprise in Namaingo town council in Namaingo district and findings revealed that inadequate industrial education raining by the business owners to their employees, poor management and 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 level of technology, unfavorable government policies in form of heavy taxes, inadequate land for expansion, lack of improved infrastructure in form of roads and lack of market opportunity was also revealed among the contributing factors to the slow growth and development of SMEs. The study went ahead to assess the possible solutions that can aid in reducing slow growth and development of SMEs in Namaingo town council in Namaingo district. The findings and revealed the necessity of equitable allocation of raw-materials, improvement in techniques of production, Adequate funding through bank loans and subsidies. Government to emphasis export strategy to widen the market, improving the methods and techniques of production to rep-lace automated equipment, improving on government policies like imposing appropriate taxes giving subsidies and ensuring customer retention through building customer loyalty.

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CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

The study was about the factors that have hindered the rapid growth and development of small scale enterprises. Small scale enterprises are the independent variables while the growth and development is the dependent variables.

This chapter presents the back ground of the study, the statement of problem, general objectives of the study the research questions and significance of the study and the scope of the study.

1.1 Back ground of the study

small scale enterprises and 51-100 are medium.

1.2 Capital employed.

The number of people employed may not be a good indicator especially if the industry is labour intensive approach to industrialization as a policy. In some cases trading organization can transit huge sums of business work transaction yet they employ a few people consequently capital employed is at time used as a measure of defining. In Uganda there is no proper a agreement as to the capital employed through a figure ranging between US $ 5000 to US $ 50,000 is a reasonable estimate. The Uganda investment authority has put this figure to now shillings 50 million about (US $ 5000 to $ 50,000). The ministry of industry however had indicated a figure of course varies from country to country but in the Ugandan condition 5-50 million would be a reasonable amount.

Sales turn over, other criteria for indicating what a small enterprises is t5he annual sales turn over. In the Ugandan condition is an attempt to define who was eligible to participate in the value added tax (VAT) administrative structures, a figure of shillings 20 million was agreed on as threshold (Seejaka, 1997).

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1.3 Statement of problem

Despites the government's effort of improving the infrastructures, proper sensitization of the tax revenue collectors and the ever increasing populating growth rate in Namaingo Town Council but small scale enterprises have not registered any reasonable success.

Although Namaingo Town Council is one of the areas with many small scale but continue to remain poor or falling to expand to their desired level according to the annual town council performance report which was presented in the council in 2012, the argument is that they are facing huge interest rates on the loan able funds from financial institution which make them to remain poor or small since most of the money is spent clearing bank loans in addition to the low level of experience in using large sums of money.

This may not be the truth of the matter; an investigation has to be undertaken to establish what exactly makes small scale enterprises/ business not to develop despite the government's effort of ensuring improved infrastructure and the ever increasing population growth which provides ready market of the produced goods in Namaingo Town Council. It is from here that the researcher intends to carry out a study of to establish the cause's of low level of growth and development of small scale enterprises. This is because if this problem is not addressed, the government's effort would be wastage of time. (Uganda Investment Authority 1996).

1.4 Purpose of the study

The purpose of the study was to find out the factors that have hindered the growth and development of small scale enterprises in Namaingo Town Council.

1.5 Objectives of the study.

To find out the level of capital employed by small scale enterprises.

To identify the cause of slow growth and development of small scale enterprises.

To suggest possible solutions to the growth and development of small scale enterprises of Namaingo Town Council.

1.6 Research question

What are the causes of slow growth and development of small scale enterprises?

What is the level of capital employed by small scale enterprises?

What are the possible solutions to solve a problem?

1.7 Significance of the study.

The study will stimulate academic debate and expose new areas of research on the factors that are hindering the growth and development of small scale enterprises.

The study will clearly bring about the role of small scale enterprises in the development and growth of the country.

The study will suggest ways of improving on the performance of small scale enterprises in order to attain desired levels.

1.8.0 Scope of the study

1.8.1 Subject scope.

The subject scope of the study covered vital factors for the slow growth and development of small scale enterprises.

1.8.2 Time scope

The study used data for the period between 1992-2015 which the researcher feels that it was enough to find out the causes of slow growth and development of small scale enterprises in Namaingo town council.1.8.3Geographical scope.

This study was carried out in Namaingo Town Council where the researcher involves 40 small scale e5ntrepreneursa whom he asked questions so as to make them provide the required related data.

Growth and development of small scale enterprises.

Indicators of growth	measurement of growth
Capital employed	Asset quantity
The market size	Size of the premises
The level of revenue collection	number of workers employed
The size of stock held/stock level	

Factors for the growth and development

Government intervention

Social factors like sex, region

Entrepreneurship attitudes towards work

From the above conceptual frame work it is clear that growth and development is an independent variable.(as measured by cap[ital employed, market size, the level of affects small scale enterprises which is the dependent variable (as measured by assets quality, size of premises a number of workers employed. However there are also other factors and these include, government intervention, social factors like sex and region and entrepreneurship attitudes towards work.

1.9 conceptual frameworks

Growth and development   **Small scale enterprises**

Indicators growth
• Capital
• The market size
• The level of revenue collection
• The size of stock held/ stock size

Measurement of growth
• Asset quality
• Size of the premises
• Number of workers employed

Factors for the growth and development

• Government intervention
• Social factors like sex, religion.
• Entrepreneurship attitudes towards work

From the above conceptual frame work it is clear that growth and development is an impendent variable (as measured by capital employed, market size, the level of revenue collection and the size of stock held/stock levels) affects small scale enterprise which is the dependent variable (as measured by asset quality, size of the premises, number of workers employed). However there are also other factors and these include, government intervention, social factors like sex and religion and entrepreneurship attitudes towards work.

CHAPTER TWO

LITERATURER REVIEW

2.0 Introduction

This chapter provides a review of the available literature both theoretical and empirical on the growth and development of small scale enterprises. I discussed in- detail under the following themes according to different-authors or researchers

Definition of small scale enterprises causes of slow growth and development-of small scale enterprises, the significance of small scale enterprises to economic development of an economy. The level of capital employed by small businesses and the possible solutions to the problem.

The literature review of the researcher was guided by the objectives.

2.1 Definition of small scale enterprises

Searching for a definition of small scale enterprises an e frustrating as there areas many definitions as there authors on the subject. Over years there have been- attempts at defining what constitutes small scale enterprises.

Researchers and policy makers have used a variety of criteria including total worth relative size within industry, number of employee, value of products, annual sales and net worth (Cochran- 1981).however, the benchers very considerably.

The definition of small scale enterprises varies country to country. The classification can be based on firm's assets, number of employees and annual sales.

Osciretal (1 993) use an employment cutoff point categorizes small scale enterprises into three categorize which includes micro employees. For the sake of emphasis, the Uganda statistical services consider firms with fewer than 10 employees as small scale enterprises.

The United Nations industrial development organization also use a number of employees to define small scale enterprises giving different classifications for Industrialization and developing countries Elian (1998) small scale enterprises with 00 or less workers.

Research ICT Africa n a survey published in many 2007 defines small scale enterprises as .enterprise having less than 50 employees as recommended by the African development bank.

The 1985 UK companies' act defines small scale enterprises in respect of financial disclosure as companies employing so or less employees.

Pobosky (1992) also observed the numerous varieties off criteria can be applied in defining small scale enterprises which include the size of the work placer, work force or capital, forms of management ownership production techniques, volume of sales number of clients and level of energy consume among others. An alternative criteria used in defining small scale enterprises is the value of fixed assets in the organization.

From the various definitions I agree that there is no unique definition for small scale enterprises since most of the features that are embraced with small scale enterprises are well stipulated by Pobosky (1992).

2.2 The level of capital employed by Small scale enterprises and their nature of annual turnover.

According, to Wasswa Balunywa the principle Director Makerere business Institute (MBJ), (2009) argued that, the number of people employed may not be a. good in dictator especially if the industry is labour intensive approach can transit huge sums of business worth transaction yet they employ a few people consequently. Capital employed 1 sat 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$ 50,000 is a reasonable estimate. The Uganda Investment Authority has put this figure to now shs 50 million (about US$ 5,000 to US $ 50,000). The ministry of industry however, had indicated a figure of investment not exceeding US$ 30,000, this figure of course varies from country to country but in the Ugandan conditions ha 5-50 million would be a reasonable amount.

Although the author based his conclusion of the information stipulated by the Uganda investment authority that the level of capital employed by the small scale enterprises in Uganda ranging from 5-50 million shillings. This is not applicable to Uganda's economy, this is because most of the small and medium businesses in Uganda an employ 2-10 persons with an investment of amount ranging from 10,000 to 50,000 could be a reasonable amount of capital for small scale enterprises.

According to facts and data, small business and entrepreneurship council. American's Business overwhelmingly small Business....Small firms in the 20-499 employee categories led job creation". Based on US, Bureau of labour statistics data, the level of entrepreneurship has (PDF) Micro, small and medium enterprises around the world - IFC, employees, 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).

Although according to facts and data - small business and Entrepreneurial council described small business as the one employee 10-49 employees and medium as 50-249 yet in Uganda a small business can employ 2 employees and medium can employ less than 10 employees Therefore, the level of capital employed by small- scale enterprises are estimated differently according to different economies.

According to small and medium enterprises (SMEs) In Dubai, Sector in Dubai, and the various industries where small businesses.....A micro business is any enterprise with less than or equal to 9 employees and a....level of capital formation by these businesses. In 11th June, 2015... ..Table 3a, Number of persons employed by enterprise size... business economy employment, resulting in a lower level of...for micro enterprises, small enterprises (employing 10 to 49 employees (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 9 employees by micro business and 10 to 49 employees by small enterprises and it is the same figure the most of small businesses across the world employ. Therefore I agree with this estimation.

According to a long-running survey by the Higher Education Institute at the University of California at Los Angeles. America's students are still attracted to the entrepreneurial life 39.3 percent of college freshmen in 2000 said succeeding in their own businesses was essential or very important to them. While this figure was less than the 52 percent in 1985, it was still about the same level as in the early 1970s. An interesting finding of the 2000 study was that 63.6 percent of all African American college students wanted to go into business themselves.

I agree with the Higher Education Institute at the University of California at Los Angeles since most of young people at Universities and colleges 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 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. They account for more than 60 percent of the nation's 5.6 million employers and more than 60 per cent of the nation's 5.6 million employers and more than $ 100 billion, in annual spending. A survey in 1999 found that one in twelve adults was trying to find a new business. –

According to Trillium House at the Blue Ridge mountains of Virginia the exercise was based on the developed countries where it is possible to find 60 percent of the nation's population to be employers which is not applicable to developing countries where the biggest population could not be in position to start up small scale enterprise mostly in developing countries like Uganda where like 20% of the nation's population could be in position to own a small scale business enterprise.

According to Uganda Investment Authority (1996) defines a micro enterprise as an enterprise employing a maximum of 4 people. With annual sales turnover of maximum shs. Million and total assets of maximum shs 12million.

A small enterprise is one employing a maximum of 50 people with annual sales turnover of maximum shs 360 million and total assets of maximum shs 360 million. A medium enterprise employs more than 50 people, with annual sales turnover of more than shs 60 million and total assets of more than shs 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 shs 12 million and total assets of maximum shs 12 million by micro businesses and medium enterprises employing 50 people with annual turnover of 360 million and total assets of maximum shs 360 million is not applicable to small businesses in Uganda Because most of the total assets obtained by small business cannot reach to million shillings unlike large business.

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

A small enterprise is an enterprise which employs fewer than 50 persons and whose annual turnover does not exceed EUR 10 million. A micro enterprise is one which employs fewer than10 persons and whose annual turnover an /or annual balance sheet total does not exceed EUR 2million.

However, the European Commission considered a small scale enterprise to be the one which can employ .fewer than 250 percent and whose annual turnover does not exceed EUR 50 million yet businesses under this category are expected to be large businesses in developing countries like Uganda.

2.3 Causes of slow growth and development of small scale enterprises.

In addressing the question of growth of small firms, an alternative way is to look at the so called barriers to growth literature. This literature assumes that a number of small firms wish to grow but they are prevented from doing so by barriers.. In this perspective, a study by Barber, Metealfe and Porteens named barriers to growth in small firms (1989) can be consulted. The study summarized the 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.J Storey's factors influencing small business firm

growth in a negative way. It can also he argued at this point that even though these studies were done in the U.K and Europe mostly, they provides a general a base on how small firms are constrained from growth

Also considering the fact that small business growth studies 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 (as 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, Ngussa Nkonoki (2000) in the book what are the factors limiting the success and growth of small business in Tanzania. He conducted nine interviewers 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 processes). The author concludes by making following main recommendations; firstly a reform of the 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 god relationships with small business owners by other stakeholders likes the financial institutions

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

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According to Mazundor, (1997) more recent concerns associated with the growth and efficiency of small enterprises have also become prominent. Using the case of Northern Italy, Piore and Sabel (1984) have argued that small enterprises are more efficient because they have adopted a flexible specialization approach. Correspondingly, there has been growing interest in whether this model has or can be replicated in developing countries (Schmitc, 1989, Peterson 1994: Schmitz and Musyche 1994, Schwltz, 1995).

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 recourses available to smaller enterprises compared to larger organizations and the consequences for their growth and development (Levy, 1993).

Typically, smaller enterprises face higher transaction costs than larger enterprises in obtaining credit (Saito and Villanuera, 1981). Inefficient funding has been made available to fiancé working capital (Peeland Wilson. 1.996).

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 these claims however, some studies show a large number of small enterprises fail because of non-financial reasons (Liedhalm, Macpherson and Chura, 1994).

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 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, non favorable government policies, lack of skilled employees and all these factors hinder the growth and development of small businesses.

According to Makerere University Business School, we recognize 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. 1997; Thembe 1997, Alila and Mc Cormick, 1994) have enumerated the factors that are generally agreed on as

the constraints to the growth of small business especially in the African setting. These include; 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 and 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. Low incomes are low in Uganda and there is low purchasing power. Consequently, even if there i opportunity to exploit, it may be difficult to realize because of lack of market.

Another aspect is the fragmentation of African markets both physically and culturally. For instance selling in Uganda v.ith over 40 languages becomes a nightmare for salesmen. Whereas in the developed countries, the commodity of culture and language 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, most dies gobo, 1995, Kibera and Kibera in 1997, Chjoriga and Cassiman 1997), point to finance as one of the key constraints to small enterprise growth. This is worsened by the absence of financial rn4rlcets 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 Ngobo (1995) he makes 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 enterprise growth, under developed financial markets.

Low level of technology. Because of their smallness thee enterprises end up using a cheap technology which is usually not top of the range. This result 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 developed countries and unlike in the developing countries where it must be imported it is relatively cheap.

Lack of enabling environment. While many countries 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, personnel and utilities like any other business unit (Mutazindwa 1997), in few countries especially India, there has been affirmative action to promote small enterprise 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 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•1 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 contributions 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 Bruce Phillips, (1996), Chief economist for the SBA, starts up firms do not fail as often as some people think. In a landmark study, he found that the vast majority of Businesses that close do so for voluntary reasons, such as the owner's desire to enter a more profitable business, legal changes, owner's disenchantment, or a family's decision to end the business after death of the owner.

Why do small scale businesses-fail to expand while we do not always know the exact reasons on early Minota Corporation survey of 703 businesses with fewer than 500 employees found that the main reasons were;

Lack of capital (48%); no business knowledge (23%); poor management (19%; inadequate planning (15% and inexperience (15%). 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 paper work.

Inadequate financing. Notice in the list above that inadequate 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 Economics Consultants, Inc, found that most small business enterprises grow at a slow pace because of undercapitalization.

Inadequate Management, in the forms of limited business knowledge, poor management, inadequate planning and experience, is the second problem facing small firms. Many owners, tend to rely on one-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 manage 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 firms must be generalists rather than specialists. Because they must make 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.

2.4 Possible strategies that can be put forward to enhance development of small - scale enterprises (SMES)

Smith Chand (2009) suggests that equitable allocation of raw materials, imported components and equipment, improvement in 'the techniques of production, provision for adequate finance, marketing assistance, provision for industrial education and training, demarcating spheres for large scale and small scale limits.

Although Smith Chand (2009) puts forward various strategies to increase the growth and development of small-scale enterprises such as equitable allocation of raw-materials, provision for adequate finance, marketing assistance, industrial training but all of these may be put forward when advertising strategies are not considered which could limit their growth and development. Therefore advertising is important.

Monica 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 components he leaves out many factors that could stimulate the growth and development of small-scale enterprises such a provision for adequate finance, employing skilled employees, ensuring employee discipline at the work place, customer care, which I think that they could be vital n the growth and development of small scale enterprises.

Haston'(2015) assert 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 enterprise such as good customer care, adequate finance, ensuring well organized structures, proper marketing strategies, ensuring employee discipline in the organization.

Hoston (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 one the growth and development of small-scale enterprises such as the use of capital intensive techniques 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 Mc Farlin (2013) suggests 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 business.

The researcher puts his 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 skills advancement, adequate financing, good customer cares and ensuring quality control measures, and encouraging employee discipline in an organization.

Geri Stengel (2003) emphasizes 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 or 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 enterprises.

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 'I 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 flow 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, ensuring good quality standards, customer care which are very essential to the growth and development of small-scale enterprises.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the description of the research design, study area, population size, sampling procedures, data sources, collection methods. It is where the researcher's necessary conclusions of the study were discussed vividly and precisely

3.1 Research design

The researchers used descriptive and explanatory research design, to collect and analyze data.

Descriptive research design focused on perception, verbal responses and thoughts was qualitative data. Under this type of research design a researcher has no control on what she or he is investing such as why is it so? Or why it has occurred but what facts have made it occur or happen.

Explanatory research design focused on observation on what took taking place.

3.2 Study population

The study used an accessible total population of 50 respondents including clients or customers, employees, sub county tax revenue collectors and businessmen.

3.3 Sample size and selection

Table 1: sample size of the respondents

Population category	population	sample	Sampling technique
Clients or customers	10	10	Purposive
Employees	20	15	Simple random
Sub county tax revenue collectors	5	2	Simple random
Businessmen	15	10	purposive
Total	50	37	

3.4 Sampling techniques and procedures

The study used probability and non probability techniques. Probability sampling refers to methods of selecting 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 the sample is based on the subjective judgment of the researcher (Amin, 2005). As indicated in the table above, the study used simple random sampling to select employees and tax revenue collectors. In using the simple random sampling, the study used the lottery approach where names were written on a rag and one picked at a time until the required number was reached. The study used purposive sampling to select contract committee the remaining categories since they were presumed to possess specialized information and knowledge of microfinance institutions loans.

3.5 Data collection sources

3.5.1 Primary data

The researcher collected fresh data, and for the first time from employees, tax revenue collectors, customer and businessmen.

3.5.2 Secondary data

The researcher used secondary data which was collected from small-scale enterprises books of accounts like end of year income statement, balance sheet, magazines, news papers, books or original entry like cash books, journals were considered. Internet was also used. The main purpose of using data from these two sources was to help derive meaningful interpretation of findings.

3.6 Data collection methods and instruments

3.6.1 Questionnaires

This is the main tool of data collection that was used. It contained several questions items related to the topic of the study. The questionnaires were administered to the respondents selected within the sub-county to capture the opinion of the respondents and minimize bias. The researcher produced a covering letter to the questionnaires explaining the academic purpose of the study and the assurance of the confidentiality. It was used because it was convenient for the staffs that didn't have enough time for the interview,

reliable and dependable since questions were standardized and avoided element of biasness, required fewer skills to administer since the sample size was small, and less expensive apart from stationary cost.

3.6.2 Observation

The researcher used observation as a tool for data collection. This helped the researcher to critically observe the projects. Which the beneficiaries have ventured into and the records. This was used because of its being less costly and helped the researcher to get information where respondents were not willing to provide information. The researcher also used it, in that the researcher easily identified the constraints encountered by the beneficiaries.

3.6.3 Interviewing

The researcher also used interview as a tool for data collection. This helped the researcher to be in close contact with the beneficiaries of the study in order to get relevant data depending on the research questions of her/ his topic.

3.7 Validity and reliability of instruments.

In a bid to ensure validity of questionnaires and interview guide, the researcher designed a questionnaire that specifically captured - data that addressed the researcher questions. To ensure reliability the same questionnaire was used several times under some conditions 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.

3.8 Data processing

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

Editing of data included crosschecking 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 the responses obtained by the filled questionnaires by use of tallies.

Tabulation: in relations to tabulation, the researcher used tables to show all the frequencies responses got or revealed.

3.9 Limitations to the study

The following burdened the study

1) Poor record keeping of small scale business enterprises because they lacked the book keeping skills.

2) Limited financial resources on the side of the researcher. The researcher was an unemployed student so was likely to meet financial difficulties along the way.

3) Difficulty in allocating scarce resources.

4) There will be likely problem of lack of enough time to carryout adequate research about the topics.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND ANALYSIS

4.0   Introduction

This chapter and interprets data from the field that is Namaingo town council in Namaingo Districts. It discusses the findings with the aim of the objectives of the study.

4.1   Demographic characteristics of the respondents

Some of the back ground characteristics that the study took into consideration include. The highest level of education, professional background, and the times served in small scale enterprises, the nature of capital employed the cause of slow growth and development of small-scale enterprises and the possible solution.

The findings from the study as presented below:

4.1.1   The highest level of education

The researcher asked the respondents about their highest level of education and the findings are presented in the table below;

Table 1: showing the highest level of education of respondents

	Frequency	percentages
Masters	05	10%
Degree	10	20%
Diploma	10	20%
A-Level	10	20%
O-Level	15	20%
Primary	00	00%
Below primary	00	00%
Total	50	100%

Source: primary data 2018

Results in table 1 above indicates that information was obtained from respondents with different levels of education and results were that 15 respondents were O-level leavers, 30% constituted the degree, diploma and A-level leavers followed by masters with 10% and none with a PHD and no one was in primary and below sub-county were O-level leavers. Getting information from varying educational level of respondents helped the researchers to obtain dependable and unbiased information.

Graph showing the highest level of education of respondents.
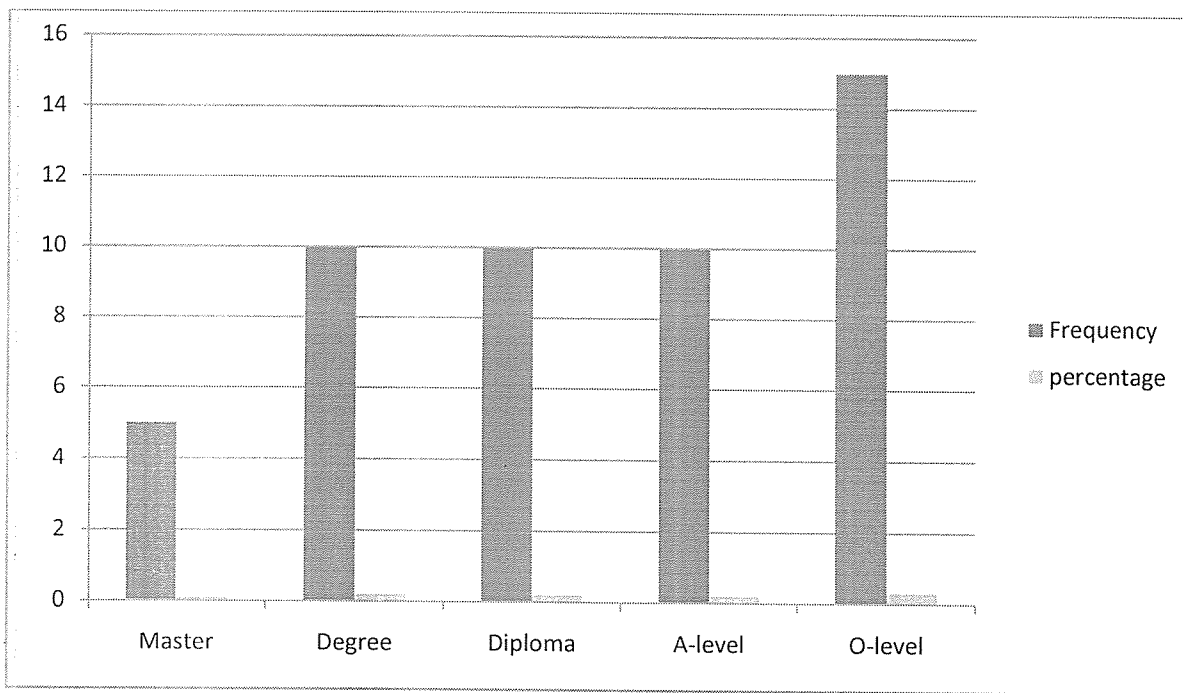
The graph shows that the height number of respondents were 15 respondents who were O-level leavers represented by 30% and the lowest number of respondents were 5 who held Master represented by 10%.

4.1.2 The professional background

The researcher sought to find the professional background of respondents and these are the findings presented in table 2:

Table 2: showing the professional background of respondents

Category	Frequency	Percentage %
Business managers	05	10%
Teachers	10	20%
Employees	15	30%
Business consultants	00	00%
Entrepreneur	15	30%
Tax collectors	05	10%
Total	50	100%

Source: primary data 2018

Table 2 above shows that 30% of the respondents were entrepreneurs and employees, 20% were teachers and 10% of the respondents were business managers and tax collectors. The findings imply that business entrepreneurs and employees were willing to give mere information and had more knowledge about the study to the number in the table 2 above.

Graph to show professional background of respondents
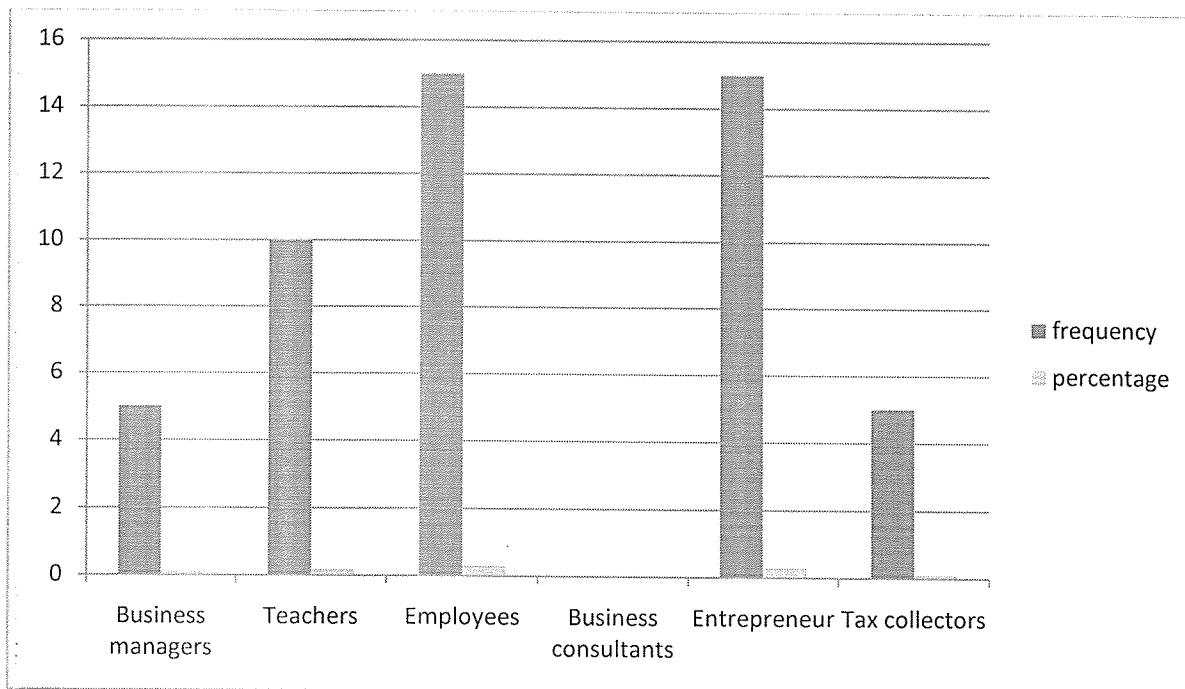
Graph shows that the highest numbers of respondents were the employees and entrepreneurs and this implies that the researchers obtained the relevant data for the study.

4.1.3 The time served in small-scale enterprises

The respondents were asked by the researcher about for how long have been serving in small-scale enterprises and the findings on this question are presented as below in table 3.

Category	Frequency	Percentage
Less than a year	05	10%
1-3 years	20	40%
4-6 years	15	30%
10-15 years	10	20%
Total	50	100%s

Source: primary data 2018

Results from table 3 above indicate that 10 of the respondents have been in small-scale enterprise for a period of less than a year, 40 have been in business between 1-3 years, 30% have been in business for a period of 4-6 years and 20% of the respondents have been in business between 10-15 years. This implies that most of the small-scale entrepreneurs in Namaingo town council have served for the period between 1-3 years.

Therefore dependable and unbiased information was obtained from varying categories of entrepreneurs.

Graph showing time served in small-scale enterprises
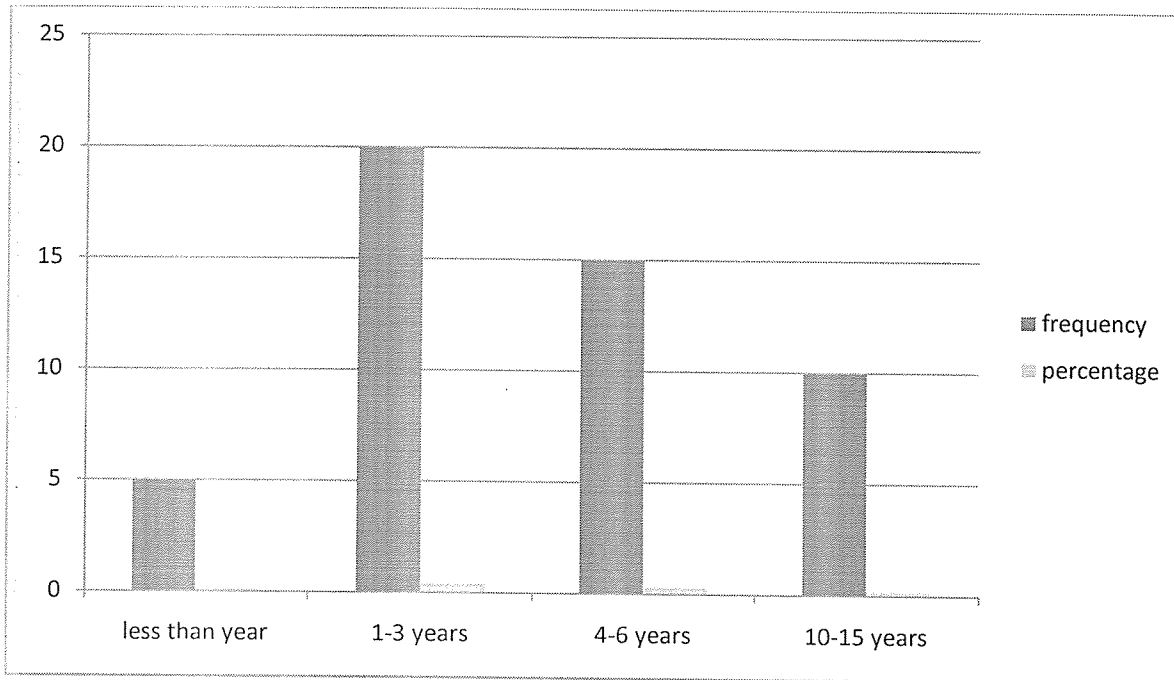
The graph shows that most of the respondent had served in small-scale enterprises for 1-3 years and lowest number of respondents had served in small-scale enterprises for less than a year.

Objective one

4.1.4   The nature of capital employed by entrepreneurs

The researcher sought to find out the nature of capital employed by the respondents as table 4 represents below;

Table 4: showing the nature of capital employed.

Nature of capital	Number of respondents	Percentage %
Shs50,000- shs100,000	10	20%
Shs200,000-shs 500,000	25	50%
Shs1,000,000-shs 1,500,000	10	20%s
Shs2,000,000 and a above	05	10%
Total	50	100%

Source :primary data 2018

Table 4 represents that the majority of the respondents had capital ranging from 200,000-500,000, represented by 50% where as few of the respondents had capital; invested ranging from 2,000,000 and above and were represented by 10%.

Graph showing the nature of capital employed.
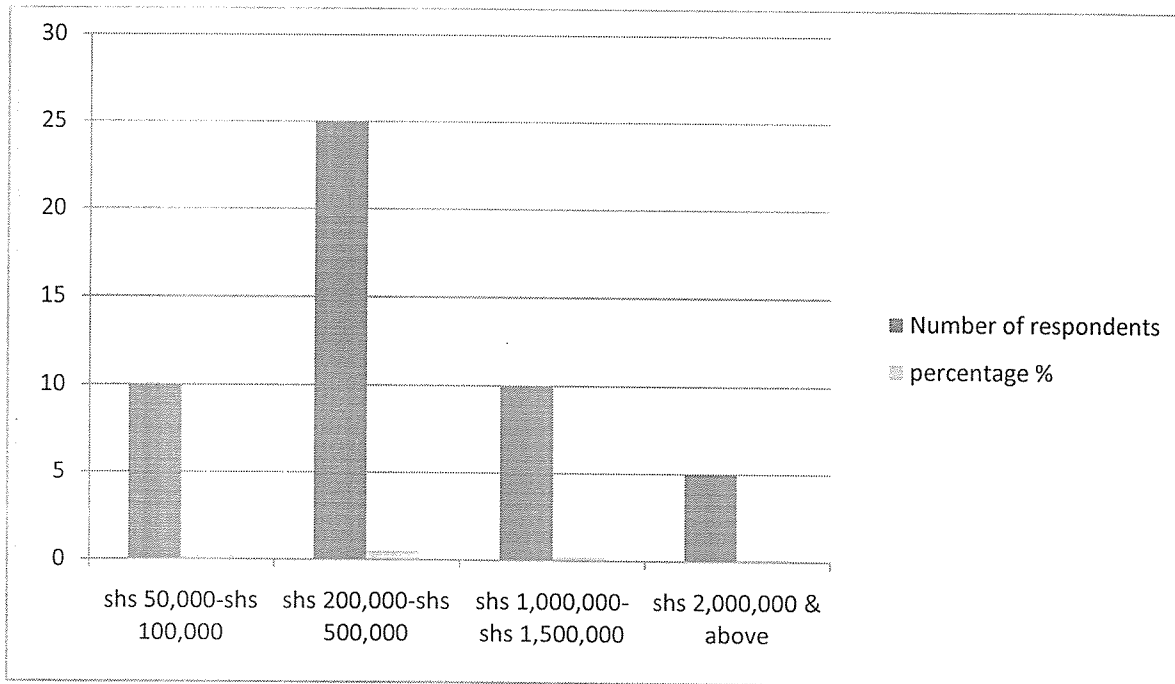
Graph shows that the majority of the respondents had capital invested ranging from 200,000-500,000, represented by 50% whereas few of the respondents had capital invested ranging from 2,000,000 and above and were represented by 10%.

4.1.5 The number of employees employed by small-scale entrepreneurs

The researcher asked the respondents about the number of employees employed in small-scale enterprises and the finding are shown in the table below:

Table 5: showing the number of employees of the respondents

Category	Frequency	Percentage
2-3 employees	20	40%
2-20 employees	15	30%
10-50 employees	10	20%
20-100 employees	05	10%
Total	50	100%s

Primary data 2018

Findings from the table above show that most of the small-scale enterprises in Namaingo town council employ 2-3 employees and this has been represented by 40% whereas some small-scale enterprises in Namingo town council employ 20-100 employees as represented by 10%.

Pie chart showing the number of employees of the respondents

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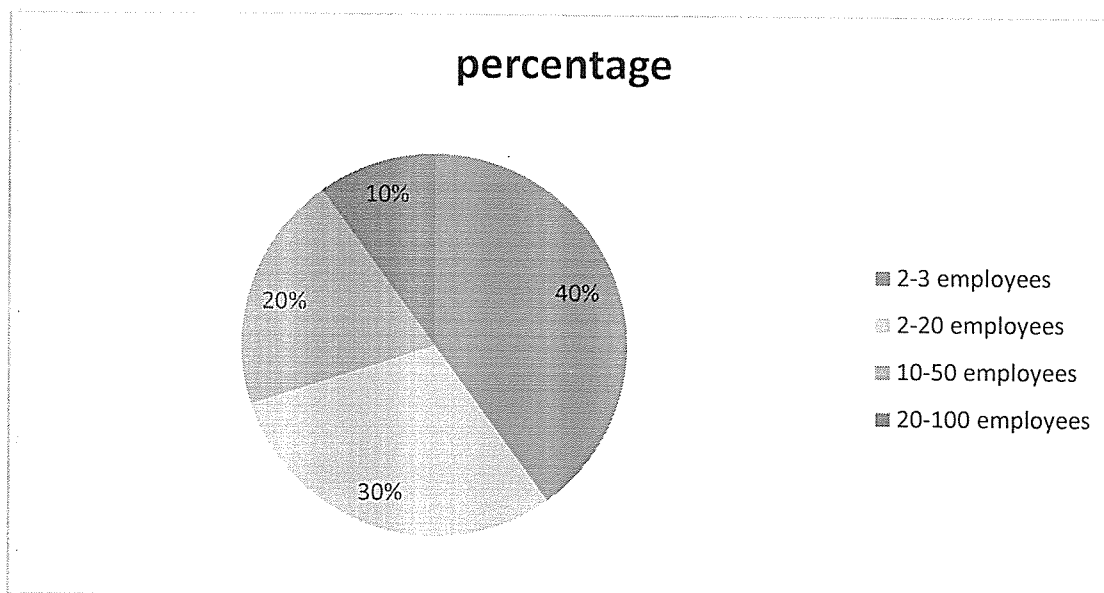
The pie-chart above shows that most of the small scale enterprises in Namaingo town council employ 2-3 employees and this has been represented by 40% whereas some small scale enterprises in Namaingo town council employ 20-100 employees as represented by 10%.

4.2. **Objective two: the causes of slow growth and development of small-scale enterprise.**
The purpose of objective two was to establish the cause of the slow growth and development of small-scale enterprises in Namaingo town council. these causes include; inadequate industrial-education and training by the business owners to their employees, poor management and 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 improved infrastructures in form of roads, stiff competition among others as reported by respondents in the table below;
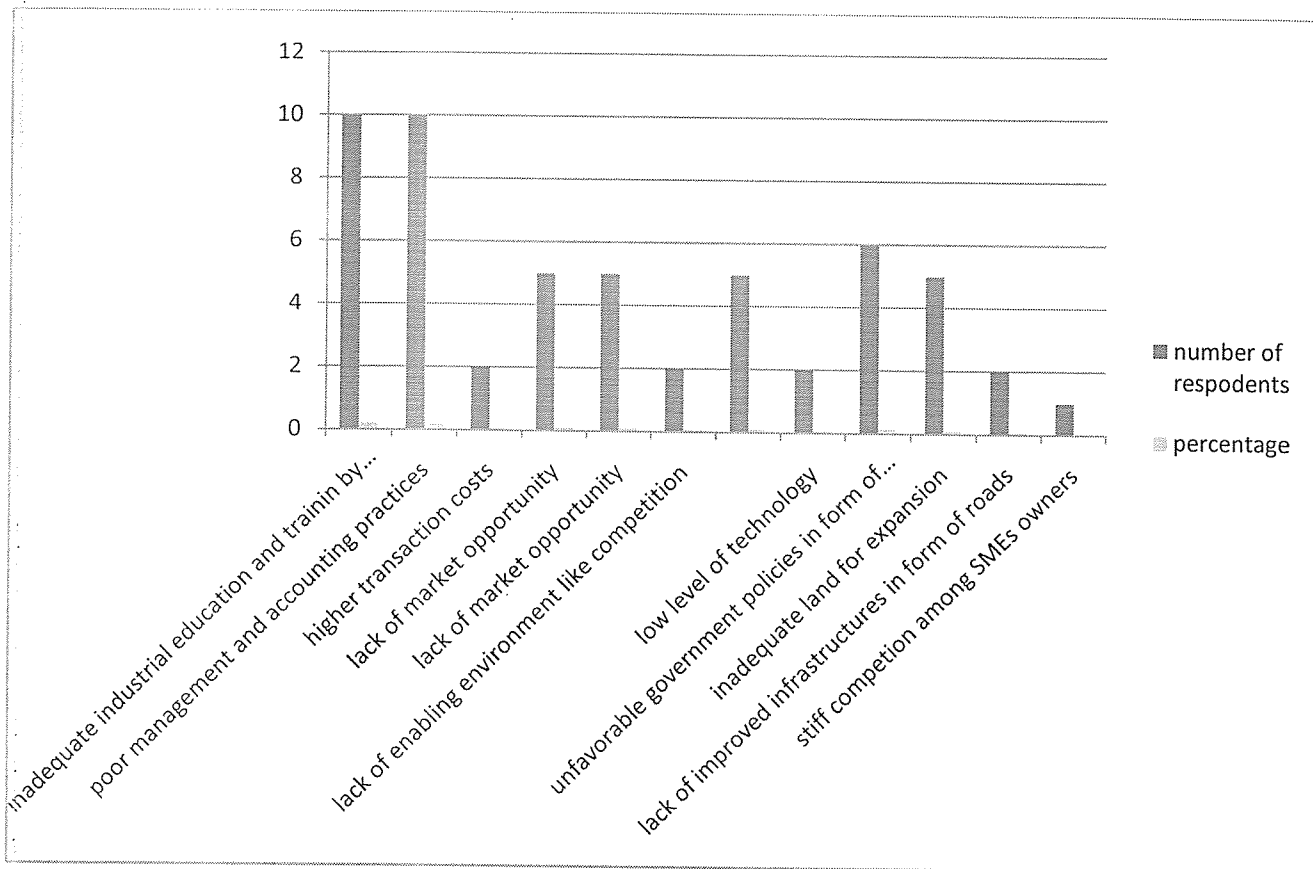
Table 6: presenting the cause of the slow growth and development of small-scale enterprises in Namaingo town council.

Response	Number of respondents	percentage
Inadequate industrial education and training by the business owners to their employees	10	20%
Poor management and accounting practices	10	20%
Higher transaction costs	02	4%
Lack of market opportunity	05	10%
Lack of market opportunity	05	10%
Lack of enabling environment like competition	02	4%
Inadequate management like business knowledge, poor management	05	10%
Low level of technology	02	4%
Unfavorable government policies in form, of heavy taxes	06	12%
Inadequate land for expansion	05	10%
Lack of improved infrastructures in form of roads	02	4%
Stiff completion among SMEs owners	01	2%
Total	50	100%

Source: primary data 2018

The table above shows that the majority of the respondents were of the view that proposed inadequate industrial education and training by the business owners to their employees was the major cause of the slow growth and development of small scale enterprises represented by 20%, where 2% of the respondents argued that stiff competition among SMEs owners is the major cause of the slow growth and development of small scale enterprises in Namaigo town council.

Graph presenting the cause of the slow growth and development of small-scale enterprises in Namaingo town council.

The graph shows that the majority of respondents were of the view that proposed inadequate industrial education and training by the business owners to their employees was the major cause of the slow growth and development of small scale enterprises represented by 20%, whereas 2% of the respondents argued that stiff competition among SMEs owners is the major cause of the slow growth and development of small scale enterprises in Namaingo town council.

4.3 Objective 3: response towards the strategies that can be used to improve on the slow growth and development of small-scale enterprises in Namaingo town council.

These are outlined in the table 7 below;

Table 7 shows the strategies that can be used to improve on the slow growth and development of small-scale enterprise by respondents.

Responses	Number of respondents	Percentage
Equitable allocation of raw-materials, improvement in techniques of production.	08	16%
Encouragement of employee industrial education and training.	10	20%
Adequate funding through bank loans and subsidies	10	20%
Ensuring customer retention through building customer loyalty	04	8%
Improving the methods and techniques of production to replace automated equipment.	05	10%
Improving on government policies like imposing appropriate, taxes, giving subsides.	15	30%
Government to emphasis export strategy to widen the market.	08	16%
Total	50	100%

Source: primary data

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

Graph shows the strategies that can be used to improve on the slow growth and development of small-scale enterprise by respondents.
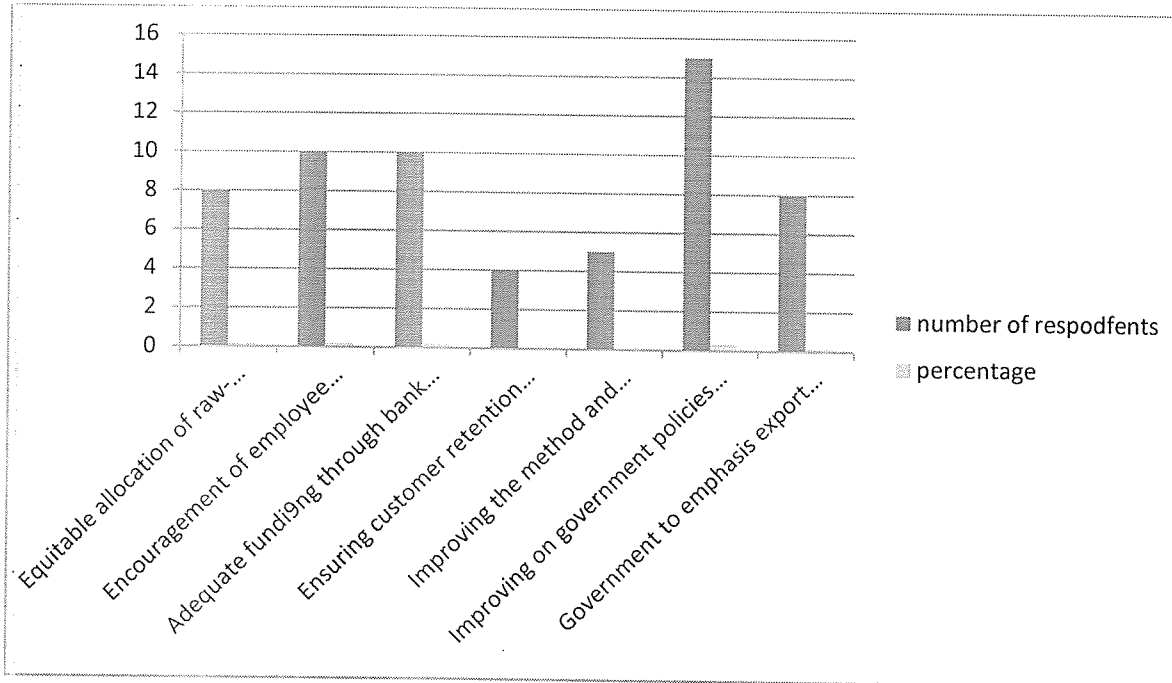
The graph shows that majority of the respondents were of the view that there should be an improvement in government policies such as taxation, and the lowest number of respondents were of the view that reduce on slow growth and development of small-scale enterprise in Namaingo town council, small scale enterprises should customer retention.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0. Introduction.

Chapter five presents the summary, conclusion from the data analysis as well as recommendation of this research with focus on research questions identified in chapter one as well as purpose of the study.

5.1. Summary.

The study was to find out the factors that have hindered the growth and development of small scale enterprises; to find out the level of capital employed by small scale enterprises, to identify & the causes of slow growth and development of small scale enterprise and to suggest possible solutions to the slow growth and development of small scale enterprises in Namaingo town council.

A survey questionnaire was developed and used to collect data from a cross section of A total of 16 survey questionnaires were received and analyzed and it that role of microfinance institutions plays a great role on the development medium enterprises.

The study examined the causes of slow growth and development of small scale enterprise in Namaigo town council in Namaigo District and findings revealed that inadequate industrial on and training by the business owners to their employees, Poor management and ting practices. Higher transaction costs, Lack of market opportunity, Stiff competition among SMIs owners. Lack of enabling environment like competition. Inadequate management, like business knowledge, poor management, Low level 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 contributing Factors to the slow growth and development of SMEs.

The study went ahead to assess the possible solutions that can aid in reducing slow growth and development of SMEs in Namaingo town council in Namaingo 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 emphasis export strategy to widen the market, Improving the methods and techniques of production to replace automated equipment, Improving on government policies like imposing appropriate taxes, giving subsides 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 enterprise in Namaingo town council.

Results were got from Namaingo town council in Namaingo district and also examined the difference in the firm's financial conditions of different groups of SMEs 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 MFIs play a very important role in generating out of SMEs. This further explains the relationship between participants of microfinance and the development of SMEs in terms of revenue growth and net profit and net profit growth.

5.3   Recommendations

The findings in the report indicated that MRs have to a larger extent played important role of the development of SMEs, Thus reducing slow growth of SMEs. However they should also implement the following recommendations;

The membership fee for the new applicants should be reduced so as to incorporate the very. Poor into the system this will enable them get access to the products and services that these is just above the poverty line enjoy.

The mode of repayment should be revised so that the poorest can borrow without collateral. This should be done in a way that will increase the frequency of repayments and this is known to reduce the risk of nonpayment.

Group based lending should be encouraged. This will serve as a means to increase its depth since poor and or women cannot have information of a group, member of that

group may apply for the services and members in the group act as guarantors for the others.

The government of Uganda should sensors SMEs on the operations of MFIs. This can be done through a wariness creation on the purpose and activities of MFIs and where they can be reached.

To further entrances the role of microfinance banks plays themselves should source for more funds by means of share subscription and appeal for more financial and operational support from government for the development and growth of SMEs.

5.4 Topics for further research.

Due to the data unavailability, research could not further study the role of MFLs on the development of SMEs over long term.

Further research can be done on debt financing ratio to business performance and debt equity ratio management in business.

The effect of corporate governance on performance of micro financial institution in developing small scale medium enterprises.

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APPENDICES

Appendix 1: the components of the questionnaire

Dear respondents.

I **Kagoma Akimu**, A student at Kampala International University pursuing a bachelor's degree education. I am currently conducting a research on the factors that hinder the growth and development of small-scale enterprises in Namaiga town council. In light of this, you are kingly requested to spare a few minutes of busy schedule and participate in this study ghing your input in this questionnaire. Your responses will be highly appreciated and used for academic purpose only. It will therefore not in any way affect your status or position as it will be handled with maximum confidentiality.

APPENDIX (i): The Components of the Questionnaire

SECTION A: BACK GROUND INFORMATION (TICK AS APPROPRIATE)

1. Your highest level of education

Master ☐

Degree 1 ☐

Diploma ☐

0-level ☐

Primary ☐

Below primary

2. Your professional background

Business management ☐

Teacher ☐

Employee ☐

Tax collector ☐

Business consultants ☐

Entrepreneur ☐

3. How long have you served in small-scale enterprises?

Less than a year ☐

1-3 years ☐

4-6 years ☐

10-15 years ☐

SECTION B: NATURE OF CAPITAL EMPLOYED

1. Which range of capital do you employee in your business?

Shs10, 000-shs20, 000 ☐

Shs50, 000-shs100, 000 ☐

Shs200, 000-shs500, 000 ☐

Shs1, 000,000-1,500,000 ☐

Shs2, 0000,000 and above ☐

2. How many employees do you have?

2-3 employees ☐

2-20 employees ☐

10-50 employees ☐

20-100 employees ☐

SECTIONC: THE CAUSE OF SLOW GROWTH AND DEVERLOPMENT OF SMALL-SCALE ENTERPRISES.

Indicate the extent to which you agree or disagree with the following statement on the causes of slow growth and development of small-scale enterprises on a scale of 5-strongly agree, 4-agree, 3-not decided, 2- degree, 1-strongly disagree.

No	statements	1	2	3	4	5
1	Inadequate industrial education and training by the business owners to their employees hinders the growth of SMEs.					
2	Poor management and accounting practices cause slow growth of small enterprises.					
3	Smaller enterprises face higher transaction costs than larger enterprises in obtaining credit.					
4	Lack of market opportunity is a constraining factor for SMEs development.					
5	Lack of enabling environment like competition for finance, market, lead to the show growth and development of small scale enterprises.					
6	Inadequate management, like business knowledge, poor management, inadequate planning and experience, hinders the growth of small scale industries.					
7	Low level of technology which results into high costs of production and in competitiveness hinders the growth of small business.					
8	Unfavorable government policies in form of heavy taxes, preferential treatment of foreigners affect the growth of SMEs.					
9	Inadequate land for expansion has hindered the growth and development of small scale business.					
10	Lack of improved infrastructures in form of roads,					

	buildings is big constraints to the growth and development of SMEs.					
11	Stiff competition among SMEs owners in form of ready market production of homogeneous products hinders their growth.					

SECTION D: THE POSSIBLE SOLUTIONS

Indicate the extent to which you agree or disagree with following statements on the cause of slow growth and development of small-scale enterprises on a scale of 5-strongly agree,4-agree, 3-nit decide, 2-disgree, 1-strngly disagree.

NO	Statement	1	2	3	4	5
1	Equitable allocation of raw materials, improvement in techniques of production improves on the growth of small-scale enterprise					
2	Industrial education and training to increase on employee skills and experience and improvement on techniques of production could boost the growth and development of a small-scale enterprise.					
3	Adequate finance through giving out loans and government subsidies to small-scale entrepreneurs could boost their growth and development.					
4	Small scale business owner to focus on customer retention whereby building customer loyalty is cheaper than getting a new customer could improve on the growth and development of small-scale business.					
5	Improvement in the methods and techniques to replace their automated equipment such as use of capital intensive techniques than labour intensive could boost the growth and development of small-scale business.					
6	Change in government policies like imposing appropriate taxes, giving subsidies to small scale entrepreneurs boost their growth					
7	The government's effort of emphasizing export strategy to widen the market whereby a small business owner					

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	could sell outside the country could boost he growth of small-scale enterprises.					

SECTION E: LEVEL OF CAPITAL EMPLOYED BY SMALL SCALE ENTERPRISES

Indicate the extent to which agree or disagree with the following statement on the level of capital employed by small-scale enterprises on a scale of 5-strongly agree, 4-agree, 3-not decided, 2-disagree, 1-strongly disagree.

No	Statement	1	2	3	4	5
1	In Uganda small business can employ 2 employees and medium can employ less than 10 employees therefore, the levels of capital employed by small-scale enterprises are estimated differently according to different economies.					
2	The number of people employed may not be a good indicator especially if the industry is labour intensive approach can transit huge sums of business worth transaction yet they employ a few people consequently.					
3	The level of entrepreneurship has (PDF) Micro, small and medium enterprises arou8nd the world-IFC, employees, small: 10-49 employees and medium: 50-249...these actions can be taken first of the regional level.					
4	A micro business is any enterprise with less than or equal to 9 employees and a...level of capital formation by these businesses.					
5	A small enterprise is one employing a maximum of 50 people with annual sales turnover of maximum shs 360 million and total assets of maximum shs 360 million. A medium enterprise employs more than 50 people, with annual sales turnover of more than shs 360 million and total assets of more than shs 360 million.					
6	A micro business is any enterprise with less than or					

	equal to 9 employees and a....level of capital formation by these businesses.					